

remarkable

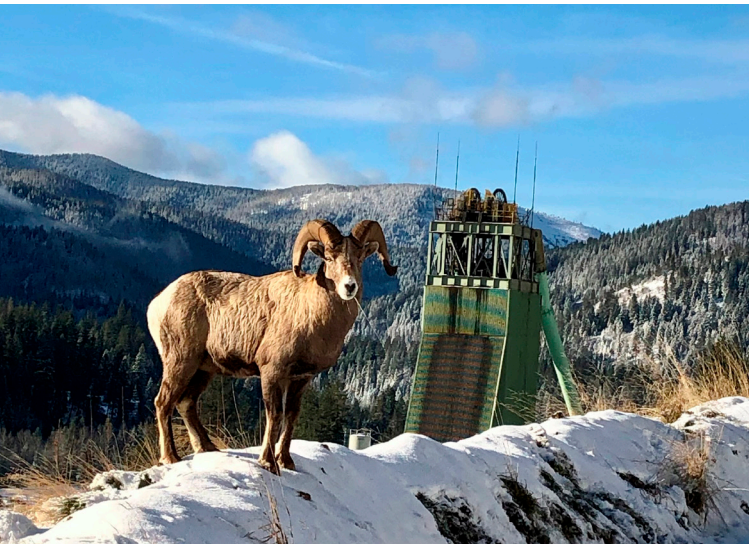


HECLA MINING COMPANY
2020 ANNUAL REPORT

1891-2021

130





A remarkable year: A relentless global pandemic. Political change and social unrest both at home and abroad. An increased focus on climate change and a renewed appreciation for the vulnerabilities in our country's supply chain. A human and economic crisis unlike anything in recent memory.

A remarkable company: Hecla chose to meet the challenge head-on, successfully navigating these uncharted waters while protecting not only our workforce, but also the communities in which we operate. Our response to these world-historic events not only saw us through a difficult and challenging year – our 130th in business, a noteworthy achievement in and of itself – but also set the stage for decades of success to come.

FOUNDED IN 1891, HECLA MINING COMPANY IS THE LARGEST SILVER PRODUCER IN THE UNITED STATES. IN ADDITION TO OPERATING MINES IN ALASKA, IDAHO, AND QUEBEC, THE COMPANY OWNS A NUMBER OF EXPLORATION PROPERTIES AND PRE-DEVELOPMENT PROJECTS IN WORLD-CLASS MINING DISTRICTS THROUGHOUT NORTH AMERICA.



FINANCIAL HIGHLIGHTS

Dollars in thousands except in per share and per ounce amounts/as of December 31.

FINANCIAL DATA AND RATIOS

	2020	2019
Sales of products	\$ 691,873	\$ 673,266
Gross profit	\$ 145,703	\$ 23,399
Cash flow provided by operating activities	\$ 180,793	\$ 120,866
Net loss	\$ (16,790)	\$ (123,658)
Net loss applicable to common shareholders	\$ (17,342)	\$ (100,109)
Basic loss per common shares after preferred dividend	\$ (0.03)	\$ (0.20)
Cash and cash equivalents	\$ 129,830	\$ 62,452
Capital expenditures	\$ 99.9	\$ 128.1

YEAR-END DATA

Common shares outstanding (in thousands)	531,666	522,896
Weighted average number of shares outstanding for the year – basic (in thousands)	527,329	490,449
Employees	1,591	1,622

OPERATIONAL DATA

Silver production (oz)	13,542,957	12,605,234
Gold production (oz)	208,962	272,873
Lead production (tons)	34,127	24,210
Zinc production (tons)	63,112	58,857
Cost of sales and other direct production costs and depreciation, depletion and amortization – silver	\$ 297,935	\$ 278,849
Cost of sales and other direct production costs and depreciation, depletion and amortization – gold	\$ 248,235	\$ 371,018
All-in sustaining cost, after by-product credits, per silver ounce ⁽¹⁾	\$ 11.89	\$ 10.13
All-in sustaining cost, after by-product credits, per gold ounce ⁽¹⁾	\$ 1,302	\$ 1,411
Cash cost, after by-product credits, per silver ounce ⁽²⁾	\$ 5.70	\$ 2.93
Cash cost, after by-product credits, per gold ounce ⁽²⁾	\$ 1,045	\$ 1,066

(1) All-in sustaining cost (AISC), after by-product credits, represents a non-U.S. generally accepted accounting principles (GAAP) measurement, a reconciliation of which to cost of sales and other direct production costs and depreciation, depletion and amortization, the closest GAAP measurement, can be found in the 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) section in the Company's Form 10-K. AISC, after by-product credits, includes cost of sales and other direct production costs, expenses for reclamation and exploration, and sustaining capital costs at the mine sites. AISC, after by-product credits, for our consolidated silver properties also includes corporate costs for all general and administrative expenses, exploration and sustaining capital which support the operating properties. AISC, after by-product credits, is calculated net of depreciation, depletion, and amortization and by-product credits.

(2) Cash cost, after by-product credits, per silver and gold ounce, are non-GAAP measurements. A reconciliation of which to cost of sales and other direct production costs and depreciation, depletion and amortization can be found in the in the 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) section in the Company's Form 10-K.



Phillips S. Baker, Jr.
president and
chief executive officer

Dear Shareholder, 2020 was truly a *remarkable* year. Because despite the seemingly overwhelming challenges of operating during a global pandemic – when many in our industry had to suspend guidance and shut down operations – Hecla’s people stepped up: It was the safest year in our 130-year history, silver production was 7 percent higher than the year before and more than 30 percent higher than 2018, and we had the highest gross revenues in our history.

It was an extraordinary performance that enabled us to reduce net debt, increase dividends, refinance bonds, and double our planned exploration expenditures – all while more than doubling last year’s cash position. *Remarkable.*

In a way, I guess it comes down to who we are. We’re miners: resourceful, adaptive, innovative. The ability to operate safely in a rapidly changing environment is part of who we’ve been since 1891.

Key to our success in 2020 was our early, measured, and evolving response to the COVID-19 pandemic. At the end of January, when the U.S. closed the border with China, we immediately went into action, modifying our already robust health and safety protocols and accelerating our filings so we could refinance our senior notes just two weeks later.

At Greens Creek, our team – before it was required – implemented two key changes to limit virus exposure at the mine on Admiralty Island. The first was a quarantine period of two weeks, with all employees staying in a controlled hotel in Juneau before going to the mine; the second was a change to employees’ work schedules to four consecutive weeks. The sacrifice that our workforce made to keep Greens Creek running was exceptional, and my thanks goes to the whole team for keeping the mine operating at an extraordinary level. Protocols changed as we implemented more COVID testing over the year – generally three tests and a quarantine period before anyone could come to the mine. Those changes, along with the dedication of our employees, led to the most revenue in Greens Creek’s, and Hecla’s, history.

The news isn’t all COVID-related, of course. Early in the year we resolved the strike at the Lucky Friday mine, where the ramp-up to full production resulted in more than three times 2019’s silver

“Hecla’s always been behind the local businesses.”

James Shields, owner, Idaho Silver Shop, Wallace

Hecla’s rapid response to COVID-19 not only protected our workers, our operations, and the communities in which we operate, but also mitigated the pandemic’s impact across the entire company.

It began not in February when we immediately implemented recommended protocols, restricted site staff to essential personnel and contractors, and stockpiled critical mining supplies – up to six months’ worth – to protect against possible future supply disruptions. Nor did it begin back in 2019 when we took significant measures to de-risk all aspects of the business – including buying put options to offer some protection from recent weakness in silver and gold prices while maintaining exposure to the upside. No, it began in 1891 when Hecla was founded on a culture of preparedness and flexibility that has enabled us to weather economic crises, world wars, and more than one global pandemic.

But nothing has been more important in 2020 than providing much-needed support to our communities – a Hecla tradition for 130 years. And we had some fun with it, like when we created “Hecla Bucks,” a program that gives our employees vouchers to purchase goods and services from local businesses – a win-win for our workers and our communities.

production. At Casa Berardi, we saw increased throughput and higher grades in the fourth quarter. And Greens Creek continued to deliver, despite two significant weather events in November and December that triggered flooding and mudslides throughout the region. Thanks to training,

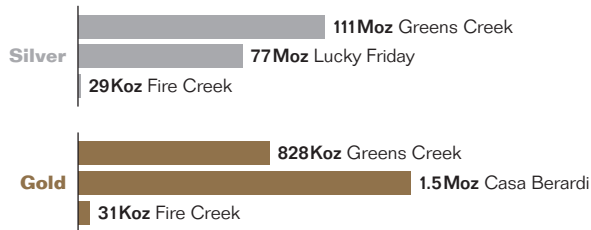
organization, and commitment, our workforce turned in impressive performances across the entire company. *Remarkable.*

For the past 30-40 years, we've been employing a particular method of mining at the Lucky Friday that focused on safety and productivity; but, with our depths, the mine has been limited to about 850 tons a day. So for some time now we've been working to devise an approach that is even safer and more productive. We're focused on two: a drilling and blasting method that testing shows controls the seismicity of the mine by blasting larger areas, and the use of a Remote Vein Miner (RVM) that cuts the rock, eliminating drilling and blasting. We expect more testing of the drill and blast method this year and of the RVM in 2022, and believe that either – or a combination of the two – could potentially increase our tons per day by 30 to 40 percent, approaching the limit of our milling capacity. It is an exciting time at the Lucky Friday.

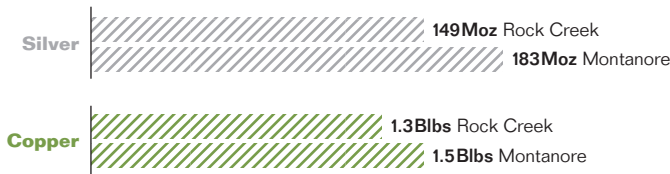
In our 2019 annual report, I said that I firmly believe that our Nevada properties will have drilling programs that expand on new discoveries of high-grade mineralization. I'm even more convinced now. The reason we acquired these properties is that they all have a history of one-ounce head-grade production. In the first hole at our Midas property – which is one mile outside the previously explored area in a new system – we hit one-ounce material. While it's very early days, additional holes have confirmed nearly a thousand feet of mineralization, so we expect to be drilling and evaluating the discovery for most of 2021.

Silver has always had a monetary characteristic, particularly over the last year with the Federal Reserve and other government responses to COVID: \$2 trillion of currency and \$5 trillion of federal

PROVEN AND PROBABLE RESERVES



INFERRED RESOURCES



“The signing of this agreement marks a new beginning and sets the table for years of collaboration to come.”

Chief Monik Kistabish, Abitibiwinni First Nation

Hecla continued to demonstrate its respect for indigenous peoples with the signing of a Cooperation Agreement between the Council of the Abitibiwinni First Nation and Hecla Québec for the exploration, development, and operation of Casa Berardi mine projects north of La Sarre in Abitibi-Témiscamingue.

Under the terms of the agreement, both parties will undertake to consolidate positive and mutually beneficial relationships based on trust and respect. Objectives include developing and maintaining a long-term relationship between the parties, providing for real and meaningful participation in the Casa Berardi mine projects through, among other things, training programs, employment and advancement opportunities, business opportunities, and environmental protection measures. The agreement also provides for a mechanism that will enable the community to benefit financially from the long-term success of Casa Berardi mine projects.

debt added to our economy in just over one year. But history tells us that what they've done both monetarily and fiscally has a consequence. For precious metals, it is an increase in value.

You can see it over the last 20 years. At the start of the millennium, gold was at \$360, silver \$3.95. What happened? The bursting of the dotcom bubble and 9/11, followed by massive government stimulus not only in the U.S., but also around the world. The 2008 economic crisis was followed by the same response. The result? Gold actually outperformed the S&P 500 from 2000 to 2019. And the last nine months have seen much greater stimulus.

What's even more interesting, though, is that, for all gold has going for it, silver is actually the more useful of the two metals – and its importance is only growing. In 1985, about the year I got into the mining business, the world market for silver was half a billion ounces, roughly a third each to jewelry, investment, and photography. Today, it's a billion ounces, half of which is used in technologies that didn't even exist 35 years ago. *Remarkable.*

That explosive growth in technology isn't done: We are using more silver in the growth of existing technologies and in the development of new ones. About 10 percent of the world's power generation comes from renewable energy (about two percent of which is solar), while policymakers are pushing for solar to account for 20 percent or more. With governments announcing bans on – and car companies announcing an end to – internal combustion engines, electric vehicles, with their higher silver loading, are expected to dominate in the future. We all hear commercials about 5G, and, while we are still in its early rollout around the world, it will require more silver than previous cellular technologies. Because of silver's superior electrical properties, excellent oxide resistance, and durability under harsh operating environments, I expect that the already growing world demand for silver is only going to escalate.

All of this points to a substantially higher silver price. Could it reach the all-time high of \$50 – and stay there? Can it go even higher? We're absolutely in an environment where the price of silver could reach those levels. It's not a straight line – we'll still see ups and downs – but the good news for Hecla shareholders is that, even at current prices, we generate significant free cash flow.

Hecla is the largest primary silver producer in the United States, responsible for more than a third of the country's silver production. And by continuing to embrace new technologies and to innovate, we're going to continue to grow, increasing both our margins and our competitive position. It's going to happen organically, too: Silver production from Greens Creek should be roughly 10 million ounces a year by 2023; Lucky Friday is likely going to hit 5 million.

“[Hecla’s] first-class approach serves today – and will continue to serve in the future – as a classic example of how modern mine reclamation can and should be done.”

Lincoln County (MT) Board of County Commissioners

At the Troy reclamation project in Montana, Hecla partnered with the Confederated Salish and Kootenai Tribes in the seed collection and tribal nursery establishment of some 200,000 seedlings that were then planted over 350 acres. And, as a result of meeting or exceeding regulatory requirements, the Montana Department of Environmental Quality (DEQ) has released nearly \$8 million in financial assurances back to Hecla.

We're now working with the DEQ on finalizing the reclamation schedule for the former mill site, work that will continue for several years. Once the entire project is completed, we'll continue to monitor the mine site for at least 20 years, tracking revegetation progress and overseeing water management programs.

Every dollar increase in the metals price goes to our bottom line. And that net cash flow is growing exponentially because the production costs are primarily driven by fixed costs. In 2020, we generated \$90 million of free cash flow, and if 2021 has prices the same or higher, we expect even more.

So where does that cash flow go? Number one, strengthening the balance sheet; two, exploration (if we have success with the current program); three, dividends. In addition to those three primary areas, we are advancing our Montana assets and expect to be underground there before year-end.

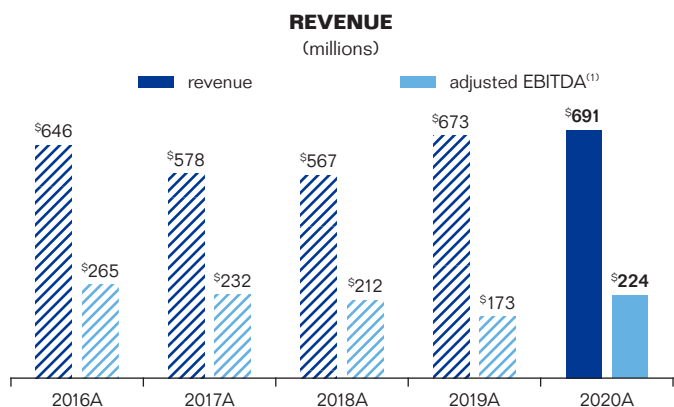
Philosophically, we like to have somewhere in the range of \$100-250 million in cash on the balance sheet; due to an acquisition, however, these last couple of years have been less than that. But at the end of 2020, we were at \$130 million – double where we were at the end of 2019. And since we’re not anticipating any extraordinary expenditures this year or over the course of the next three to four years, that target of \$150-200 million – or even \$300 million – is certainly within reach.

We anticipate doubling our exploration expenditures this year, with the Nevada properties spending about a third of the budget and Greens Creek, Casa Berardi, and San Sebastian combining for about half. I think we’ll certainly add to our reserves and expand on our new discoveries, including ones made at Heva Hosco in Quebec and Kinskuch in British Columbia.

Hecla is one of only a few silver mining companies to pay a dividend. Last year we enhanced our policy, increasing the base

dividend 50 percent and lowering the silver-linked dividend trigger to a realized price of \$25 per ounce. At 12 million ounces of silver production, we pay about \$1.60 per ounce in dividends, a yield of 6% based on that silver price. As the price of silver rises, the dividend rises too – but faster. You can’t earn a return like this from investing in any other mining company, an ETF, or physical silver.

If you’re going to invest in silver or silver-mining equities, risk is the first thing you should be looking at. And jurisdictional risk is going to be at the top of that list, i.e., where the mineralization is located. Hecla is the only investible silver-mining company that doesn’t require investors to take the risk of operating in Mexico, Peru, or China, which together are responsible for about half of the world’s production.



(1) Adjusted EBITDA is a non-GAAP measurement, a reconciliation of which to net income (loss), the most comparable GAAP measure, can be found at the end of this report. Adjusted EBITDA is a measure used by management to evaluate the Company’s operating performance but should not be considered an alternative to net income, or cash provided by operating activities as those terms are defined by GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. In addition, the Company may use it when formulating performance goals and targets under its incentive program.

“We...believe we can help improve the economic and social health of the communities in which we operate by working with key partners on jobs, improved health, and environmental stewardship.”

Hecla Human Rights Policy, September 22, 2020

Hecla regularly engages with its stakeholders – including local communities, indigenous peoples, and government agencies – to identify, understand, and address potential impacts of its operations on human rights.

That commitment, which includes providing assurances that our operations will not support, benefit from, or contribute to unlawful armed conflict, human rights abuses, or breaches of international humanitarian law, was codified in our Human Rights Policy, approved by our board of directors in 2020.

Simply put, being primarily a U.S. producer means much less geopolitical risk. In fact, according to the Fraser Institute's 2020 *Annual Survey of Mining Companies*, Hecla operates in four of the top 10 jurisdictions (out of 77 globally) for investment attractiveness: Nevada ranks first, Alaska fifth, Quebec sixth, and Idaho ninth. Idaho was also number one and Nevada number five in Fraser's Policy Perception Index. *Remarkable.*

But we're also in the right geologic addresses. Greens Creek and the Lucky Friday have the largest and sixth largest, respectively, silver-equivalent reserves of all silver mines in the world. Greens Creek has already generated over \$6 billion of revenue over its 30-year life; the Lucky Friday is more than 75 years old and has its best years in front of it. Casa Berardi sits in the rich Abitibi

gold belt in Quebec. Our Nevada properties are adjacent to the Carlin and Battle Mountain trends. And our Montana properties, Rock Creek and Montanore, combine to make the third-largest undeveloped copper project in the U.S.

It all means that Hecla, a U.S.-based silver company, is operating in some of the most secure – and most productive – jurisdictions in the world.

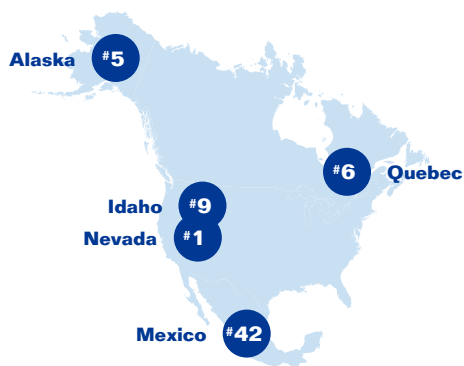
We believe responsible mining is about being transparent and open; a commitment to the safety of our people, the protection of the environment, sound and effective corporate governance and social policies, and continuous improvement through technological innovation. Because those values have been and remain an essential part of our social license to operate – and

are absolutely necessary to improve Hecla's performance and enhance stakeholder value – we will continue to demonstrate leadership in these matters. Our safety record is proof of that commitment to improvement, with an 80 percent reduction in our injury rate since adopting the National Mining Association's CORESafety Program.

2020 was our third year of benchmarking our ESG performance against key metrics of the Sustainability Accounting Standards Board (SASB) metals and mining protocol. We're also doing our

MINING INVESTMENT ATTRACTIVENESS INDEX

Fraser Institute, 2020



“This continued partnership between UAS and Hecla Greens Creek means that another generation of Alaskans will have the support they need to start careers in one of Alaska’s most lucrative and vital industries.”

Casey Bain, career education program coordinator, University of Alaska Southeast

In August, Greens Creek renewed a partnership with the University of Alaska Southeast Center for Mine Training with a gift of \$315,000 for scholarship assistance over the next three years. Pathway to Mining Careers is a world-class workforce development program that prepares Alaskans for key jobs in the mining industry – an industry that’s vital to the state’s economy.

By providing a platform for Alaskans to learn more about and engage with the mining industry, the program exemplifies a commitment to safety and environmental stewardship in the use of Alaskan resources. This latest

investment marks 10 years and \$1.2 million in contributions to UAS since the partnership began. To date, more than 10 percent of the diesel mechanics at Greens Creek started their career paths at UAS.

part to achieve the United Nations Sustainable Development Goals that align most closely with our business. It's important to remember, however, that these efforts are not to satisfy someone else's idea of what we ought to strive for, but because it's who we are as a company. In fact, it's who we've always been.

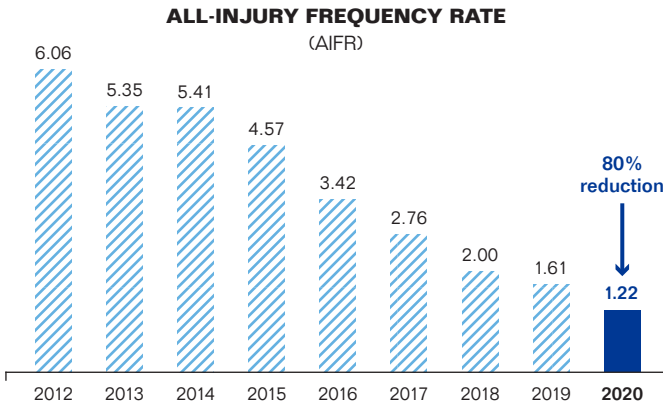
Hecla is typically the largest private employer and taxpayer in the communities where we

operate, which is why we've always felt a deep connection to – and partnership with – those communities. That connection has only been strengthened during this pandemic, as we continued to provide well-paying jobs, contribute to local tax bases, increase our giving through the Hecla Charitable Foundation, and offer hope in uncertain times.

2020 was indeed a remarkable year, proving that Hecla is the right company mining the right metal at the right time. I want to thank our employees for their hard work, their patience and perseverance during the pandemic, and their dedication; our board for their leadership; and our shareholders for their trust and support. I want to welcome Alice Wong as our newest board

member and also extend my personal thanks to board member George Nethercutt, senior vice president and chief financial officer Lindsay Hall, and Hecla Québec vice president of operations and Casa Berardi general manager Alain Grenier, all of whom are retiring this year. We wish them well.

Phillips S. Baker, Jr.
president and chief executive officer
 March 22, 2021



OVER THE LAST 5 YEARS, HECLA MINES, WHICH AFFECT ONLY ABOUT 3,800 ACRES, HAVE HAD AN \$800 MILLION ECONOMIC IMPACT ON THE LOCAL COMMUNITIES WHERE THEY OPERATE.





GREENS CREEK

PRODUCTION **10.5** Moz Ag **48.5** Koz Au
 21.4 Ktons Pb **56.8** Ktons Zn

P&P RESERVES **111.4** Moz @ 12.4 oz/t Ag

M&I RESOURCES **114.7** Moz @ 12.9 oz/t Ag



CASA BERARDI

PRODUCTION **24.1** Koz Ag **121.5** Koz Au

P&P RESERVES **1.2** Moz @ 0.08 oz/t Au open pit
 0.39 Moz @ 0.15 oz/t Au underground

M&I RESOURCES **0.17** Moz @ 0.07 oz/t Au open pit
 1.1 Moz @ 0.14 oz/t Au underground



LUCKY FRIDAY

PRODUCTION **2.0** Moz Ag
 12.7 Ktons Pb **6.3** Ktons Zn
 (full production reached in Q4 2020)

P&P RESERVES **77.0** Moz @ 13.4 oz/t Ag

M&I RESOURCES **86.4** Moz @ 7.7 oz/t Ag



NEVADA

PRODUCTION **37.4** Koz Ag **31.8** Koz Au

P&P RESERVES **31.0** Koz @ 0.48 oz/t Au

M&I RESOURCES **145.0** Koz @ 0.49 oz/t Au
 (Fire Creek, Hollister, Midas)



SAN SEBASTIAN

PRODUCTION **955** Koz Ag **7.2** Koz Au

M&I RESOURCES **15.0** Moz @ 5.9 oz/t Ag



MONTANA PRE-DEVELOPMENT

INFERRED RESOURCES

MONTANORE **183.3** Moz @ 1.6 oz/t Ag
 1.5 Blbs @ 0.7 % Cu

ROCK CREEK **148.7** Moz @ 1.5 oz/t Ag
 1.3 Blbs @ 0.7 % Cu

financials



HECLA MINING COMPANY
2020 FORM 10-K



UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___ to ___

Commission file No. 1-8491

HECLA MINING COMPANY

(Exact name of registrant as specified in its Charter)

Delaware

State or Other Jurisdiction of Incorporation or Organization

77-0664171

I.R.S. Employer Identification No.

6500 N. Mineral Drive, Suite 200

Coeur d'Alene, Idaho

Address of Principal Executive Offices

83815-9408

Zip Code

208-769-4100

Registrant's Telephone Number, Including Area Code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.25 per share	HL	New York Stock Exchange
Series B Cumulative Convertible Preferred Stock, par value \$0.25 per share	HL-PB	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

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. Yes No

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes No

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

The aggregate market value of the registrant's voting Common Stock held by non-affiliates was \$1,705,927,032 as of June 30, 2020. There were 527,839,028 shares of the registrant's Common Stock outstanding as of June 30, 2020, and 535,187,791 shares outstanding as of February 16, 2021.

Documents incorporated by reference herein:

To the extent herein specifically referenced in Part III, the information contained in the Proxy Statement for the 2021 Annual Meeting of Shareholders of the registrant, which will be filed with the Commission pursuant to Regulation 14A within 120 days of the end of the registrant's 2020 fiscal year, is incorporated herein by reference. See Part III.

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Special Note on Forward-Looking Statements

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

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

Risk Factors Summary

The following is a summary of the principal risks that could adversely affect our business, operations and financial results. These risks are described in more detail under *Item 1A. Risk Factors* of this report.

Financial Risks

- A substantial or extended decline in metals prices would have a material adverse effect on us.
- An extended decline in metals prices, an increase in operating or capital costs, mine accidents or closures, increasing regulatory obligations, or our inability to convert exploration potential to reserves may cause us to record write-downs, which could negatively impact our results of operations.
- We have a substantial amount of debt that could impair our financial health and prevent us from fulfilling our obligations under our existing and future indebtedness.
- We have had losses that could reoccur in the future. Our ability to recognize the benefits of deferred tax assets related to net operating loss carryforwards and other items is dependent upon future cash flows and taxable income.
- Our accounting and other estimates may be imprecise.
- Commodity and currency risk management activities could prevent us from realizing possible revenues or lower costs or expose us to losses.

Operation, Development, Exploration and Acquisition Risks

- Natural disasters, public health crises (including COVID-19), political crises, and other catastrophic events or other events outside of our control may materially and adversely affect our business or financial results.
- The COVID-19 virus pandemic may heighten other risks.
- Mining accidents or other adverse events at an operation could decrease our anticipated production or otherwise adversely affect our operations. Our operations may be adversely affected by risks and hazards associated with the mining industry that may not be fully covered by insurance.
- Efforts to expand the finite lives of our mines may not be successful or could result in significant demands on our liquidity, and our costs of development of new orebodies and other capital costs may be higher than estimated. Our ore reserve estimates may be imprecise.
- Our ability to market our metals production depends on the availability of smelters and/or refining facilities, and our operations and financial results may be affected by the disruptions or unavailability of such facilities. Shortages of critical parts and equipment may adversely affect our development projects.
- We derive a significant amount of revenue from a relatively small number of customers.
- Certain of our mines and exploration properties are located on land that is or may become subject to title claims and/or claims of cultural significance.
- We may be subject to a number of unanticipated risks related to inadequate infrastructure.
- We face inherent risks in acquisitions of other mining companies or properties that may adversely impact our growth strategy. The properties we may acquire may not produce as expected, and we may be unable to accurately determine reserve potential or identify associated liabilities. We may be unable to successfully integrate the operations of the properties we acquire, including our Nevada operations. We may not realize all of the anticipated benefits from our acquisitions.
- The issues we have faced at our Nevada Operations unit could require us to write-down the associated long-lived assets. We could face similar issues at our other operations.
- We face risks relating to transporting our products from our mines, as well as transporting employees and materials at Greens Creek.

Legal, Regulatory and Compliance Risks

- Our operations are subject to complex, evolving and increasingly stringent environmental laws and regulations. Compliance with environmental regulations, and litigation based on such laws and regulations, involves significant costs and can threaten existing operations or constrain expansion opportunities. Mine closure and reclamation regulations impose substantial costs on our operations and include requirements that we provide financial assurance supporting those obligations.
- We are required to obtain governmental permits and other approvals in order to conduct mining operations. We face substantial governmental regulation, including the Mine Safety and Health Act, various environmental laws and regulations and the 1872 Mining Law. Additionally, new federal and state laws, regulations and initiatives could impact our operations.
- We are currently involved in ongoing legal disputes. Legal challenges could prevent the Rock Creek or Montanore projects from ever being developed. The titles to some of our properties may be defective or challenged.
- Our environmental and asset retirement obligations may exceed the provisions we have made.

Risks Relating to Our Common Stock and Our Indebtedness

- We may be unable to generate sufficient cash to service all of our debt and meet our other ongoing liquidity needs and may be forced to take other actions to satisfy our obligations, which may be unsuccessful.
- The price of our stock has a history of volatility and could decline in the future. Our Series B preferred stock has a liquidation preference of \$50 per share or \$7.9 million. We may not be able to pay common or preferred stock dividends in the future. The issuance of additional shares of our preferred or common stock in the future could adversely affect holders of common stock.
- Our existing stockholders are effectively subordinated to the holders of our 7.25% Senior Notes due February 15, 2028 (“Senior Notes”). Our Senior Notes and the guarantees thereof are effectively subordinated to any of our and our guarantors’ secured indebtedness to the extent of the value of the collateral securing that indebtedness. Our Senior Notes are structurally subordinated to all liabilities of our non-guarantor subsidiaries.
- The provisions in our certificate of incorporation, our by-laws and Delaware law could delay or deter tender offers or takeover attempts. The terms of our debt impose restrictions on our operations.

PART I

ITEM 1. BUSINESS

For information regarding the organization of our business segments and our significant customers, see *Note 12 of Notes to Consolidated Financial Statements*. Information set forth in Items 1A and 2 below are incorporated by reference into this Item 1.

Introduction

Hecla Mining Company and its subsidiaries have provided precious and base metals to the U.S. and worldwide since 1891 (in this report, “we” or “our” or “us” refers to Hecla Mining Company and our affiliates and subsidiaries, unless the context requires otherwise). We discover, acquire and develop mines and other mineral interests and produce and market (i) concentrates containing silver, gold (in the case of Greens Creek), lead and zinc, (ii) carbon material containing silver and gold, and (iii) unrefined doré containing silver and gold. In doing so, we intend to manage our business activities in a safe, environmentally responsible and cost-effective manner.

The lead, zinc and bulk concentrates and carbon material we produce are sold to custom smelters, metal traders and third-party processors, and the unrefined doré we produce is sold to refiners or further refined before sale of the metals to traders. We are organized and managed in five segments that encompass our operating units: the Greens Creek, Lucky Friday, Casa Berardi, San Sebastian and Nevada Operations units.

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



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

- Rapidly responding to the threats from the COVID-19 pandemic to protect our workforce, operations and communities while maintaining liquidity.
- Operating our properties in a safe, environmentally responsible and cost-effective manner.
- Maintaining and investing in exploration and pre-development projects in the vicinities of nine mining districts and projects we believe to be under-explored and under-invested: our Greens Creek unit on Alaska's Admiralty Island located near Juneau; North Idaho's Silver Valley in the historic Coeur d'Alene Mining District; the silver-producing district near Durango, Mexico; the Abitibi region of northwestern Quebec, Canada; our projects in Nevada; the Rock Creek and Montanore projects in northwestern Montana; the Creede district of southwestern Colorado; the Kinskuch project in British Columbia, Canada; and the Republic mining district in Washington state.
- Improving operations at each of our units, which includes incurring costs for new technologies and equipment.
- 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 and operational environments.
- Advancing permitting of the Rock Creek and Montanore projects.
- Continuing to seek opportunities to acquire and invest in mining and exploration properties and companies.

Metals Prices

Our operating results are substantially dependent upon the prices of silver, gold, lead and zinc, which can fluctuate widely. The volatility of such prices is illustrated in the following table, which sets forth our average realized prices and the high, low and average daily closing market prices for silver, gold, lead and zinc for each of the last three years. The sources for the market prices are the London Market Fixing prices from the London Bullion Market Association for silver and gold and the Cash Official prices from the London Metals Exchange for lead and zinc.

	2020	2019	2018
Silver (per oz.):			
Realized average	\$ 21.15	\$ 16.65	\$ 15.63
Market average	\$ 20.51	\$ 16.20	\$ 15.71
Market high	\$ 28.89	\$ 19.31	\$ 17.52
Market low	\$ 12.01	\$ 14.38	\$ 13.97
Gold (per oz.):			
Realized average	\$ 1,757	\$ 1,413	\$ 1,265
Market average	\$ 1,770	\$ 1,392	\$ 1,269
Market high	\$ 2,067	\$ 1,546	\$ 1,355
Market low	\$ 1,474	\$ 1,270	\$ 1,178
Lead (per lb.):			
Realized average	\$ 0.84	\$ 0.91	\$ 1.04
Market average	\$ 0.83	\$ 0.91	\$ 1.02
Market high	\$ 0.96	\$ 1.03	\$ 1.22
Market low	\$ 0.72	\$ 0.80	\$ 0.85
Zinc (per lb.):			
Realized average	\$ 1.03	\$ 1.14	\$ 1.27
Market average	\$ 1.03	\$ 1.16	\$ 1.33
Market high	\$ 1.29	\$ 1.37	\$ 1.64
Market low	\$ 0.80	\$ 1.00	\$ 1.04

Our results of operations are significantly impacted by fluctuations in the prices of silver, gold, lead and zinc, which are affected by numerous factors beyond our control. See *Item 1A. Risk Factors – A substantial or extended decline in metals prices would have a material adverse effect on us* for information on a number of the factors that can impact prices of the metals we produce. Our average realized prices for silver and gold were higher, while the average realized prices for zinc and lead were lower, in 2020 compared to 2019 and in 2019 compared to 2018. Market metal price trends are a significant factor in our operating and financial performance. We are unable to predict fluctuations in prices for metals and have limited control over the timing of our concentrate shipments which impacts our realized prices. However, we utilize financially-settled forward contracts for the metals we produce with the objective of managing the exposure to changes in prices of those metals contained in our concentrate shipments between the time of sale and final settlement. In addition, at times we utilize a similar program to manage the exposure to changes in prices of zinc and lead (but not silver and gold) contained in our forecasted future concentrate shipments. In June 2019, we also began utilizing financially-settled put option contracts to manage the exposure of our forecasted future gold and silver sales to potential declines in market prices for those metals. See *Note 11 of Notes to Consolidated Financial Statements* for more information on our base and precious metal forward and put option contract programs.

A comprehensive discussion of our financial results for the years ended December 31, 2020, 2019 and 2018, individual operating unit performance and other significant items can be found in *Item 7. Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations*, as well as the *Consolidated Financial Statements* and *Notes* thereto.

Products and Segments

Our segments are differentiated by geographic region. We produce zinc, lead and bulk flotation concentrates at our Greens Creek unit and lead and zinc flotation concentrates at our Lucky Friday unit, each of which we sell to custom smelters and metal traders. The flotation concentrates produced at our Greens Creek and Lucky Friday units contain payable silver, zinc and lead, and at Greens Creek they also contain payable gold. At Greens Creek, we also produce gravity concentrate containing payable silver, gold and lead. Unrefined bullion (doré) is produced from the gravity concentrate by a third-party processor, and shipped to a refiner before sale of the metals to precious metal traders. We also produce unrefined gold and silver bullion bars (doré), loaded carbon and precipitates at our Casa Berardi, San Sebastian and Nevada Operations units, which are shipped to refiners before sale of the metals to precious metal traders. At times, we sell loaded carbon and precipitates directly to refiners. Payable metals are those included in our products which we are paid for by smelters, metal traders and refiners. Our segments as of December 31, 2020 included:

- The Greens Creek unit located on Admiralty Island, near Juneau, Alaska. Greens Creek is 100% owned and has been in production since 1989, with a temporary care and maintenance period from April 1993 through July 1996.
- The Lucky Friday unit located in northern Idaho. Lucky Friday is 100% owned and has been a producing mine for us since 1958. Unionized employees at Lucky Friday were on strike from mid-March 2017 until early January 2020, resulting in limited production during that time. Re-staffing of the mine and ramp-up activities have been substantially completed, and the mine has returned to full production starting in the fourth quarter of 2020.
- The Casa Berardi unit located in the Abitibi region of northwestern Quebec, Canada. Casa Berardi is 100% owned and was acquired on June 1, 2013 with the purchase of all issued and outstanding common shares of Aurizon Mines Ltd. ("Aurizon"). Aurizon had operated and produced from the Casa Berardi mine since late 2006.
- The San Sebastian unit located in the state of Durango, Mexico. San Sebastian is 100% owned, and had previously produced for us from both underground mines and open pits at various dates from 2001. Mine production was completed in the third quarter of 2020, with milling of remaining ore completed in the fourth quarter of 2020. We have continued to advance additional exploration targets near our operations at San Sebastian.
- The Nevada Operations unit located in northern Nevada. Nevada Operations is 100% owned and was acquired on July 20, 2018 with the purchase of all of the issued and outstanding common shares of Klondex Mines Ltd ("Klondex"). Nevada Operations consists of four land packages in northern Nevada totaling approximately 110 square miles and containing operating or previously-operating mines with a history of high-grade gold production: Fire Creek, Hollister and Midas. As discussed in *Item 7. Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations – The Nevada Operations Segment*, in the second quarter of 2019, we ceased development to access new production areas at our Nevada Operations until completion of studies and test work, including the results of the mining and processing of a bulk sample of refractory ore through a third party ore processing agreement in the first quarter of 2021, resulting in, among other changes, an anticipated suspension of production in the first half of 2021.

The contributions to our consolidated sales by our operating units in 2020 were 47.4% from Greens Creek, 30.2% from Casa Berardi, 9.1% from Lucky Friday, 8.5% from Nevada Operations and 4.8% from San Sebastian.

The following table illustrates our metal quantities produced and sold for the last three years:

	Year Ended December 31,		
	2020	2019	2018
Silver – Ounces produced	13,542,957	12,605,234	10,369,503
Payable ounces sold	12,305,917	11,548,373	9,254,385
Gold – Ounces produced	208,962	272,873	262,103
Payable ounces sold	202,694	275,060	247,528
Lead – Tons produced	34,127	24,210	20,091
Payable tons sold	29,108	19,746	16,214
Zinc – Tons produced	63,112	58,857	56,023
Payable tons sold	46,349	39,381	39,273

Governmental Regulation

The following is a summary of governmental regulation compliance areas which we believe are significant to our business and may have a material effect on our consolidated financial statements, earnings and/or competitive position.

Health and Safety

We are subject to the regulations of the Mine Safety and Health Administration ("MSHA") in the United States, the Commission of Labor Standards, Pay Equity and Occupational Health and Safety in Quebec, and the Mexico Ministry of Economy and Mining, and work with these agencies to address issues outlined in any investigations and inspections and continue to evaluate our safety practices. We strive to achieve excellent mine safety and health performance, and attempt to implement reasonable best practices with respect to mine safety and emergency preparedness. Achieving and maintaining compliance with regulations will be challenging and may increase our operating costs. See *Human Capital – Health and Safety* below and *Item 1A. Risk Factors – We face substantial governmental regulation, including the Mine Safety and Health Act, various environmental laws and regulations and the 1872 Mining Law.*

Environmental

Our operations are subject to various environmental laws and regulations at the federal and state/provincial level. Compliance with environmental regulations, and litigation based on environmental laws and regulations, involves significant costs and can threaten existing operations or constrain expansion opportunities. Mine closure and reclamation regulations impose substantial costs on our operations and include requirements that we provide financial assurance supporting those obligations. We have over \$180 million of financial assurances, primarily in the form of surety bonds, for reclamation company-wide. We anticipate approximately \$6 million in expenditures in 2021 for idle property management and environmental permit compliance. We also plan to invest approximately \$3 million in 2021 in on-going reclamation works at the former Troy Mine in Montana; the projected remaining cost for reclamation at the site is included in our accrued reclamation and closure costs liability. See *Item 1A. Risk Factors – We face substantial governmental regulation, including the Mine Safety and Health Act, various environmental laws and regulations and the 1872 Mining Law; Our operations are subject to complex, evolving and increasingly stringent environmental laws and regulations; Compliance with environmental regulations, and litigation based on such regulations, involves significant costs and can threaten existing operations or constrain expansion opportunities; Our environmental and asset retirement obligations may exceed the provisions we have made; and New federal and state laws, regulations and initiatives could impact our operations.*

Licenses, Permits and Claims/Concessions

We are required to obtain various licenses and permits to operate our mines and conduct exploration and reclamation activities. See *Item 1A. Risk Factors – We are required to obtain governmental permits and other approvals in order to conduct mining operations*. The El Toro area at San Sebastian, the Rock Creek and Montanore projects, and our planned open pits at Casa Berardi can only be developed if we are successful in obtaining the necessary permits. See *Item 1A. Risk Factors – We are required to obtain governmental permits and other approvals in order to conduct mining operations* and *Legal challenges could prevent the Rock Creek or Montanore projects from ever being developed*. In addition, our operations and exploration activities at our Casa Berardi and San Sebastian units are conducted pursuant to claims or concessions granted by the host government, and otherwise are subject to claims renewal and minimum work commitment requirements, which are subject to certain political risks associated with foreign operations. See *Item 1A. Risk Factors – Our foreign activities are subject to additional inherent risks*.

Taxes and Royalties

We are subject to various taxes and government royalties in the jurisdictions where we operate, including those specific to mining activities. These include: federal income taxes; state/provincial income taxes; county property taxes and sales and use tax in the U.S.; goods and services tax in Canada; value added tax in Mexico; mining-specific taxes in Alaska, Nevada and Quebec; and mining royalties in Mexico. Accrual and payment of taxes and accounting for deferred taxes can involve significant estimates and assumptions and can have a material impact on our consolidated financial statements. Tax rates and the calculations of taxes can change significantly and are influenced by changes in political administrations and other factors. See *Item 1A. Risk Factors – Our accounting and other estimates may be imprecise; Our ability to recognize the benefits of deferred tax assets related to net operating loss carryforwards and other items is dependent on future cash flows and taxable income; Our foreign activities are subject to additional inherent risks; and We face substantial governmental regulation, including the Mine Safety and Health Act, various environmental laws and regulations and the 1872 Mining Law*. Also, see Note 6 of Notes to Consolidated Financial Statements for more information on income taxes.

Physical Assets

Our business is capital intensive and requires ongoing capital investment for the replacement, modernization and expansion of equipment and facilities and to develop new ore reserves. At December 31, 2020, the book value of our properties, plants, equipment and mineral interests, net of accumulated depreciation, was approximately \$2.3 billion. For more information see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*. We maintain insurance policies against property loss and business interruption. However, such insurance contains exclusions and limitations on coverage, and there can be no assurance that claims would be paid under such insurance policies in connection with a particular event. See *Item 1A. Risk Factors – Our operations may be adversely affected by risks and hazards associated with the mining industry that may not be fully covered by insurance*.

Human Capital Management

As of December 31, 2020, we employed approximately 1,600 people, of which approximately 900 were employed in the United States, 650 in Canada, and 50 in Mexico. The vast majority of our employees are full-time. Approximately 15% of our employees were covered by a collective bargaining agreement.

One of our greatest resources is our people, with the attraction, development and retention of talent critical to delivering our business strategy. Key areas of focus for us include:

Health and Safety

The safety and health of our employees is of paramount importance, and we go to great lengths to keep employees safe. We continue to invest in effective ways to operate our mines more safely. Our goal is to achieve world-class safety and health performance by promoting a deeply rooted value-based culture of safety and utilizing technology and innovation to continually improve safe operations. We know that instilling the behavior of safety awareness is fundamental to making our workplace as safe as possible. So, we invest in our people with training and the latest technology and workforce development programs that focus on safety first. All employees receive training that complies with or exceeds the applicable safety and health regulations as set by the governing body in the jurisdiction in which each operation is located. As part of our commitment to safety, we track a variety of safety performance indicators, including injuries, near misses, observations, and equipment damages. Our goal is to reduce safety incidents and improve upon the previous year's performance. Company-wide, our All Injury Frequency Rate ("AIFR"), calculated as the number of incidents in the period multiplied by 200,000 hours and divided by the number of hours worked in the period, dropped 70% from 2014 to 2019. In 2020, we reduced our AIFR by 24% to 1.22, the lowest level in our history and 46% below the U.S. national average for MSHA's "metal and nonmetal" category.

During fiscal year 2020, we launched a proactive response to the escalating COVID-19 outbreak and temporarily suspended operations at our Casa Berardi mine, starting at the end of March, and at our San Sebastian mine, in early April, due to government mandated closures. Those sites returned to full operations in mid-April and early-May, respectively. To mitigate the impact of COVID-19, we have taken precautionary measures, including implementing very detailed corporate and site-specific plans in February and early March 2020. Our plans included being flexible and quickly adapting to changing circumstances and government mandates. Even before mining was deemed an essential industry in the United States, we implemented procedures and policies to help keep our workers safe and ensure our supply chain, such as limiting site access, adopting social distancing, enhanced cleaning practices, implementing temperature testing, and quarantining protocols. We also commenced remote work protocols for those employees who wished to work remotely and could effectively do so. We took these actions to secure the safety of our employees, our vendors, and the communities in which our team members live and work, and to adhere to Center for Disease Control recommendations.

Compensation and Benefits

We are often among the largest private-sector employers in the communities in which we operate. We strive to provide a compensation and benefits package that succeeds in attracting, motivating, and retaining employees. For many decades, we have been at the forefront of offering competitive wages and among the highest valued benefits in the communities where we operate. The competitive wage and benefit package has been key to the strong retention of our employees. In addition to competitive base wages, we offer retirement benefits, health insurance benefits, incentive plans, and paid time off. We believe our retirement benefits in particular, which include both defined benefit and defined contribution plans, set us apart from many other employers.

Retention and Employee Development

A key element of our employee retention has been our culture. Maintaining a work environment in which our employees are provided the tools they need to grow and succeed and supporting the communities in which our mines and offices are located has been part of our culture for over a century. Our employees benefit from company-sponsored health and wellness programs that cover education, health interventions and disease management. Our responsibility to ensure a safe workplace extends to providing opportunities for employee wellness. In combination with the Hecla Foundation, we support employees both at the work site and in the communities in which we operate.

We are committed to hiring talented people, developing effective leaders and providing an inclusive workplace. The mining workforce of the future, like all industries, will see a continual change in the jobs and skill sets required as we adopt new technologies and make our workplace safer and more efficient. We are also committed to helping employees update their skills. For example, we are working with North Idaho College's Career Training Center to develop a training curriculum to update the worker skill sets necessary to meet the changing mining workforce dynamic. In addition, we have long supported the Pathways to Mining Careers program, a career training partnership with the University of Alaska Southeast in Juneau. We also offer a reimbursement program to assist with educational expenses for employees who are interested in furthering their education. Advanced education can improve job performance and increase advancement opportunities for the employee, while providing flexibility to our company by increasing the employee's knowledge base and skill set.

Annual employee surveys are conducted to gauge employee concerns and morale. The results of the surveys, and any responsive measures, are shared with our board of directors. Strategic talent reviews and succession planning reviews are conducted periodically across all business areas, and our training programs are adapted accordingly. The CEO, senior level company leadership and board of directors regularly review top talent across the organization. Creating more opportunities for women, indigenous people and minorities are among our priorities for employee development. We also strive to maintain an inclusive workplace, and provide periodic training to employees to help meet that goal. Our employees are required to abide by our Code of Conduct, which is available on our website, to promote the conduct of our business in a consistently legal and ethical manner. Among other provisions, the Code of Conduct reflects that it is our policy and practice not to discriminate against any employee because of race, color, religion, national origin, sex, sexual orientation, gender identity or expression, age, or physical or other disability. We expect our leaders to set the example by being positive role models and good mentors for our employees.

We employ our Vice President-Human Resources who is responsible for developing and executing our human capital strategy. The position is an executive-level position to reflect the priority we place on utilizing our human capital resources to meet our business strategy.

Available Information

Hecla Mining Company is a Delaware corporation. Our current holding company structure dates from the incorporation of Hecla Mining Company in 2006 and the renaming of our subsidiary (previously Hecla Mining Company) as Hecla Limited. Our principal executive offices are located at 6500 N. Mineral Drive, Suite 200, Coeur d'Alene, Idaho 83815-9408. Our telephone number is (208) 769-4100. Our web site address is www.hecla-mining.com. We file our annual, quarterly and current reports and any amendments to these reports with the SEC, copies of which are available on our website or from the SEC free of charge (www.sec.gov or 800-SEC-0330). Our restated certificate of incorporation, bylaws, charters of our audit, compensation, and corporate governance and directors nominating committees, as well as our Code of Ethics for the Chief Executive Officer and Senior Financial Officers and our Code of Conduct, are also available on our website. In addition, any amendments to our Code of Ethics or waivers granted to our directors and executive officers will be posted on our website. Each of these documents may be periodically revised, so you are encouraged to visit our website for any updated terms. We will provide copies of these materials to stockholders upon request using the above-listed contact information, directed to the attention of Investor Relations, or via e-mail request sent to hmc-info@hecla-mining.com.

ITEM 1A. RISK FACTORS

The following risks and uncertainties, together with the other information set forth in this report, should be carefully considered by those who invest in our securities. Any of the following material risk factors could adversely affect our business, financial condition or operating results and could decrease the value of our common or preferred stock or other outstanding securities. These are not all of the risks we face, and other factors not presently known to us or that we currently believe are immaterial may also affect our business if they occur.

Financial Risks

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

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

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

These factors are largely beyond our control and are difficult to predict. If the market prices for these metals fall below our production, exploration or development costs for a sustained period of time, we will experience losses and may have to discontinue exploration, development or operations, or incur asset write-downs at one or more of our properties. See *Item 1. Business – Introduction* for information on the average, high, and low daily closing prices for silver, gold, lead and zinc for the last five years. February 16, 2021, the closing prices for silver, gold, lead and zinc were \$27.57 per ounce, \$1,794 per ounce, \$0.96 per pound and \$1.28 per pound, respectively.

An extended decline in metals prices, an increase in operating or capital costs, mine accidents or closures, increasing regulatory obligations, or our inability to convert exploration potential to reserves may cause us to record write-downs, which could negatively impact our results of operations.

When events or changes in circumstances indicate the carrying value of our long-lived assets may not be recoverable, we review the recoverability of the carrying value by estimating the future undiscounted cash flows expected to result from the use and eventual disposition of the asset. Impairment must be recognized when the carrying value of the asset exceeds these cash flows. Recognizing impairment write-downs could negatively impact our results of operations. Metal price estimates are a key component used in the evaluation of the carrying values of our assets, as the evaluation involves comparing carrying values to the average estimated undiscounted cash flows resulting from operating plans using various metals price scenarios. Our estimates of undiscounted cash flows for our long-lived assets also include an estimate of the market value of the exploration potential beyond the current operating plans.

We determined that there were no events or change in circumstances indicating the carrying value of our long-lived assets may not be recoverable as of December 31, 2020. For more discussion, see *Note 4 of Notes to Consolidated Financial Statements* and the below risk factors, "We may not realize all of the anticipated benefits from our acquisitions, including our acquisition of Klondex" and "The issues we have faced at our Nevada Operations unit could require us to write-down the associated long-lived assets. We could face similar issues at our other operations. Such write-downs may adversely affect our results of operations and financial condition." If the prices of silver, gold, zinc and lead decline for an extended period of time, if we fail to control production or capital costs, if regulatory issues increase costs or decrease production, or if we do not realize the mineable ore reserves or exploration potential at our mining properties, we may be required to recognize asset write-downs in the future. In addition, the perceived market value of the exploration potential of our properties is dependent upon prevailing metals prices as well as our ability to discover economic ore. A decline in

metals prices for an extended period of time or our inability to convert exploration potential to reserves could significantly reduce our estimates of the value of the exploration potential at our properties and result in asset write-downs.

We have a substantial amount of debt that could impair our financial health and prevent us from fulfilling our obligations under our existing and future indebtedness.

As of December 31, 2020, we had total indebtedness of approximately \$523.0 million, primarily in the form of our Senior Notes. Our level of debt and our debt service obligations may have adverse effects on our business, financial condition, cash flows or results of operations, including:

- making it more difficult for us to satisfy our obligations with respect to the Senior Notes;
- reducing the amount of funds available to finance our operations, capital expenditures and other activities;
- increasing our vulnerability to economic downturns and industry conditions;
- limiting our flexibility in responding to changing business and economic conditions;
- jeopardizing our ability to execute our business plans;
- placing us at a disadvantage when compared to our competitors that have less debt;
- increasing our cost of borrowing; and
- limiting 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 contains 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 additional indebtedness that could be incurred in compliance with these restrictions could be substantial. In July 2018, we entered into our \$250 million senior credit facility. Like the indenture, the credit agreement governing the revolving credit facility also has restrictions on the incurrence of additional indebtedness but with a number of significant qualifications and exceptions. 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, the indenture governing the Senior Notes does not prevent us from incurring additional indebtedness under the indenture.

We have had losses that could reoccur in the future.

We have experienced volatility in our net (loss) income reported in the last five years, as shown in *Item 6. Selected Financial Data*, including net losses of \$16.8 million in 2020, \$99.6 million in 2019, \$26.6 million in 2018 and \$28.5 million in 2017, and net income of \$61.6 million in 2016. A comparison of operating results over the past three years can be found in *Results of Operations in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Many of the factors affecting our operating results are beyond our control, including, but not limited to, the volatility of metals prices; smelter terms; rock and soil conditions; seismic events; availability of hydroelectric power; diesel fuel prices; interest rates; foreign exchange rates; global or regional political or economic policies; inflation; availability and cost of labor; economic developments and crises; governmental regulations; continuity of orebodies; ore grades; recoveries; performance of equipment; price speculation by certain investors; and purchases and sales by central banks and other holders and producers of gold and silver in response to these factors. We cannot assure you that we will not experience net losses in the future.

Our accounting and other estimates may be imprecise.

Preparing consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and related disclosure of assets, liabilities, revenue and expenses at the date of the consolidated financial statements and reporting periods. The more significant areas requiring the use of management assumptions and estimates relate to:

- mineral reserves, mineralized material, and other resources that are the basis for future income and cash flow estimates and units-of-production depreciation, depletion and amortization calculations;
- future ore grades, throughput and recoveries;
- future metals prices;
- future capital and operating costs;
- environmental, reclamation and closure obligations;
- permitting and other regulatory considerations;
- asset impairments;
- valuation of business combinations;
- future foreign exchange rates, inflation rates and applicable tax rates;
- reserves for contingencies and litigation; and
- deferred tax asset valuation allowance.

Future estimates and actual results may differ materially from these estimates as a result of using different assumptions or conditions. For additional information, see *Critical Accounting Estimates in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Note 2 of Notes to Consolidated Financial Statements*, and the risk factors set forth below: "Our costs of extending existing reserves or development of new orebodies and other capital costs may be higher and provide less return than we estimated," "Our ore reserve estimates may be imprecise," "We are currently involved in ongoing legal disputes that may materially adversely affect us," and "Our environmental and asset retirement obligations may exceed the provisions we have made."

Commodity and currency risk management activities could prevent us from realizing possible revenues or lower costs or expose us to losses.

We periodically enter into risk management activities to manage the exposure to changes in prices of silver, gold, lead and zinc contained in our concentrate shipments between the time of sale and final settlement. We also utilize such programs to manage the exposure to changes in the prices of metals contained in our forecasted future shipments. Such activities are utilized in an attempt to partially insulate our operating results from changes in prices for those metals. However, such activities may prevent us from realizing revenues in the event that the market price of a metal exceeds the price stated in a contract, and may also result in significant mark-to-market fair value adjustments, which may have a material adverse impact on our reported financial results. In addition, we are exposed to credit risk with our counterparties, and we may experience losses if a counterparty fails to purchase under a contract when the contract price exceeds the spot price of a commodity.

In 2016, we also initiated financially-settled forward contract programs to manage exposure to fluctuations in the exchange rates between the U.S. dollar ("USD") and the Canadian dollar ("CAD") and the Mexican peso ("MXN") and the impact on our future operating costs denominated in CAD and MXN. As with our metals derivatives, such activities may prevent us from realizing possible lower costs on a USD-basis in the event that the USD strengthens relative to the CAD or MXN compared to the exchange rates stated in the forward contracts, and also expose us to counterparty credit risk.

See Note 11 of Notes to Consolidated Financial Statements for more information on these forward contract programs.

Our ability to recognize the benefits of deferred tax assets related to net operating loss carryforwards and other items is dependent on future cash flows and taxable income.

We recognize the expected future tax benefit from deferred tax assets when the tax benefit is considered to be more likely than not of being realized. Otherwise, a valuation allowance is applied against deferred tax assets, reducing the value of such assets. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted income from operations and the application of existing tax laws in each jurisdiction. Metal price and production estimates are key components used in the determination of our ability to realize the expected future benefit of our deferred tax assets. To the extent that future taxable income differs significantly from estimates as a result of a decline in metals prices or other factors, our ability to realize the deferred tax assets could be impacted. Additionally, significant future issuances of common stock or common stock equivalents, or changes in the direct or indirect ownership of our common stock or common stock equivalents, could limit our ability to utilize our net operating loss carryforwards pursuant to Section 382 of the Internal Revenue Code. Future changes in tax law or changes in ownership structure could limit our ability to utilize our recorded tax assets. Due to the changes to tax laws under the Tax Cuts and Jobs Act enacted in December 2017, we determined it is more likely than not we will not realize the net deferred tax assets in the "Hecla U.S. tax group," our U.S. consolidated tax group which is exclusive of our U.S. consolidated tax group located in Nevada ("Nevada U.S. tax group"). We currently do not have valuation allowances for certain amounts related to the Nevada U.S. tax group and certain foreign deferred tax assets, and our deferred tax assets as of December 31, 2020 were \$233.0 million, net of \$77.2 million in valuation allowances. See Note 6 of Notes to Consolidated Financial Statements for further discussion of our deferred tax assets.

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

We maintain defined benefit pension plans for most U.S. employees, which provide for defined benefit payments after retirement for those employees. Canadian and Mexican employees participate in public retirement systems for those countries and are not eligible to participate in the defined benefit pension plans that we maintain for U.S. employees. The ability of the pension plans maintained for U.S. employees to provide the specified benefits depends on our funding of the plans and returns on investments made by the plans. Returns, if any, on investments are subject to fluctuations based on investment choices and market conditions. In addition, we have a supplemental executive retirement plan which was unfunded as of December 31, 2020. A sustained period of low returns or losses on investments, or future benefit obligations that exceed our estimates, could require us to fund the pension plans to a greater extent than anticipated. See Note 9 of Notes to Consolidated Financial Statements for more information on our pension plans.

Operation, Development, Exploration and Acquisition Risks

Natural disasters, public health crises (including COVID-19), political crises, and other catastrophic events or other events outside of our control may materially and adversely affect our business or financial results.

If any of our facilities or the facilities of our suppliers, third-party service providers, or customers is affected by natural disasters, such as earthquakes, floods, fires, power shortages or outages, public health crises, such as pandemics and epidemics, political crises, such as terrorism, war, political instability or other conflict, or other events outside of our control, our operations or financial results could suffer. Any of these events could materially and adversely impact us in a number of ways, including through decreased production, increased costs, decreased demand for our products due to reduced economic activity or other factors, or the failure by counterparties to perform under contracts or similar arrangements.

For example, the current pandemic caused by the novel coronavirus COVID-19 has resulted in travel restrictions and business slowdowns or shutdowns in affected areas. In late March 2020, the Government of Quebec ordered the mining industry to reduce to minimum operations as part of the fight against the COVID-19 virus, causing us to suspend our Casa Berardi operations from approximately March 24 until April 15, when limited mining operations resumed. And in early April, the Government of Mexico issued a similar order causing us to suspend our San Sebastian operations through April 30, and the order was subsequently extended to May 30. In addition, restrictions imposed by the State of Alaska in late March have caused us to revise the normal operating procedures for staffing operations at Greens Creek. At Casa Berardi and San Sebastian, suspension costs in 2020 totaled \$1.6 million and \$1.8 million, respectively. In addition, we incurred costs of approximately \$2.3 million in 2020 related to quarantining employees at Greens Creek, which started in late March 2020. COVID-19 also negatively impacted our gold production at Casa Berardi in 2020 by approximately 11,700 ounces. It is possible that the changes at Casa Berardi, San Sebastian or Greens Creek (or at any other operation) could continue to have an adverse impact on operations or 2021 financial results, including materially so, if restrictions continue longer than anticipated or become broader.

The additional protocols implemented at our mine sites and other restrictions in response to the pandemic have limited the access of our contractors, consultants and other third-party service providers to our operations. As a result, less exploration and confirmation drilling has occurred at some of our operations and exploration properties which in turn has limited reserve and resource conversion in 2020. It is possible restrictions and procedures related to the pandemic could continue to limit access of contractors and others to our operations and have a negative impact on our recognition of reserves and resources or other areas.

We continue to monitor the rapidly evolving situation and guidance from federal, state, local and foreign governments and public health authorities and may take additional actions based on their recommendations. The extent of the impact of COVID-19 and any subsequent variants on our business and financial results will also depend on future developments, including the duration and spread of the outbreak within the markets in which we operate and the related impact on prices, demand, creditworthiness and other market conditions and governmental reactions, all of which are highly uncertain.

COVID-19 virus pandemic may heighten other risks.

To the extent that the COVID-19 virus pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other Risk Factors described herein, including, but not limited to, risks related to commodity prices and commodity markets, commodity price fluctuations, our indebtedness, information systems and cyber security and risks relating to our mining operations such as risks related to mineral reserve and mineral resource estimates, production forecasts, impacts of governmental regulations, international operations, availability of infrastructure and employees and challenging global financial conditions.

Mining accidents or other adverse events at an operation could decrease our anticipated production or otherwise adversely affect our operations.

Production may be reduced below our historical or estimated levels for many reasons, including, but not limited to, mining accidents; unfavorable ground or shaft conditions; work stoppages or slow-downs; lower than expected ore grades; unexpected regulatory actions; if the metallurgical characteristics of ore are less economic than anticipated; or because our equipment or facilities fail to operate properly or as expected. Our mines are subject to risks relating to ground instability, including, but not limited to, pit wall failure, crown pillar collapse, stope failure or the breach or failure of a tailings impoundment. Both the Lucky Friday and Casa Berardi mines have a history of ground instability underground and related incidents which in the past have resulted in loss of production at these facilities and some of the other effects described below. The occurrence of an event such as those described above could result in loss of life or temporary or permanent cessation of operations, any of which could have a material adverse effect on our

financial condition and results of operations. Other closures or impacts on operations or production may occur at any of our mines at any time, whether related to accidents, changes in conditions, changes to regulatory policy, or as precautionary measures.

In addition, our operations are typically in remote locations, where conditions can be inhospitable, including with respect to weather, surface conditions, interactions with wildlife or otherwise in or near dangerous conditions. In the past we have had employees, contractors, or employees of contractors get injured, sometimes fatally, while working in such challenging locations. An accident or injury to a person at or near one of our operations could have a material adverse effect on our financial condition and results of operations.

Our operations may be adversely affected by risks and hazards associated with the mining industry that may not be fully covered by insurance.

Our business is capital intensive, requiring ongoing investment for the replacement, modernization or expansion of equipment and facilities. Our mining and milling operations are subject to risks of process disruptions and equipment malfunctions. Equipment and supplies may from time to time be unavailable on a timely basis. Our business is subject to a number of other risks and hazards including:

- environmental hazards;
- unusual or unexpected geologic formations;
- rock bursts, ground falls, pit wall failures, or tailings impoundment breaches or failures;
- seismic activity;
- underground fires or floods;
- unanticipated hydrologic conditions, including flooding and periodic interruptions due to inclement or hazardous weather conditions;
- political and country risks;
- civil unrest or terrorism;
- changes in interpretation or enforcement of regulatory and permitting requirements;
- industrial accidents;
- disruption, damage or failure of technology systems related to operation of equipment and other aspects of our mine operations;
- labor disputes or strikes; and
- our operating mines have tailing ponds which could fail or leak as a result of seismic activity, unusual weather or for other reasons.

Such risks could result in:

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

We maintain insurance to protect against losses that may result from some of these risks, such as property loss and business interruption, in amounts we believe to be reasonably consistent with our historical experience, industry practice and circumstances surrounding each identified risk. Such insurance, however, contains exclusions and limitations on coverage, particularly with respect to environmental liability, political risk and seismic events. We cannot assure you that claims would be paid under such insurance policies in connection with a particular event. Insurance specific to environmental risks is generally either unavailable or, we believe, too expensive for us, and we therefore do not maintain environmental insurance. Occurrence of events for which we are not insured may have an adverse effect on our business.

Our costs of extending existing reserves or development of new orebodies and other capital costs may be higher and provide less return than we estimated.

Capitalized development projects may cost more and provide less return than we estimate. If we are unable to realize a return on these investments, we may incur a related asset write-down that could adversely affect our financial results or condition.

Our ability to sustain or increase our current level of metals production partly depends on our ability to develop new orebodies and/or expand existing mining operations. Before we can begin a development project, we must first determine whether it is economically feasible to do so. This determination is based on estimates of several factors, including:

- ore reserves;
- expected ore grades and recovery rates of metals from the ore;
- future metals prices;
- facility and equipment costs;
- availability of adequate staffing;
- availability of affordable sources of power and adequacy of water supply;
- exploration and drilling success;
- capital and operating costs of a development project;
- environmental and closure, permitting and other regulatory considerations and costs;
- adequate access to the site, including competing land uses (such as agriculture);
- applicable tax rates;
- foreign currency fluctuation and inflation rates; and
- availability and cost of financing.

Many of these estimates are based on geological and other interpretive data, which may be imprecise. As a result, actual operating and capital costs and returns from a development project may differ substantially from our estimates, and, as such, it may not be economically feasible to continue with a development project.

Our ore reserve estimates may be imprecise.

Our ore reserve figures and costs are primarily estimates and are not guarantees that we will recover the indicated quantities of these metals. You are cautioned not to place undue reliance on estimates of reserves (or mineralized material or other resource estimates). Reserves are estimates made by our professional technical personnel of the amount of metals that they believe could be economically and legally extracted or produced at the time of the reserve determination. No assurance can be given that the estimated amount of metal or the indicated level of recovery of these metals will be realized. Reserve estimation is an interpretive process based upon available data and various assumptions. Our reserve estimates may change. Reserves are valued based on estimates of costs and metals prices, which may not be consistent among our properties or across the industry. The estimated quantities and economic value of ore reserves may be adversely affected by:

- declines in the market price of the various metals we mine;
- increased production or capital costs;
- reduction in the grade or tonnage of the deposit;
- decrease in throughput;
- increase in the dilution of the ore;
- future foreign currency rates, inflation rates and applicable tax rates;
- reduced metal recovery; and
- changes in environmental, permitting or other regulatory requirements.

Short-term operating factors relating to our ore reserves, such as the need to sequentially develop orebodies and the processing of new or different ore grades, may adversely affect our cash flow.

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

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

Additionally, the term “mineralized material” does not indicate proven and probable reserves as defined by the Securities and Exchange Commission (“SEC”) or our standards. Estimates of mineralized material are subject to further exploration and development, and are, therefore, subject to considerable uncertainty. Despite our history of converting mineralized material to reserves through additional drilling and study work, we cannot be certain that any part or parts of the mineralized material deposit will ever be confirmed or converted into reserves as defined by the SEC or that mineralized material can be economically or legally extracted.

Efforts to expand the finite lives of our mines may not be successful or could result in significant demands on our liquidity, which could hinder our growth.

One of the risks we face is that mines are depleting assets. Thus, in order to maintain or increase production we must continually replace depleted ore reserves by locating and developing additional ore. Our ability to expand or replace ore reserves primarily depends on the success of our exploration programs. Mineral exploration, particularly for silver and gold, is highly speculative and expensive. It involves many risks and is often non-productive. Even if we believe we have found a valuable mineral deposit, it may be several years before production from that deposit is possible. During that time, it may become no longer feasible to produce those minerals for economic, regulatory, political or other reasons. As a result of high costs and other uncertainties, we may not be able to expand or replace our existing ore reserves as they are depleted, which would adversely affect our business and financial position in the future. For example, the additional protocols implemented at our mine sites and other restrictions in response to the pandemic have also limited the access of our contractors, consultants, and other third-party service providers to our operations. As a result, less exploration and confirmation drilling has occurred at some of our operations and exploration properties, which in turn has limited reserve and resource conversion in 2020.

Our ability to market our metals production depends on the availability of smelters and/or refining facilities and our operations and financial results may be affected by disruptions or closures or the unavailability of smelters and/or refining facilities for other reasons.

We sell our metals products to smelters and metal traders. Our doré bars are sent to refiners for further processing before being sold to metal traders. Access to refiners and smelters on economical terms is critical to our ability to sell our products to buyers and generate revenues. If smelters or refiners are unavailable or unwilling to accept our products, or we are otherwise unable to sell our products to customers on acceptable commercial and legal terms, our operations and financial results could be adversely affected. See *Note 12 of Notes to Consolidated Financial Statements* for more information on the distribution of our sales and our significant customers.

We derive a significant amount of revenue from a relatively small number of customers and occasionally enter into concentrate spot market sales with metal traders.

For the fiscal year ended December 31, 2020, the four largest customers accounted for approximately 33%, 16%, 14% and 13%, respectively, of our total revenues. Given our operations produce unique qualities of concentrates, which a limited number of smelters can process effectively, we enter into long-term benchmark contracts for a majority of our total concentrates production. We expose lesser portions of our concentrates production to spot market sales to metal traders to benefit from favorable spot market sales terms from time to time. Our results of operations, financial condition and cash flows could be materially adversely affected if one or more of our long-term customers were to decide to interrupt or curtail their activities, terminate their contracts with us or fail to renew existing contracts. Additionally, if spot market conditions deteriorate rapidly, we could have difficulty selling a portion of our concentrates, and metal traders could refuse to perform under existing contracts, which could also result in materially adverse effects on our results of operations, financial conditions and cash flows. See *Note 12 of Notes to Consolidated Financial Statements* for more information on the distribution of our sales and our significant customers.

Shortages of critical parts and equipment may adversely affect our operations and development projects.

We have been impacted, from time to time, by increased demand for critical resources such as input commodities, drilling equipment, trucks, shovels and tires. These shortages have, at times, impacted the efficiency of our operations, and resulted in cost increases and delays in construction of projects; thereby impacting operating costs, capital expenditures and production and construction schedules.

Our foreign activities are subject to additional inherent risks.

We currently have foreign operations in Mexico and Canada, and we expect to continue to conduct operations there and possibly other international locations in the future. Because we conduct operations internationally, we are subject to political, social, legal and economic risks such as:

- the effects of local political, labor and economic developments and unrest;
- significant or abrupt changes in the applicable regulatory or legal climate;
- significant changes to regulations or laws or the interpretation or enforcement of them, including with respect to tax and profit-sharing matters arising out of the use of outsourced labor and other services at our San Sebastian operation in Mexico;
- exchange controls and export restrictions;
- expropriation or nationalization of assets with inadequate compensation;
- unfavorable currency fluctuations, particularly in the exchange rate between the U.S. dollar and the Canadian dollar and Mexican Peso;
- repatriation restrictions;
- invalidation and unavailability of governmental orders, permits or agreements;
- property ownership disputes;
- renegotiation or nullification of existing concessions, licenses, permits and contracts;
- criminal activity, corruption, demands for improper payments, expropriation, and uncertain legal enforcement and physical security;
- failure to maintain compliance with corruption and transparency statutes, including the U.S. Foreign Corrupt Practices Act;
- disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations;
- fuel or other commodity shortages;
- illegal mining;
- laws or policies of foreign countries and the United States affecting trade, investment and taxation;
- opposition to our presence, operations, properties or plans by governmental or non-governmental organizations or civic groups;
- civil disturbances, war and terrorist actions; and
- seizures of assets.

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

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

Our properties in Canada may be of particular interest or sensitivity to one or more interest groups, including aboriginal groups (which are generally referred to as “First Nations”). We have mineral projects in Quebec and British Columbia that are or may be in areas with a First Nations presence. It is our practice to work closely with and consult with First Nations in areas in which our projects are located or which could be impacted by our activities. However, there is no assurance that relationships with such groups will be positive. Accordingly, it is possible that our production, exploration or development activities on these properties could be interrupted or otherwise adversely affected in the future by political uncertainty, native land claims entitlements, expropriations of property, changes in applicable law, governmental policies and policies of relevant interest groups, including those of First Nations. Any changes in law or relations or shifts in political conditions may be beyond our control, or we may enter into agreements with First Nations, all of which may adversely affect our business and operations and if significant, may result in the impairment or loss of mineral concessions or other mineral rights, or may make it impossible to continue our mineral production, exploration or development activities in the applicable area, any of which could have an adverse effect on our financial condition and results of operations.

Certain of our 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, and such claims and the attendant obligations of the federal government to those tribal communities and stakeholders may affect our current and future operations.

Indigenous interests and rights as well as related consultation issues may impact our ability to pursue exploration, development and mining at certain of our properties in Nevada, Montana, Alaska, British Columbia and Quebec. 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 Indigenous Nations 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 permitting delay, 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 Indigenous Nations in order to facilitate development of our properties, which could reduce the expected earnings or income from any future production.

We may be subject to a number of unanticipated risks related to inadequate infrastructure.

Mining, processing, development, exploration and other activities depend on adequate infrastructure. Reliable roads, bridges, ports, power sources, internet access and water supply are important to our operations, and their availability and condition affect capital and operating costs. Unusual, infrequent or extreme weather phenomena, sabotage, amount or complexity of required investment, or other interference in the maintenance or provision of such infrastructure, or government intervention, could adversely affect our mining operations.

We face inherent risks in acquisitions of other mining companies or properties that may adversely impact our growth strategy.

We are actively seeking to expand our mineral reserves by acquiring other mining companies or properties. Although we are pursuing opportunities that we feel are in the best interest of our stockholders, these pursuits are costly and often unproductive.

There is a limited supply of desirable mineral properties available in the United States and foreign countries where we would consider conducting exploration and/or production activities. For those that exist, we face strong competition from other mining companies, many of which have greater financial resources than we do. Therefore, we may be unable to acquire attractive companies or mining properties on terms that we consider acceptable.

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

See the risk factor below, “*We may not realize all of the anticipated benefits from our acquisitions, including our acquisition of Klondex,*” for developments at our Nevada Operations unit.

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

Integration of the businesses or the properties we acquire with our existing business is 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 with our existing business include, among other things:

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

The process of integrating 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 other parts of 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.

The issues we have faced at our Nevada Operations unit could require us to write-down the associated long-lived assets. We could face similar issues at our other operations. Such write-downs may adversely affect our results of operations and financial condition.

We review our long-lived assets for recoverability pursuant to the Financial Accounting Standard Board's Accounting Standards Codification Section 360. Under that standard, we review the recoverability of our long-lived assets, such as our mining properties, upon a triggering event. Such review involves comparing an asset's carrying value to its fair value. When the carrying value of the asset exceeds its fair value (which is based on estimating the future undiscounted cash flows expected to result from the use and eventual disposition of the asset), an impairment must be recognized. We conduct a review of the financial performance of our mines in connection with the preparation of our financial statements for each reported period and determine whether any triggering events are indicated.

As disclosed in *Note 4 of Notes to Consolidated Financial Statements*, we determined that there were no triggering events to indicate the carrying value of our long-lived assets in Nevada or at our other operating, pre-development or exploration properties were not recoverable as of December 31, 2020. However, we determined that changes to our plans in Nevada during the second quarter of 2019 represented a triggering event requiring an assessment of recoverability of the carrying value of our long-lived assets in Nevada. Although we concluded the carrying value assessment indicated no impairment at our Nevada Operations unit, at that time, such analysis was, and any future analysis will be, based on estimates, judgments and assumptions which may turn out to be incorrect or inaccurate.

The estimates, judgments and assumptions we use in any fair value/impairment assessment of our long-lived assets relate to factors impacting the future cash flows estimated at any of our operations, including, but not limited to: (i) metals to be extracted and recovered from proven and probable ore reserves and, to some extent, identified mineralization beyond proven and probable reserves, (ii) future operating and capital costs, and (iii) future metals prices. These estimates, judgments and assumptions are made in good faith and using management's best judgments; however, there can be no assurance that any of them will prove to be accurate. Evaluation of the possibility of a future impairment loss, as well as the calculation of the amount of any impairment loss, involve significant estimates, judgment and assumptions, and no assurance can be given as to whether or not we will recognize an impairment loss in the future, or if the amount of loss would be within any estimated range we may disclose. As a result, in future periods we could face another triggering event which could lead to an impairment charge, and any such impairment charge could be material.

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

We may not realize all (or any) of the anticipated benefits from any acquisition, such as increased earnings, cost savings and revenue enhancements, for various reasons, including difficulties integrating operations and personnel, higher than expected acquisition and operating costs or other difficulties, unknown liabilities which may be significant, inaccurate reserve estimates, unrealized exploration potential, ore grades or mill recoveries that are lower than required for portions of the orebodies to be economic, and fluctuations in market prices.

At our Nevada Operations unit acquired via the Klondex acquisition in July 2018, total capital and production costs exceeded revenues in 2018 and the first half of 2019. As a result, in the second quarter of 2019 we conducted a review of those operations and ceased all development to access new production areas. Production at Fire Creek is expected to continue during the first half of 2021, and then be subsequently suspended as we continue studies of hydrology, mining and milling. See the risk factors above, "*An extended decline in metals prices, an increase in operating or capital costs, mine accidents or closures, increasing regulatory obligations, or our inability to convert exploration potential to reserves may cause us to record write-downs, which could negatively impact our results of operations,*" and "*The issues we have faced at our Nevada Operations unit could require us to write-down the associated long-lived assets. We could face similar issues at our other operations. Such write-downs may adversely affect our results of operations and financial condition.*"

The properties we may acquire may not produce as expected, and we may be unable to determine reserve potential, identify liabilities associated with the acquired properties or obtain protection from sellers against such liabilities.

The properties we acquire in any acquisition, including our Nevada Operations unit, may not produce as expected, may be in an unexpected condition and we may be subject to increased costs and liabilities, including environmental liabilities. Although we review properties prior to acquisition in a manner consistent with industry practices, such reviews are not capable of identifying all existing or 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. See the risk factors above, "*We may not realize all of the anticipated benefits from our acquisitions, including our acquisition of Klondex,*" and "*An extended decline in metals prices, an increase in operating or capital costs, mine accidents or closures, increasing regulatory obligations, or our inability to convert exploration potential to reserves may cause us to record write-downs, which could negatively impact our results of operations.*"

We face risks relating to transporting our products from our mines, as well as transporting employees and materials at Greens Creek.

Certain of the products we ship to our customers are subject to regulatory requirements regarding shipping, packaging, and handling of products that may be considered dangerous to human health or the environment. Although we believe we are currently in compliance with all material regulations applicable to shipping, packaging, and handling our products, the chemical properties of our products or existing regulations could change and cause us to fall out of compliance or force us to incur substantial additional expenditures to maintain compliance with applicable regulations. Further, we do not ship our own products but instead rely on third party carriers to ship our products to our customers. To the extent that any of our carriers are unable or unwilling to ship our products in accordance with applicable regulations, including because of difficulty in obtaining, or increased cost of, insurance, or are involved in accidents during transit, we could be forced to find alternative shipping arrangements, assuming such alternatives

would be available, and we could face liability as a result of any accident. Any such changes to our current shipping arrangements or accidents involving the shipment of our products could have a material adverse impact on our operations and financial results.

In addition, Greens Creek operates on an island and is substantially dependent on various forms of marine transportation for the transportation of employees and materials to the mine and for the export of its products from the mine. Any disruption to these forms of marine transportation could adversely impact mine operations, and possible effects could include suspension of operations.

Legal, Regulatory and Compliance Risks

We face substantial governmental regulation, including the Mine Safety and Health Act, various environmental laws and regulations and the 1872 Mining Law.

Our business is subject to extensive U.S. and foreign federal, state, provincial and local laws and regulations governing environmental protection, natural resources, prospecting, development, production, post-closure reclamation, taxes, labor standards and occupational health and safety laws and regulations, including mine safety, toxic substances and other matters. The costs associated with compliance with such laws and regulations are substantial. Possible future laws and regulations, or more restrictive interpretations of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of operations and delays in the development of new properties.

U.S. surface and underground mines like those at our Lucky Friday, Greens Creek and Nevada Operations units are continuously inspected by MSHA, which inspections often lead to notices of violation under the Mine Safety and Health Act. Any of our U.S. mines could be subject to a temporary or extended shutdown as a result of a violation alleged by MSHA.

In addition, we have been and are currently involved in lawsuits or regulatory actions in which allegations have been made of our causing environmental damage, being responsible for environmental damage caused by others, violating environmental laws, or violating environmental permits, and we may be subject to similar lawsuits or actions in the future. Moreover, such environmental matters have involved both our current and historical operations as well as the historical operations of entities and properties we have acquired. See the risk factors below titled *"Our operations are subject to complex, evolving and increasingly stringent environmental laws and regulations," "Compliance with environmental regulations, and litigation based on such regulations, involves significant costs and can threaten existing operations or constrain expansion opportunities,"* and *"Our environmental and asset retirement obligations may exceed the provisions we have made."*

Some mining laws prevent mining companies that have been found to engage in bad conduct from obtaining future permits until remediation or restitution has occurred. If we are found to be responsible for any such conduct, our ability to operate existing projects or develop new projects might be impaired until we satisfy costly conditions.

We cannot assure you that we will at all times be in compliance with applicable laws, regulations and permitting requirements. Failure to comply with applicable laws, regulations and permitting requirements may result in lawsuits or regulatory actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, which may require corrective measures including capital expenditures, installation of additional equipment or remedial actions. Any one or more of these liabilities could have a material adverse impact on our financial condition.

In addition to existing regulatory requirements, legislation and regulations may be adopted, regulatory procedures modified, or permit limits reduced at any time, any of which could result in additional exposure to liability, operating expense, capital expenditures or restrictions and delays in the mining, production or development of our properties. Mining accidents and fatalities or toxic waste releases, whether or not at our mines or related to metals mining, may increase the likelihood of additional regulation or changes in law or enhanced regulatory scrutiny. In addition, enforcement or regulatory tools and methods available to regulatory bodies such as MSHA or the U.S. Environmental Protection Agency ("EPA"), which have not been or have infrequently been used against us or the mining industry, in the future could be used against us or the industry in general.

From time to time, the U.S. Congress considers proposed amendments to the 1872 Mining Law, which governs mining claims and related activities on federal lands. The extent of any future changes is not known and the potential impact on us as a result of U.S. Congressional action is difficult to predict. Changes to the 1872 Mining Law, if adopted, could adversely affect our ability to economically develop mineral reserves on federal lands.

Our operations are subject to complex, evolving and increasingly stringent environmental laws and regulations. Compliance with environmental regulations, and litigation based on such regulations, involves significant costs and can threaten existing operations or constrain expansion opportunities.

Our operations, both in the United States and internationally, are subject to extensive environmental laws and regulations governing wastewater discharges; remediation, restoration and reclamation of environmental contamination; the generation, storage, treatment, transportation and disposal of hazardous substances; solid waste disposal; air emissions; protection of endangered and protected species and designation of critical habitats; mine closures and reclamation; and other related matters. In addition, we must obtain regulatory permits and approvals to start, continue and expand operations. New or revised environmental regulatory requirements are frequently proposed, many of which result in substantially increased costs for our business. See the risk factor above, *"We are required to obtain governmental permits and other approvals in order to conduct mining operations"* and the risk factor below, *"Mine closure and reclamation regulations impose substantial costs on our operations, and include requirements that we provide financial assurance supporting those obligations. These costs could significantly increase."*

Our U.S. operations are subject to the Clean Water Act, which requires permits for certain discharges into waters of the United States. Such permitting has been a frequent subject of litigation and enforcement activity by environmental advocacy groups and the EPA, respectively, which has resulted in declines in such permits or extensive delays in receiving them, as well as the imposition of penalties for permit violations. In 2015, the regulatory definition of "waters of the United States" that are protected by the Clean Water Act was expanded by the EPA, thereby imposing significant additional restrictions on waterway discharges and land uses. However, in 2018, implementation of the relevant rule was suspended for two years, and in December 2019 a revised definition that narrows the 2015 version was implemented. Even with the recently narrowed rule, it is possible that in the future the definition could again be expanded, or states could take action to address a perceived fall-off in protection under the Clean Water Act, either of which could increase litigation involving water discharge permits, which may result in delays in, or in some instances preclude, the commencement or continuation of development or production operations. Enforcement actions by the EPA or other federal or state agencies could also result. Adverse outcomes in lawsuits challenging permits or failure to comply with applicable regulations or permits could result in the suspension, denial, or revocation of required permits, or the imposition of penalties, any of which could have a material adverse impact on our cash flows, results of operations, or financial condition. See *Note 8 of Notes to Consolidated Financial Statements*.

Some of the mining wastes from our U.S. mines currently are exempt to a limited extent from the extensive set of EPA regulations governing hazardous waste under the Resource Conservation and Recovery Act ("RCRA"). If the EPA were to repeal this exemption, and designate these mining wastes as hazardous under RCRA, we would be required to expend additional amounts on the handling of such wastes and to make significant expenditures to construct hazardous waste storage or disposal facilities. In addition, if any of these wastes or other substances we release or cause to be released into the environment cause or has caused contamination in or damage to the environment at a U.S. mining facility, that facility could be designated as a "Superfund" site under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"). Under CERCLA, any present owner or operator of a Superfund site or the owner or operator at the time of contamination may be held jointly and severally liable regardless of fault and may be forced to undertake extensive remedial cleanup action or to pay for the cleanup efforts. The owner or operator also may be liable to federal, state and tribal governmental entities for the cost of damages to natural resources, which could be substantial. Additional regulations or requirements also are imposed on our

tailings and waste disposal areas in Alaska under the federal Clean Water Act. See *Note 8 of Notes to Consolidated Financial Statements*.

Legislative and regulatory measures to address climate change and greenhouse gas emissions are in various phases of consideration. If adopted, such measures could increase our cost of environmental compliance and also delay or otherwise negatively affect efforts to obtain permits and other regulatory approvals with regard to existing and new facilities. Proposed measures could also result in increased cost of fuel and other consumables used at our operations, including the diesel generation of electricity at our Greens Creek operation, used when we are unable to access hydroelectric power. Climate change legislation may also affect our smelter customers that burn fossil fuels, resulting in fewer customers or increased costs to us, and may affect the market for the metals we produce with effects on prices that are not possible for us to predict.

Adoption of these or similar new environmental regulations or more stringent application of existing regulations may materially increase our costs, threaten certain operating activities and constrain our expansion opportunities.

Some of our facilities are located in or near environmentally sensitive areas such as salmon fisheries, endangered species habitats, wilderness areas, national monuments and national forests, and we may incur additional costs to mitigate potential environmental harm in such areas.

In addition to evolving and expanding environmental regulations providing governmental authorities with the means to make claims against us, private parties have in the past and may in the future bring claims against us based upon damage to property and injury to persons resulting from the environmental, health and safety impacts of prior and current operations (including for exposure to or contamination by lead). Laws in the U.S. such as CERCLA and similar state laws may expose us to joint and several liability or claims for contribution made by the government (state or federal) or private parties. Moreover, exposure to these liabilities arises not only from our existing but also from closed operations, operations sold to third parties, or operations in which we had a leasehold, joint venture, or other interest. Because liability under CERCLA is often alleged on a joint and several basis against any property owner or operator or arranger for the transport of hazardous waste, and because we have been in operation since 1891, our exposure to environmental claims may be greater because of the bankruptcy or dissolution of other mining companies which may have engaged in more significant activities at a mining site than we but which are no longer available for governmental agencies or other claimants to make claims against or obtain judgments from. Similarly, there is also the potential for claims against us based on agreements entered into by certain affiliates and predecessor companies relating to the transfer of businesses or properties, which contained indemnification provisions relating to environmental matters. In each of the types of cases described in this paragraph, the government (federal or state) or private parties could seek to hold Hecla Limited or Hecla Mining Company liable for the actions of their subsidiaries or predecessors.

The laws and regulations, changes in such laws and regulations, and lawsuits and enforcement actions described in this risk factor could lead to the imposition of substantial fines, remediation costs, penalties and other civil and criminal sanctions against us. Further, substantial costs and liabilities, including for restoring the environment after the closure of mines, are inherent in our operations. There is no assurance that any such law, regulation, enforcement or private claim, or reclamation activity, would not have a material adverse effect on our financial condition, results of operations or cash flows.

Mine closure and reclamation regulations impose substantial costs on our operations and include requirements that we provide financial assurance supporting those obligations. These costs could significantly increase and we might not be able to provide financial assurance.

We are required by U.S. federal and state laws and regulations and by laws and regulations in the foreign jurisdictions in which we operate to reclaim our mining properties. The specific requirements may change and vary among jurisdictions, but they are similar in that they aim to minimize long term effects of exploration and mining disturbance by requiring the control of possible deleterious effluents and re-establishment to some degree of pre-disturbance land forms and vegetation. In some cases, we are required to provide financial assurances as security for reclamation costs, which may exceed our estimates for such costs. Conversely, our reclamation costs may exceed the financial assurances in place and those assurances may ultimately be unavailable to us.

The EPA and other state, provincial or federal agencies may also require financial assurance for investigation and remediation actions that are required under settlements of enforcement actions under CERCLA or equivalent state regulations. Currently there are no financial assurance requirements for active mining operations under CERCLA, and a lawsuit filed by several environmental organizations which sought to require the EPA to adopt financial assurance rules for mining companies with active mining operations was dismissed by a federal court. In the future, financial assurance rules under CERCLA, if adopted, could be financially material and adverse to us. See the risk factors, *“Our operations are subject to complex, evolving and increasingly stringent environmental laws and regulations. Compliance with environmental regulations, and litigation based on such regulations, involves significant costs and can threaten existing operations or constrain expansion opportunities”* and *“We are required to obtain governmental permits and other approvals in order to conduct mining operations.”*

We are required to obtain governmental permits and other approvals in order to conduct mining operations.

In the ordinary course of business, mining companies are required to seek governmental permits and other approvals for continuation or expansion of existing operations or for the commencement of new operations. Obtaining the necessary governmental permits is a complex, time-consuming and costly process. The duration and success of our efforts to obtain permits are contingent upon many variables not within our control. Obtaining environmental permits, including the approval of reclamation plans, may increase costs and cause delays or halt the continuation of mining operations depending on the nature of the activity to be permitted and the interpretation of applicable requirements established by the permitting authority. Interested parties, including governmental agencies and non-governmental organizations or civic groups, may seek to prevent issuance of permits and intervene in the process or pursue extensive appeal rights. Past or ongoing violations of laws or regulations involving obtaining or complying with permits could provide a basis to revoke existing permits, deny the issuance of additional permits, or commence a regulatory enforcement action, each of which could have a material adverse impact on our operations or financial condition. In addition, evolving reclamation or environmental concerns may threaten our ability to renew existing permits or obtain new permits in connection with future development, expansions and operations. We cannot assure you that all necessary approvals and permits will be obtained and, if obtained, that the costs involved will not exceed those that we previously estimated. It is possible that the costs and delays associated with the compliance with evolving standards and regulations could become such that we would not proceed with a particular development or operation.

Specific examples of where we face permitting risk include the following:

- Continued extension of the planned life of mine at Greens Creek will require future expansion of the tailings storage facility. This will involve federal permitting under the National Environmental Policy Act (NEPA) and either an environmental assessment or environmental impact statement. While efforts are underway in Congress to streamline the federal permitting process, e.g. including mining under the FAST-41 regulatory process, our experience suggests this permitting process could be lengthy. Thus, we plan to initiate the permitting process in the near term even though tailings capacity at Greens Creek is estimated to remain sufficient for the next 10 years.
- At Casa Berardi, obtaining permits and modifications to the mine license area will be required to successfully develop the planned open pit extensions at the site and for long term management of tailings and waste rock generated through mining operations.
- At San Sebastian, regulatory approvals and landowner consents are required to successfully develop new mineralization.
- At Hollister in Nevada, state approvals will be required for waste rock management from development of the Hatter Graben or other mine expansions. This permitting will require coordination with the Western Shoshone who have long-standing ties to this land area.

See the risk factors above, *“Certain of our 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 Indigenous Nations, and such claims and the attendant obligations of the federal government to those tribal communities and stakeholders may affect our current and future operations.” and “Legal challenges could prevent the Rock Creek or Montanore projects from ever being developed.”

We are often required to post surety bonds or cash collateral to secure our reclamation obligations and we may be unable to obtain the required surety bonds or may not have the resources to provide cash collateral, and the bonds or collateral may not fully cover the cost of reclamation and any such shortfall could have a material adverse impact on our financial condition. Further, when we use the services of a surety company to provide the required bond for reclamation, the surety companies often require us to post collateral with them, including letters of credit. Currently we utilize letters of credit issued under our revolving credit facility as the source of such collateral, and as a result, there are less funds available for us to borrow under the facility for other purposes. In the event that we are unable to obtain necessary bonds or to post sufficient collateral, we may experience a material adverse affect on our operations or financial results. See the risk factors below, *“Our Senior Notes and the guarantees thereof are effectively subordinated to any of our and our guarantors’ secured indebtedness to the extent of the value of the collateral securing that indebtedness, “Any downgrade in the credit ratings assigned to us or our debt securities could increase future borrowing costs, adversely affect the availability of new financing and may result in increased collateral requirements under our existing surety bond portfolio,” and “Mine closure and reclamation regulations impose substantial costs on our operations, and include requirements that we provide financial assurance supporting those obligations. These costs could significantly increase.”*

We are currently involved in ongoing legal disputes that may materially adversely affect us.

There are several ongoing legal disputes in which we are involved, including putative class action and derivative lawsuits filed against us involving our Nevada Operations unit, and additional actions may be filed against us and our board and certain officers. We may be subject to future claims, including additional claims relating to our Nevada Operations unit. Further, we have experienced in the past, and could experience in the future, claims regarding environmental damage or compliance, safety conditions or other matters at our mines. The outcomes of these pending and potential claims are uncertain. We may not resolve these claims favorably. Depending on the outcome, these actions could cause adverse financial effects or reputational harm to us. If any of these disputes result in a substantial monetary judgment against us, are settled on terms unfavorable to us, or otherwise impact our operations (such as by limiting our ability to obtain permits or approvals), our financial results or condition could be materially adversely affected. For a description of some of the lawsuits and other claims in which we are involved, see *Note 8 of Notes to Consolidated Financial Statements*.

Our environmental and asset retirement obligations may exceed the provisions we have made.

We are subject to significant environmental obligations. At December 31, 2020, we had accrued \$116.0 million as a provision for environmental and asset retirement obligations. We cannot assure you that we have accurately estimated these obligations, and in the future our accrual could materially change and we could voluntarily incur expenditures in excess of our accrual. Our environmental and asset retirement obligations and voluntary expenditures could have a material adverse impact on our cash flows, results of operations, or financial condition. For information on our potential environmental liabilities and asset retirement obligations, see *Note 5 and Note 8 of Notes to Consolidated Financial Statements*.

New federal and state laws, regulations and initiatives could impact our operations.

In recent years there have been several proposed or implemented ballot initiatives that sought to directly or indirectly curtail or eliminate mining in certain states, including Alaska, where our Greens Creek mine operates, and Montana, where we are seeking to develop the Montanore and Rock Creek projects. While both a salmon initiative in Alaska and a water treatment initiative in Montana were defeated by voters in November 2018, in the future similar or other initiatives that could impact our operations may be on the ballot in these states or other jurisdictions (including local or international) in which we currently or may in the future operate. To the extent any such initiative was passed and became law, there could be a material adverse impact on our financial condition, results of operations or cash flows.

Legal challenges could prevent the Rock Creek or Montanore projects from ever being developed.

The proposed development of our Rock Creek project has been challenged by several regional and national conservation groups at various times since the U.S. Forest Service (“USFS”) issued its initial Record of Decision (“ROD”) in 2003 approving Revett Mining Company’s plan of operation (Revett is now our wholly-owned subsidiary, named Hecla Montana, Inc.). Some of these challenges have alleged violations of a variety of federal and state laws and regulations pertaining to water rights and permitting activities at Rock Creek, including the Endangered Species Act, NEPA, the 1872 Mining Law, the Federal Land Policy Management Act, the Wilderness Act, the National Forest Management Act, the Clean Water Act, the Clean Air Act, the Forest Service Organic Act of 1897, and the Administrative Procedure Act. As a result of litigation challenging the ROD, in May 2010, the USFS was directed by the Montana Federal District Court to produce a Supplemental Environmental Impact Statement (“SEIS”) to address NEPA procedural deficiencies that were identified by the court. The new SEIS was prepared and in August 2018, a new final ROD was issued. In early 2019, a group of environmental groups and other organizations filed a lawsuit challenging the ROD. We have updated and the USFS has partially approved its Plan of Operations to reflect the new final ROD. In April 2020, the Montana Department of Environmental Quality (“DEQ”) approved modifications to the existing exploration license to match the ROD. We cannot predict how any future challenges will be resolved or if they will continue to delay the planned development at Rock Creek. Even if the ROD is successfully defended, we would still be required to comply with a number of requirements and conditions as Rock Creek development progresses, failing which could make us unable to continue with development activities.

A joint final Environmental Impact Statement with respect to our Montanore project was issued in December 2015 by the USFS and DEQ, and each agency issued a ROD in February 2016 providing approval for development of the Montanore project. However, private conservation groups have taken and may in the future take actions to oppose or delay the Montanore project. On May 30, 2017, the Montana Federal District Court issued Opinions and Orders in three lawsuits challenging previously granted environmental approvals for the Montanore project. The Orders overturned the approvals for the project granted by the USFS and the United States Fish and Wildlife Service, and in each case remanded the ROD and associated planning documents for further review by the agencies consistent with the Court’s Opinions. In June 2017, the Court vacated the agencies’ approvals for the project. As a result, additional work must be performed by the agencies to address the deficiencies in the ROD and associated planning documents identified by the Court, and new approvals must be granted, before the project may proceed beyond certain preliminary actions. The USFS has issued a draft SEIS for the evaluation phase for public comment. A final SEIS and ROD is expected later in 2021. In addition, Montanore’s updated water discharge permit under Montana law was found to be invalid by the Montana Supreme Court in November 2020. As a result, the site is operating under the previously issued permit as authorized by law.

In March 2018, each of Hecla Mining Company and our CEO was notified by the DEQ of alleged violations of Montana’s mine reclamation statutes and related regulations due to our CEO having been an officer of a mining company that declared bankruptcy in 1998, together with the fact that subsequently, proceeds from that company’s sureties were insufficient to fully fund reclamation at that company’s mine sites in Montana. To date, no action has been taken to revoke or deny any permits held by our subsidiaries, however, those subsidiaries have commenced litigation challenging the DEQ’s assertion. The DEQ in turn initiated litigation against Hecla Mining Company and our CEO in an effort to halt the development of the Montanore and Rock Creek projects. The lawsuit was dismissed in August 2020, but the plaintiffs are seeking a rehearing. It is possible that the litigation may be resolved unfavorably, which could have the effect of delaying, increasing the costs of, or preventing exploration and development efforts at the two projects.

The titles to some of our properties may be defective or challenged.

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

Risks Relating to Our Common Stock and Our Indebtedness

We may be unable to generate sufficient cash to service all of our debt and meet our other ongoing liquidity needs and may be forced to take other actions to satisfy our obligations, which may be unsuccessful.

Our ability to make scheduled payments or to refinance our debt obligations and to fund our planned capital expenditures and other ongoing liquidity needs depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. There can be no assurance that our business will generate sufficient cash flow from operations or that borrowings will be available to us to pay the principal, premium, if any, and interest on our debt or to fund our other liquidity needs. We may need to refinance all or a portion of our debt on or before maturity. We may be unable to refinance any of our debt on commercially reasonable terms or at all.

In addition, we conduct substantially all of our operations through our subsidiaries, certain of which are not guarantors of our debt. Accordingly, repayment of our debt is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of our debt, our subsidiaries do not have any obligation to pay amounts due on our debt or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our debt. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the credit agreement governing our revolving credit facility and the indenture governing our Senior Notes limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our debt.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital or restructure or refinance our debt. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture governing our Senior Notes may restrict us from adopting some of these alternatives. Further, these alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In addition, any failure to make payments of interest and principal on our outstanding debt on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional debt.

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

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

- changes in metals prices, particularly silver and gold;
- our results of operations and financial condition as reflected in our public news releases or periodic filings with the SEC;
- fluctuating proven and probable reserves;
- factors unrelated to our financial performance or future prospects, such as global economic developments, market perceptions of the attractiveness of particular industries, or the reliability of metals markets;
- market prices of our publicly traded debt;
- political and regulatory risk;
- the success of our exploration, pre-development, and capital programs;
- ability to meet production estimates;
- environmental, safety and legal risk;
- the extent and nature of analytical coverage concerning our business; and
- the trading volume and general market interest in our securities.

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

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

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

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

Since January 2010, we have paid all regular quarterly dividends on our Series B preferred stock. The annual dividend payable on the Series B preferred stock is currently \$0.6 million. Prior to 2010, there were numerous occasions when we did not declare dividends on the Series B Preferred Stock, but instead deferred them. We cannot assure you that we will continue to pay preferred stock dividends in the future.

Our board of directors adopted a common stock dividend policy that has two components: (1) a dividend that links the amount of dividends on our common stock to our average quarterly realized silver price in the preceding quarter, and (2) a minimum annual dividend of \$0.015 per share of common stock, in each case payable quarterly, when declared. See *Note 10 of Notes to Consolidated Financial Statements* for more information on our common stock dividend policy.

From the fourth quarter of 2011 through and including the fourth quarter of 2020, our board of directors has declared a common stock dividend under the policy described above (although in most cases only a minimum dividend was declared and none relating to the average realized price of silver due to the prices not meeting the policy threshold). The declaration and payment of common stock dividends, whether pursuant to the policy or in addition thereto, is at the sole discretion of our board of directors,

and we cannot assure you that we will continue to declare and pay common stock dividends in the future. In addition, the indenture governing our Senior Notes limits our ability to pay dividends.

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

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

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

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

The provisions in our certificate of incorporation, our by-laws and Delaware law could delay or deter tender offers or takeover attempts.

Certain provisions in our restated certificate of incorporation, our by-laws and Delaware law could make it more difficult for a third party to acquire control of us, even if that transaction could be beneficial to stockholders. These impediments include:

- the classification of our board of directors into three classes serving staggered three-year terms, which makes it more difficult to quickly replace board members;
- the ability of our board of directors to issue shares of preferred stock with rights as it deems appropriate without stockholder approval;
- a provision that special meetings of our board of directors may be called only by our chief executive officer or a majority of our board of directors;
- a provision that special meetings of stockholders may only be called pursuant to a resolution approved by a majority of our board of directors;
- a prohibition against action by written consent of our stockholders;
- a provision that our board members may only be removed for cause and by an affirmative vote of at least 80% of the outstanding voting stock;
- a provision that our stockholders comply with advance-notice provisions to bring director nominations or other matters before meetings of our stockholders;
- a prohibition against certain business combinations with an acquirer of 15% or more of our common stock for three years after such acquisition unless the stock acquisition or the business combination is approved by our board prior to the acquisition of the 15% interest, or after such acquisition our board and the holders of two-thirds of the other common stock approve the business combination; and
- a prohibition against our entering into certain business combinations with interested stockholders without the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of voting stock.

In addition, amendment of most of the provisions described above requires approval of at least 80% of the outstanding voting stock.

Our Senior Notes and the guarantees thereof are effectively subordinated to any of our and our guarantors' secured indebtedness to the extent of the value of the collateral securing that indebtedness.

Our Senior Notes and the guarantees thereof are not secured by any of our assets or the assets of our subsidiaries. The indenture governing the Senior Notes permits us to incur secured debt up to specified limits. As a result, the Senior Notes and the guarantees thereof are effectively subordinated to our and our subsidiary guarantors' future secured indebtedness with respect to the collateral that secures such indebtedness, including any borrowings under our revolving credit facility. Upon a default in payment on, or the acceleration of, any of our secured indebtedness, or in the event of a bankruptcy, insolvency, liquidation, dissolution, reorganization or other insolvency proceeding involving us or such guarantor, the proceeds from the sale of collateral securing any secured indebtedness will be available to pay obligations on the Senior Notes only after such secured indebtedness has been paid in full. As a result, the holders of the Senior Notes may receive less, ratably, than the holders of secured debt in the event of a bankruptcy, insolvency, liquidation, dissolution, reorganization or other insolvency proceeding involving us or such guarantor.

Any draw-downs on our \$250 million revolving credit facility would be secured debt. We did not have a balance drawn on the revolving credit facility as of December 31, 2020, but utilized \$20.3 million of the facility with letters of credit. See the risk factor above "*We are required to obtain governmental permits and other approvals in order to conduct mining operations*" for more information.

The terms of our debt impose restrictions on our operations.

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

- make it more difficult for us to satisfy our obligations with respect to the Senior Notes and our other debt;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements, or require us to make divestitures;
- require a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for and reacting to changes in the industry in which we compete;
- place us at a disadvantage compared to other, less leveraged competitors; and
- increase our cost of borrowing additional funds.

These restrictions may affect our ability to grow in accordance with our strategy. Further, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of any financing.

In addition, our revolving credit facility requires us to comply with various covenants, including certain financial ratios, that restrict management's discretion to operate our business in certain circumstances. For example, these restrictions include limitations that could affect our ability to incur additional indebtedness, place liens or mortgages on our assets, sell assets or release collateral. These restrictions could make it more difficult for us to obtain additional financing or take advantage of business opportunities. Furthermore, a breach of any of these covenants could result in an event of default under the agreement governing our revolving credit facility that, if not cured or waived, could give the holders of the defaulted debt the right to terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable

immediately. Acceleration of any of our debt could result in cross-defaults under our other debt instruments, including the indenture governing our Senior Notes, as well as certain forward sales contracts which may be outstanding from time to time. Our assets and cash flow may be insufficient to repay borrowings fully under all of our outstanding debt instruments if any of our debt instruments are accelerated upon an event of default, which could force us into bankruptcy or liquidation. In such an event, we may be unable to repay our debt obligations. In addition, in some instances, this would create an event of default under the indenture governing our Senior Notes.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.

Borrowings under our credit facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. Assuming all revolving loans currently available to us were fully drawn, each one percentage point change in interest rates would result in a \$2.3 million change in annual cash interest expense on our credit facility.

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

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

We may be unable to repurchase Senior Notes in the event of a change of control as required by the indenture.

Upon the occurrence of certain kinds of change of control events specified in the indenture, holders of the Senior Notes will have the right to require us to repurchase all of the Senior Notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. Any change of control also would constitute a default under our revolving credit facility. Therefore, upon the occurrence of a change of control, the lenders under our revolving credit facility would have the right to accelerate their loans and, if so accelerated, we would be required to repay all of our outstanding obligations under such facility. We may not be able to pay the Senior Note holders the required price for their notes at that time because we may not have available funds to pay the repurchase price. In addition, the terms of other existing or future debt may prevent us from paying the Senior Note holders. We cannot assure you that we would be able to repay such other debt or obtain consents from the holders of such other debt to repurchase the Senior Notes. Any requirement to offer to purchase any outstanding Senior Notes may result in us having to refinance our outstanding indebtedness, which we may not be able to do. In addition, even if we were able to refinance our outstanding indebtedness, such financing may be on terms unfavorable to us.

Holders of the Senior Notes may not be able to determine when a change of control giving rise to their right to have the Senior Notes repurchased has occurred following a sale of "substantially all" of our assets.

The definition of change of control in the indenture governing the Senior Notes includes a phrase relating to the sale of "all or substantially all" of our assets. There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, the ability of a holder of Senior Notes to require us to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

Federal and state fraudulent transfer laws may permit a court to void the Senior Notes or any of the guarantees thereof, and if that occurs, holders of the Senior Notes may not receive any payments on the notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the Senior Notes and the incurrence of any guarantees of the Senior Notes. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the Senior Notes or any guarantees thereof could be voided as a fraudulent transfer or conveyance if we or any existing or future subsidiary guarantors, as applicable, (a) issued the Senior Notes or incurred such guarantee with the intent of hindering, delaying or defrauding creditors or (b) received less than reasonably equivalent value or fair consideration in return for either issuing the Senior Notes or incurring the guarantee and, in the case of (b) only, one of the following is also true at the time thereof:

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

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

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

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

The subsidiary guarantees contain a "savings clause" intended to limit the subsidiary guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its subsidiary guarantee to be a fraudulent transfer. This provision may not be effective to protect any subsidiary guarantees from being avoided under fraudulent transfer law. Furthermore, in *Official Committee of Unsecured Creditors of TOUSA, Inc. v Citicorp North America, Inc.*, the U.S. Bankruptcy Court in the Southern District of Florida held that a savings clause similar to the savings clause used in the indenture was unenforceable. As a result, the subsidiary guarantees in that case were found to be fraudulent conveyances. The United States Court of Appeals for the Eleventh Circuit affirmed the liability findings of the Bankruptcy Court without ruling directly on the enforceability of savings clauses generally. If the TOUSA decision were followed by other courts, the risk that the guarantees would be deemed fraudulent conveyances would be significantly increased.

To the extent that any subsidiary guarantee is avoided, then, as to that subsidiary, the guaranty would not be enforceable.

If a court were to find that the issuance of the Senior Notes or the incurrence of any guarantee was a fraudulent transfer or conveyance, the court could (1) void the payment obligations under the Senior Notes or such guarantee, (2) subordinate the Senior Notes or such guarantee to presently existing and future indebtedness of ours or of the related subsidiary guarantor or (3) require the holders of the Senior Notes to repay any amounts received with respect to such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, holders of the Senior Notes may not receive any repayment on the Senior Notes. Further, the avoidance of the Senior Notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of that debt.

General Risk Factors

Global financial events or developments impacting major industrial or developing countries may have an impact on our business and financial condition in ways that we currently cannot predict.

The 2020 pandemic and 2008 credit crisis and related turmoil in the global financial system and ensuing recession had an impact on our business and financial position, and similar events in the future could also impact us. The re-emergence of a financial crisis or recession or reduced economic activity in the United States, China, India and other industrialized or developing countries, or disruption of key sectors of the economy such as oil and gas, may have a significant effect on our results of operations or limit our ability to raise capital through credit and equity markets. The prices of the metals that we produce are affected by a number of factors, and it is unknown how these factors may be impacted by a global financial event or developments impacting major industrial or developing countries.

Tariffs, other potential changes to tariff and import/export regulations, and ongoing trade disputes between the United States and other jurisdictions may have a negative effect on global economic conditions and our business, financial results and financial condition.

In 2018, the United States imposed and enacted tariffs on certain items. Since their enactment, there have been ongoing discussions and activities regarding changes to other U.S. trade policies and treaties. In response, a number of markets, including China, into which we have in the past and may in the future sell our products, have implemented tariffs on U.S. imports, or are threatening to impose tariffs on U.S. imports or to take other measures in response to these U.S. actions. These developments may have a material adverse effect on global economic conditions and the stability of global financial markets, and they may significantly reduce global trade and, in particular, trade between China and the United States. Any of these factors could depress economic activity, restrict our access to customers and have a material adverse effect on our business, financial condition and results of operations. In addition, any actions by foreign markets to implement further trade policy changes, including limiting foreign investment or trade, increasing regulatory scrutiny or taking other actions which impact U.S. companies' ability to obtain necessary licenses or approvals could negatively impact our business.

In September 2018, in response to tariffs on Chinese goods implemented by the United States, China imposed a 10% tariff on lead concentrates and a 20% tariff on silver concentrates, which we produce and ship to China and from time to time. However, tariff exemptions were granted to a number of smelters in China in 2020, and we sold silver concentrates to China representing approximately 10% of our total revenues for the year which were not subject to tariffs due to the exemptions. We sold no lead or silver concentrates to China in 2019. While to date the direct impact of tariffs has been immaterial on our sales and treatment charges, they may also have an impact on our sales and treatment charges outside of China, and there can be no assurance that the tariff exemptions will continue.

These tariffs are relatively recent and are subject to a number of uncertainties as they are implemented, including future adjustments and changes in the countries excluded from such tariffs. The ultimate reaction of other countries, and businesses in those countries, and the impact of these tariffs or other actions on the United States, China, the global economy and our business, financial condition and results of operations, cannot be predicted at this time, nor can we predict the impact of any other developments with respect to global trade.

Our profitability could be affected by the prices of other commodities.

Our profitability is sensitive to the costs of commodities such as fuel (in particular as used at Greens Creek to generate electricity when hydropower is unavailable), steel, and cement. While the recent prices for such commodities have been stable or in decline, prices have been historically volatile, and material increases in commodity costs could have a significant effect on our results of operations.

Our business depends on availability of skilled miners and good relations with employees.

We are dependent upon the ability and experience of our executive officers, managers, employees, contractors and their employees, and other personnel, and we cannot assure you that we will be able to retain such employees or contractors. We compete with other companies both in and outside the mining industry in recruiting and retaining qualified employees and contractors knowledgeable about the mining business. From time to time, we have encountered, and may in the future encounter, difficulty recruiting skilled mining personnel at acceptable wage and benefit levels in a competitive labor market, and may be required to utilize contractors, which can be more costly. Temporary or extended lay-offs due to mine closures may exacerbate such issues and result in vacancies or the need to hire less skilled or efficient employees or contractors. The loss of skilled employees or contractors or our inability to attract and retain additional highly skilled employees and contractors could have an adverse effect on our business and future operations.

We or our contractors may experience labor disputes, work stoppages or other disruptions in production that could adversely affect our business and results of operations. The Lucky Friday mine is our only operation where some of our employees are subject to a collective bargaining agreement, and the unionized employees were on strike from March 13, 2017 until January 7, 2020, when the union ratified a new collective bargaining agreement. The strike significantly impacted production at the Lucky Friday and caused significant costs and expenses during each year of the strike. Any future strikes or other labor or related disruptions could adversely affect our financial condition and results of operations.

Our information technology systems may be vulnerable to disruption which could place our systems at risk from data loss, operational failure, or compromise of confidential information.

We rely on various information technology systems and on third party developers and contractors in connection with operations, including production, equipment operation and financial support systems. While we regularly monitor the security of our systems, they remain vulnerable to disruption, damage or failure from a variety of sources, including errors by employees or contractors, computer viruses, cyber-attacks including phishing, ransomware and similar malware, misappropriation of data by outside parties, and various other threats. Techniques used to obtain unauthorized access to or sabotage our systems are under continuous and rapid evolution, and we may be unable to detect efforts to disrupt our data and systems in advance. Breaches and unauthorized access carry the potential to cause losses of assets or production, operational delays, equipment failure that could cause other risks to be realized, inaccurate recordkeeping, or disclosure of confidential information, any of which could result in financial losses and regulatory or legal exposure, and could have a material adverse effect on our cash flows, financial condition or results of operations.

Competition from other mining companies may harm our business.

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

- attracting and retaining key executives, skilled labor, and other employees;
- for the services of other skilled personnel and contractors and their specialized equipment, components and supplies, such as drill rigs, necessary for exploration and development;
- for contractors that perform mining and other activities and milling facilities which we lease or toll mill through; and
- for rights to mine properties.

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

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

If a large number of shares of our common stock are sold in the public market, the sales could reduce the trading price of our common stock and impede our ability to raise future capital.

We cannot predict what effect, if any, future issuances by us of our common stock or other equity will have on the market price of our common stock. Any shares that we may issue may not have any resale restrictions, and therefore could be immediately sold by the holders. The market price of our common stock could decline if certain large holders of our common stock, or recipients of our common stock, sell all or a significant portion of their shares of common stock or are perceived by the market as intending to sell these shares other than in an orderly manner. In addition, these sales could also impair our ability to raise capital through the sale of additional common stock in the capital markets.

Any downgrade in the credit ratings assigned to us or our debt securities could increase future borrowing costs, adversely affect the availability of new financing and may result in increased collateral requirements under our existing surety bond portfolio.

As of February 18, 2021, our Senior Notes were rated “B” with a stable outlook by Standard & Poor’s and “Caa1” with a stable outlook by Moody’s Investors Service. We cannot assure you that any rating currently assigned by Standard & Poor’s or Moody’s to us or our debt securities (including the Senior Notes) will remain unchanged for any given period of time or that a rating will not be lowered if, in that rating agency’s judgment, future circumstances relating to the basis of the rating so warrant. If we are unable to maintain our outstanding debt and financial ratios at levels acceptable to the credit rating agencies, or should our business prospects or financial results deteriorate, including as a result of declines in silver and gold prices or other factors beyond our control, our ratings could be downgraded by the rating agencies. Downgrading the credit rating of our debt securities or placing us on a watch list for possible future downgrading would likely adversely impact us, including our ability to obtain financing on favorable terms, if at all, increase borrowing costs, result in increased collateral requirements under our surety bond portfolio, and have an adverse effect on the market price of our securities, including our Senior Notes.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES
OPERATING PROPERTIES
The Greens Creek Unit

Various of our subsidiaries collectively own 100% of the Greens Creek mine, located on Admiralty Island near Juneau in southeast Alaska. Admiralty Island is accessed by boat, float plane, or helicopter. On the island, the mine site and various surface facilities are accessed by 13 miles of all-weather gravel roads. The Greens Creek mine has been in production since 1989, with a temporary care and maintenance period from April 1993 through July 1996. Since the start of production, Greens Creek has been owned and operated through various joint venture arrangements. For approximately 15 years prior to April 16, 2008, our wholly-owned subsidiary, Hecla Alaska LLC, owned an undivided 29.7% joint venture interest in the assets of Greens Creek. On April 16, 2008, we completed the acquisition of all of the equity of two Rio Tinto subsidiaries holding a combined 70.3% joint venture interest in the Greens Creek mine, and which previously operated the mine, for approximately \$758.5 million. The acquisition of these two joint venture participants gave us control of 100% of the joint venture that owns and operates the Greens Creek mine.

The Greens Creek orebody contains silver, zinc, gold and lead, and lies within the Admiralty Island National Monument, an environmentally sensitive area. The Greens Creek property includes 440 unpatented lode mining claims, 58 unpatented millsite claims, 17 patented lode claims and one patented millsite. In addition, the Greens Creek site includes properties under lease from the U.S. Forest Service (“USFS”) for a road right-of-way, mine waste area and tailings storage facility. The USFS leases have varying expiration terms. Greens Creek also has title to mineral rights on 7,301 acres of federal land acquired through a land exchange with the USFS. We are currently exploring, but not mining, on such federal land. The claims and leases above comprise a total area of approximately 24 square miles.

The project consists of the mine, an ore concentrating mill, a tailings storage area, a ship-loading facility, camp facilities, a ferry dock, and other related infrastructure. The map below illustrates the location and access to Greens Creek:



The Greens Creek deposit is a polymetallic, stratiform, massive sulfide deposit. The host rock consists of predominantly marine sedimentary, and mafic to ultramafic volcanic and plutonic rocks, which have been subjected to multiple periods of deformation. These deformational episodes have imposed intense tectonic fabrics on the rocks. Mineralization occurs most often along the contact between a structural hanging wall of quartz mica carbonate phyllites and a structural footwall of graphitic and calcareous argillite. Major sulfide minerals are pyrite, sphalerite, galena, and tetrahedrite/tennantite.

Pursuant to a 1996 land exchange agreement, the joint venture owning Greens Creek transferred private property equal to a value of \$1.0 million to the USFS and received exploration and mining rights to approximately 7,300 acres of land with mining potential surrounding the existing mine. Any production from new ore discoveries on the exchanged lands will be subject to a federal royalty included in the land exchange agreement. The royalty is only due on any production from reserves that are not part of Greens Creek’s extralateral rights. Thus far, there has been no production triggering payment of the royalty. The royalty is 3% if the average value of the ore during a year is greater than approximately \$161 per ton at December 31, 2020.

Greens Creek is an underground mine accessed by a ramp from surface which produces approximately 2,300 tons of ore per day. The primary mining methods are cut and fill and longhole stoping. The Greens Creek ore processing facility includes a SAG/ball mill grinding circuit to grind the run of mine ore to liberate the minerals and produce a slurry suitable for differential flotation of mineral concentrates. A gravity circuit recovers free gold that exists as electrum, a gold/silver alloy in the ore. Gravity concentrates are produced from this circuit prior to flotation. Three flotation concentrates are produced: a lead concentrate which contains most of the silver recovered; a zinc concentrate which is low in precious metals content; and a zinc-rich bulk concentrate that contains gold, silver, zinc, and lead and must be marketed to a smelter utilizing an Imperial Smelting Furnace (ISF) which can simultaneously produce both zinc and lead. Doré is produced from the gravity concentrate by a third-party processor and further refined and sold to precious metal traders. The concentrate products are sold to a number of smelters and traders worldwide. See *Note 12 of Notes to Consolidated Financial Statements* for information on the significant customers for Greens Creek’s products. Concentrates are shipped from the Hawk Inlet marine terminal about nine miles from the mill.

In 2020, ore was processed at an average rate of approximately 2,236 tons per day and total mill recovery was approximately 82% for silver, 92% for zinc, 83% for lead and 73% for gold. The processing facility was originally constructed in 1988, with the first production commencing in 1989. Various modifications and upgrades have been made since that time. Changes to the flotation circuit have included: installation of regrind mills in 1992; mill recommissioning in 1996; expansion of concentrate cleaning equipment in 2000 and 2001; addition of a swing cell option in 2004, allowing for a reduction in bulk concentrate production; addition of an on-stream analyzer in 2006; expansion of lead rougher equipment in 2007; retrofit of two column sparge systems in 2010 and 2011; replacement of the carbon flotation columns complete with sparger upgrades in 2012 and 2013; installation of a replacement on-stream analyzer with an additional multiplexer in 2013 and 2014; and replacement of the sulfuric acid system with a carbon dioxide system for pH control in 2015. Significant changes to the grinding circuit since original construction have included a new motor, two stage screening, and various internal lining modifications for the SAG mill, and replacement of the primary cyclones and the addition of a trommel magnet in the ball mill. In 2017, the swing cells were replaced with Woodgrove staged flotation reactor cells.

Electricity for the Greens Creek unit is provided through the purchase of surplus hydroelectric power from Alaska Electric Light and Power Company (“AEL&P”), to the extent

it is available after the power needs of Juneau and the surrounding area are met. When weather conditions are not favorable to maintain lake water levels sufficient to meet all of the power needs at Greens Creek by available hydroelectric power, the mine relies on power provided by on-site diesel generators, which can supply the full electrical load of the operation.

The employees at Greens Creek are employees of Hecla Greens Creek Mining Company, our wholly-owned subsidiary, and are not represented by a bargaining agent. There were 443 employees at the Greens Creek unit at December 31, 2020.

Definition drilling during 2020, which was limited because the pandemic reduced drilling contractor access, focused on upgrading mineralized material at the 200 South, East Ore, Southwest, 9a, and Upper Plate zones. After applying economic analysis to these drilling results, we believe this mineralized material will likely be converted to reserves in the future, primarily in the East Ore, 200 South, Upper Plate, and 9a zones. Underground exploration activities at Greens Creek in 2020 identified mineralization along trend of the 200 South Zone, confirming mineralization is consistent along the upper trend for 350 feet between previously drilled areas, and mineralization occurs along the lower trend in line with, and 200 feet south of, previous drilling.

Planned activities to potentially add reserves in 2021 include additional drilling of the East Ore, West, 9A, Upper Plate, Southwest, Northwest West, 200 South, 5250, and Gallagher zones. Underground exploration targets in 2021 are expected to include the 200 South, Gallagher, and East Ore zones while surface exploration will test the Lil'Sore Trend and 5250 Zone target areas in the district. Development continues to advance two exploration drifts to the south, which we believe will enable definition and drilling of targets in the deepest areas of the 200 South Zone.

As of December 31, 2020, we have recorded a \$42.7 million asset retirement obligation for reclamation and closure costs. We maintained a \$92.2 million reclamation and long-term water treatment bond for Greens Creek as of December 31, 2020. The net book value of the Greens Creek unit property and its associated plant, equipment and mineral interests was approximately \$569.3 million as of December 31, 2020.

The current mine plan at Greens Creek utilizes estimates of reserves and mineralized material for approximately 11 years of production. Information with respect to production, cost of sales and other direct production costs and depreciation, depletion and amortization, average Cash Cost, After By-product Credits, Per Silver Ounce, All-In Sustaining Costs ("AISC"), After By-product Credits, Per Silver Ounce, and proven and probable ore reserves for the past three years is set forth in the following table.

Production	Years Ended December 31,		
	2020	2019	2018
Ore milled (tons)	818,408	846,076	845,398
Silver (ounces)	10,494,726	9,890,125	7,953,003
Gold (ounces)	48,491	56,625	51,493
Zinc (tons)	56,814	56,805	55,350
Lead (tons)	21,400	20,112	18,960
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 217,125	\$ 211,719	\$ 190,066
Cash Cost, After By-product Credits, Per Silver Ounce⁽¹⁾	\$ 5.49	\$ 1.97	\$ (1.13)
AISC, After By-Product Credits, per Silver Ounce⁽¹⁾	\$ 8.57	\$ 5.99	\$ 5.58
Proven Ore Reserves^(2,3,4,5,6,7)			
Total tons	3,200	7,200	6,200
Silver (ounces per ton)	21.8	14.8	13.8
Gold (ounces per ton)	0.10	0.08	0.10
Zinc (percent)	7.8	5.4	7.0
Lead (percent)	3.7	2.6	2.8
Contained silver (ounces)	70,100	106,200	85,800
Contained gold (ounces)	300	600	600
Contained zinc (tons)	250	390	440
Contained lead (tons)	120	180	180
Probable Ore Reserves^(2,3,4,5,6,7)			
Total tons	8,975,100	10,713,400	9,269,500
Silver (ounces per ton)	12.4	12.2	11.5
Gold (ounces per ton)	0.09	0.09	0.09
Zinc (percent)	7.3	7.3	7.6
Lead (percent)	2.8	2.8	2.8
Contained silver (ounces)	111,333,300	130,791,300	106,972,000
Contained gold (ounces)	827,300	931,600	839,500
Contained zinc (tons)	652,170	778,020	706,040
Contained lead (tons)	254,840	305,010	262,760
Total Proven and Probable Ore Reserves^(2,3,4,5,6,7)			
Total tons	8,978,300	10,720,600	9,275,700
Silver (ounces per ton)	12.4	12.2	11.5
Gold (ounces per ton)	0.09	0.09	0.09
Zinc (percent)	7.3	7.3	7.6
Lead (percent)	2.8	2.8	2.8
Contained silver (ounces)	111,403,400	130,897,500	107,057,800
Contained gold (ounces)	827,600	932,200	840,100
Contained zinc (tons)	652,420	778,410	706,480
Contained lead (tons)	254,960	305,190	262,940

- (1) Includes by-product credits from gold, lead and zinc production. Cash Cost, After By-product Credits, Per Silver Ounce and AISC, After By-product Credits, Per Silver Ounce represent non-GAAP measurements that management uses to monitor and evaluate the performance of our mining operations. We believe these measurements provide indicators of economic performance and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other operating mining properties. A reconciliation of cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, to these non-GAAP measures can be found in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, under Reconciliation of Costs 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)*.
- (2) The term "reserve" means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "economically," as used in the definition of reserve, means that profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. The term "legally," as used in the definition of reserve, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, we must have a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course and in a time frame consistent with our current mine plans.
- (3) Proven and probable ore reserves are calculated and reviewed in-house and are subject to periodic audit by others, although audits are not performed on an annual basis. Cutoff grade assumptions vary by ore body and are developed based on reserve metals price assumptions, anticipated mill recoveries and smelter payables, and cash operating costs. Due to multiple ore metals, and complex combinations of ore types, metal ratios and metallurgical performances at Greens Creek, the cutoff grade is expressed in terms of net smelter return ("NSR"), rather than metal grade. The cutoff grade at Greens Creek is \$205 per ton NSR for all zones except Gallagher and additional small headings, which have cutoff grades of \$210 and \$240, respectively, per ton NSR. Our estimates of proven and probable reserves are based on the following metals prices:

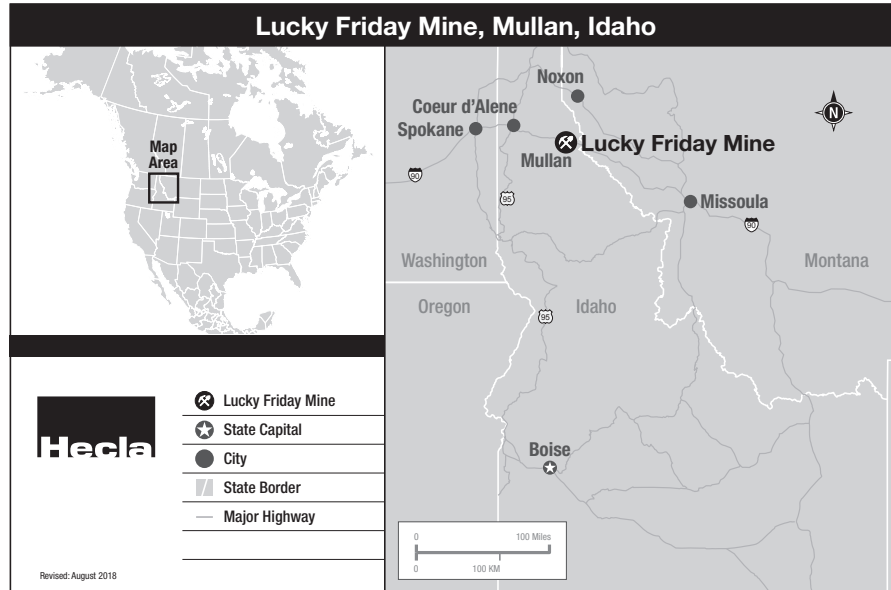
	December 31,		
	2020	2019	2018
Silver (per ounce)	\$ 16.00	\$ 14.50	\$ 14.50
Gold (per ounce)	\$ 1,300	\$ 1,300	\$ 1,200
Lead (per pound)	\$ 0.90	\$ 0.90	\$ 0.90
Zinc (per pound)	\$ 1.15	\$ 1.15	\$ 1.15

- (4) Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the ore and expected mining recovery. The 2020 reserve model assumes average total mill recoveries of 82% for silver, 72% for gold, 92% for zinc and 84% for lead.
- (5) The change in reserves in 2020 versus 2019 was due to continued depletion of the deposit through production and limitations on drilling activities due to COVID-19. The change in reserves in 2019 versus 2018 was due to data from new drill holes, new density measurements, new resource modeling techniques and various design changes made to reduce dilution, partially offset by continued depletion of the deposit through production.
- (6) Probable reserves at the Greens Creek unit are based on average drill spacing of 50 to 100 feet. Proven reserves typically require that mining samples are partly the basis of the ore grade estimates used, while probable reserve grade estimates can be based entirely on drilling results. The proven reserves reported for Greens Creek for 2020 represent stockpiled ore.
- (7) Greens Creek reserve estimates were prepared by Paul Jensen, Chief Geologist, Joshua Pritts, Resource Geologist, and Kyle Mehalek, Chief Mine Engineer, at the Greens Creek unit and reviewed by Keith Blair, Chief Geologist, and Kurt Allen, Director of Exploration, at Hecla Limited.

The Lucky Friday Unit

Since 1958, we have owned and operated the Lucky Friday mine, a deep underground silver, lead and zinc mine located in the Coeur d'Alene Mining District in northern Idaho. Lucky Friday is one-quarter mile east of Mullan, Idaho, and is adjacent to U.S. Interstate 90. The mine site and various surface facilities are accessed by paved roads from U.S. Interstate 90.

The Lucky Friday mine is comprised of 710 acres of patented mining claims and fee lands and 535 acres of unpatented mining claims. We also own or control approximately 26 square miles of mineral interests, which include patented mining and millsite claims, fee lands, and unpatented mining claims, that are adjacent to the Lucky Friday mine property. On November 6, 2008, we, through the Silver Hunter Mining Company ("Silver Hunter"), completed the acquisition of substantially all the assets of Independence Lead Mines Company, which held an interest in the Gold Hunter property. The acquisition included all future interests or royalty obligations to Independence and the mining claims pertaining to the operating agreement with Hecla Limited that was assigned to Silver Hunter. Below is a map illustrating the location and access to the Lucky Friday unit:



There have been two ore-bearing structures mined at the Lucky Friday unit. The first, mined through 2001, was the Lucky Friday Vein, a fissure vein typical of many in the Coeur d'Alene Mining District. The ore body is located in the Revett Formation, which is known to provide excellent host rocks for a number of ore bodies in the Coeur d'Alene Mining District. The Lucky Friday Vein strikes northeasterly and dips steeply to the south with an average width of six to seven feet. Its principal ore minerals are galena and tetrahedrite with minor amounts of sphalerite and chalcopyrite. The ore occurs as a single continuous ore body in and along the Lucky Friday Vein. The major part of the ore body has extended from 1,200 feet to 6,020 feet below surface.

The second ore-bearing structure is known as the Lucky Friday Expansion Area, or Gold Hunter. It is located about 5000 feet northwest of the Lucky Friday workings and was discovered by Hecla in 1991. It was put into production pursuant to an operating agreement with Silver Hunter, our wholly owned subsidiary. High grade silver mineralization occurs in steeply dipping veins hosted in a 200-foot thick siliceous lens within the Wallace Formation that transitions to the St. Regis Formation at about 5,900 feet below surface. We currently are mining at approximately 6,300 feet below surface. The veins are sub-parallel and strike west-northwest with a dip of 85 degrees to the south. The strike length of the mineralized package is approximately 2,150 feet. The 30 Vein, which contains higher silver grades, is the primary producer and represents approximately 57% of our current proven and probable ore reserve tonnages, while the remaining 43% of our reserves are contained in various intermediate veins having lower

silver grades than 30 Vein. The width of 30 Vein ranges from approximately 0.5 feet to 15.4 feet, with an average width of approximately 7.4 feet.

Access to the mining horizons from the surface is by shaft access. Once underground, trackless drifts and ramps are utilized to reach the mining areas. An internal, hoisting shaft was completed in 2017 to extend access at depth in the Gold Hunter area. The principal mining methods in use at the Lucky Friday unit consist of underhand systems with integral paste fill and varying degrees of mechanization. The most prevalent system in use in 2020 was underhand cut and fill. This method utilizes rubber-tired equipment to access the veins through ramps developed outside of the ore body. Once a cut is taken along the strike of the vein, it is backfilled with cemented tailings and the next cut is accessed below from the ramp system. In 2020, we began testing a new underhand method that has the potential for increased mechanization. It is akin to longhole stoping but is conducted over shorter vertical intervals and without an undercut. Work has been underway since 2017 to develop a fully mechanized underhand method which would utilize a remote vein miner for mechanical excavation. Fabrication of the remote vein miner was completed in 2019. Testing and modification of the machine at the manufacturer's facilities proceeded in 2020 but has been delayed by COVID-19. Delivery to Lucky Friday is expected in 2021.

Ore at the Lucky Friday unit is processed using a conventional lead/zinc flotation flowsheet. Run of mine ore is crushed in a conventional three stage crushing plant consisting of a primary jaw crusher, followed by secondary and tertiary cone crushing circuits. Crushed ore is ground in a ball mill, and the ground slurry reports to the lead flotation circuit. The lead circuit tailings report to the zinc flotation circuit. Lead and zinc concentrates are thickened and filtered, and concentrate products are shipped to smelters for final processing. The original flotation mill was constructed in 1960 and had a capacity of 750 tons per day. Various modifications and upgrades have been made since that time, and the plant capacity currently is estimated at 1,000 tons per day. Total mill recovery was approximately 96% for silver, 95% for lead and 91% for zinc during 2020. All lead and zinc concentrate sales during 2020 were shipped to Teck Resources Limited's smelter in Trail, British Columbia, Canada.

Avista Corporation supplies electrical power to the Lucky Friday unit.

At December 31, 2020, there were 327 employees at Lucky Friday. The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial, and Service Workers International Union is the bargaining agent for Lucky Friday's 241 hourly employees as of December 31, 2020. The current labor agreement expires on January 6, 2023. Re-staffing of the mine and ramp-up activities, following a strike that started in March 2017 and ended in early January 2020, have been substantially completed, with a return to full production starting in the fourth quarter of 2020.

The net book value of the Lucky Friday unit property and its associated plant, equipment and mineral interests was approximately \$495.6 million as of December 31, 2020. The vintage of the facilities at Lucky Friday ranges from the 1950s to 2020.

The current mine plan at Lucky Friday utilizes estimates of reserves and mineralized material for approximately 17 years of production.

There was no exploration at Lucky Friday in 2020, and no exploration activities are planned in 2021.

Information with respect to the Lucky Friday unit's production, cost of sales and other direct production costs and depreciation, depletion and amortization, average Cash Cost, After By-product Credits, Per Silver Ounce, AISC, After By-product Credits, Per Silver Ounce, and proven and probable ore reserves for the past three years is set forth in the table below.

Production	Years Ended December 31,		
	2020	2019	2018
Ore milled (tons)	179,208	57,091	17,309
Silver (ounces)	2,031,874	632,944	169,041
Lead (tons)	12,727	4,098	1,131
Zinc (tons)	6,298	2,052	673
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 56,706	\$ 16,621	\$ 9,750
Cash Cost, After By-product Credits, Per Silver Ounce⁽¹⁾	\$ 9.34	\$ —	\$ —
AISC, After By-product Credits, Per Silver Ounce⁽¹⁾	\$ 18.22	\$ —	\$ —
Proven Ore Reserves^(2,3,4,5,6)			
Total tons	4,392,500	4,184,700	4,230,200
Silver (ounces per ton)	14.2	15.4	15.4
Lead (percent)	8.8	9.6	9.6
Zinc (percent)	4.1	4.1	4.1
Contained silver (ounces)	62,290,100	64,505,700	65,234,100
Contained lead (tons)	386,210	401,020	406,080
Contained zinc (tons)	180,060	172,880	174,630
Probable Ore Reserves^(2,3,4,5,6)			
Total tons	1,371,900	1,386,300	1,386,600
Silver (ounces per ton)	10.7	11.4	11.4
Lead (percent)	7.2	7.6	7.6
Zinc (percent)	3.9	3.7	3.7
Contained silver (ounces)	14,701,600	15,815,400	15,815,300
Contained lead (tons)	99,170	104,720	104,720
Contained zinc (tons)	53,190	50,640	50,640
Total Proven and Probable Ore Reserves^(2,3,4,5,6)			
Total tons	5,764,400	5,571,000	5,616,800
Silver (ounces per ton)	13.4	14.4	14.4
Lead (percent)	8.4	9.1	9.1
Zinc (percent)	4.0	4.0	4.0
Contained silver (ounces)	76,991,700	80,321,100	81,049,400
Contained lead (tons)	485,380	505,740	510,800
Contained zinc (tons)	233,250	223,520	225,270

- (1) Includes by-product credits from lead and zinc production. Cash Cost, After By-product Credits, Per Silver Ounce and AISC, After By-product Credits, Per Silver Ounce, represent non-GAAP measurements that management uses to monitor and evaluate the performance of our mining operations. We believe these measurements provide indicators of economic performance and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other operating mining properties. *Costs of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization* is presented for the full year of 2020. However, *Cash Cost, After By-product Credits* and *AISC, After By-product Credits* only reflect results for the fourth quarter of 2020, as production was ramped-up during the first three quarters of 2020 following the end of the strike. A reconciliation of cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, to these non-GAAP measures can be found in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, under Reconciliation of Costs 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)*.
- (2) The term "reserve" means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "economically," as used in the definition of reserve, means that profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. The term "legally," as used in the definition of reserve, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, we must have a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course and in a time frame consistent with our current mine plans.
- (3) Proven and probable ore reserves are calculated and reviewed in-house and are subject to periodic audit by others, although audits are not performed on an annual basis. Cutoff grade assumptions vary by ore body and are developed based on reserve metals price assumptions, anticipated mill recoveries and smelter payables, and cash operating costs. Due to multiple ore metals, and complex combinations of ore types, metal ratios and metallurgical performances at Lucky Friday, the cutoff grade is expressed in terms of net smelter return ("NSR"), rather than metal grade. The cutoff grade at Lucky Friday ranges from \$216 per ton NSR to \$231 per ton NSR. Our estimates of proven and probable reserves are based on the following metals prices:

	December 31,		
	2020	2019	2018
Silver (per ounce)	\$ 16.00	\$ 14.50	\$ 14.50
Lead (per pound)	\$ 0.90	\$ 0.90	\$ 0.90
Zinc (per pound)	\$ 1.15	\$ 1.15	\$ 1.15

- (4) Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the ore and expected mining recovery. The 2020 reserve model assumes average total mill recoveries of 96% for silver, 94% for lead and 92% for zinc.
- (5) The change in reserves in 2020 from 2019 was due to inclusion of definition drilling information, partially offset by depletion of the deposit through production. The change in reserve in 2019 from 2018 was because of depletion of the deposit through production.
- (6) Lucky Friday reserve estimates were prepared by Ben Chambers, Mine Geologist and Wes Johnson, Technical Services Manager, at the Lucky Friday unit. The estimates were reviewed by Joshua Pritts, Resource Geologist, Keith Blair, Chief Geologist, and Kurt Allen, Director of Exploration, at Hecla Limited.

The Casa Berardi Unit

In 2013, as a result of our acquisition of Aurizon, we acquired the Casa Berardi operation, located 95 kilometers north of La Sarre in the Abitibi Region of northwestern Quebec, Canada. The property borders Ontario to the west and covers parts of Casa Berardi, Dieppe, Raymond, D'Estrees, and Puiseaux townships. The project area extends east-west for more than 37 kilometers and reaches 3.5 kilometers north-south. The Casa Berardi mine gold deposits are located along a 5 kilometer east-west mineralized corridor.

Aurizon acquired the claims, leases and infrastructure comprising the Casa Berardi mine project in 1998 from TVX Gold Inc. Aurizon engaged in exploration programs beginning in 1998, and production began in late 2006.

The nearest commercial airport to the Casa Berardi mine is located at Rouyn-Noranda. La Sarre can be reached from Rouyn-Noranda via provincial roads 101 and 111. A 38 kilometer all-season gravel road accesses the mine from the paved Route des Conquérants road, which runs north from its intersection with road 393 north of La Sarre and passes through the village of Villebois. The mine access road intersection is approximately 21 kilometers north of Villebois. A gravel road links the East Mine and the West Mine (which roughly represent the east-west boundaries of the mining lease), and a number of forestry roads provide access to the rest of the project area, from east and west.

Hecla Quebec Inc., Hecla's wholly owned subsidiary, owns a 100% interest in the mineral titles and mining leases comprising the current Casa Berardi operations. It is composed of 69 contiguous claims, covering 3,148.3 hectares (7,779.6 acres) and two mining leases covering 481.4 hectares (1,189.7 acres). The total area of the Casa Berardi property is 3,629.75 hectares (8,969.3 acres or approximately 14 square miles), and all the claims and leases are in good standing. We own an additional approximately 45 square miles of exploration property located adjacent to the current Casa Berardi operations and comprised of approximately 230 claims, most of which are subject to a 1% NSR royalty in favor of Lake Shore Gold Corp.

Under the Quebec Mining Act, claims are required to be renewed every two years. Statutorily prescribed minimum work commitments apply to all claims and leases. As of December 31, 2020, the claims and leases comprising part of the Casa Berardi mine have excess work credits of CAD\$17.1 million. Claims and leases for our other projects in Quebec have excess work credits of CAD\$29.5 million as of December 31, 2020. We also hold a non-exclusive lease for a sand and gravel pit, a tailings lease, and an additional 12 acres of land contiguous to a mining lease for rock waste material storage.

The mine and mill complex are permitted to process 1,600,000 dry metric tonnes (approximately 1,764,000 tons) of ore per year (4,900 tons per day). The mining operations consist of underground and open pit mines. The surface infrastructures include a cyanidation processing mill (carbon-in-leach), tailings impoundment areas, and other support facilities and infrastructure. The map below illustrates the location and access to Casa Berardi:



Prior to Aurizon's ownership, the Casa Berardi underground mine operated from 1988 to 1997, producing approximately 3.9 million tons of ore at an average gold grade of 0.2 ounces per ton from the West Mine and the East Mine.

Casa Berardi can be classified as an Archean sedimentary-hosted orogenic gold deposit. Mineralization is found in large low-sulphide quartz veins developed against the Casa Berardi fault, and in disseminated sulfides and stockworks lenses associated with strongly carbonate-sericite altered ductile deformation zones obliquely oriented to the Casa Berardi fault, and extending a few hundred meters on both sides of the fault following northwest and northeast orientations. Gold mineralization emplacement was coeval with the fault's evolution and shows a strong structural control and vertical extension, even if other factors such as the nature of some host rocks and lithological contacts seem to have favored gold deposition. The mineralization system is composed of large, low-sulfide quartz veins and low-grade stockworks and carbonate-mica replacement zones forming in the West Mine and Principal area.

Current reserves at the Casa Berardi mine comprise eight zones at the West Mine, spread over a moderate horizontal distance from each other and located at different mine elevations, plus open pit and underground areas at the East Mine.

The ore at Casa Berardi is extracted using a combination of underground and open pit mining methods. The underground mines at Casa Berardi are trackless and are accessed by a combination of ramps and a production shaft. The mining method is longhole stoping using a combination of traverse and longitudinal orientations depending upon the widths of the zone. The combined ore production rate from the underground zones is in the range of 2,000 to 2,200 tons per day.

Open pit mining is used to extract near surface mineralization, both above the existing underground mining horizons and in areas without economic underground resources. At present, one open pit mine is in production and another is being developed. Three additional pits are anticipated. The combined ore production rate from the open pit zones is highly variable depending on the mining sequence and ore release rates. Open pit ore is fed to the plant roughly in equal proportion to the underground ore and any surplus is stockpiled.

The mill utilizes a combination of gravity recovery for coarse gold and cyanidation for fine gold. The ore is crushed and ground to produce a slurry suitable for the subsequent recovery processes. Crushing and grinding is accomplished by a jaw crusher followed by a SAG mill and ball mill. Coarse gold reports to the gravity circuit consisting of Knelson concentrators followed by high intensity leaching and electrowinning. Fine gold reports to the cyanide leach train. Due to the presence of naturally occurring organic carbon in the ore, the Carbon-In-Leach ("CIL") approach is used in cyanidation circuit. Gold is adsorbed onto carbon in the leach train and later desorbed for electrowinning. Sludge from the electrowinning cells is melted in a furnace to produce doré, the final product produced at Casa Berardi. In 2020, the mill processed 1,283,701 tons, for an average of 3,699 tons per day.

Power supply to the site is provided by a 55 kilometer, 120kV power line from the Hydro-Québec transformation station located in the town of Normétal.

The employees at Casa Berardi are employees of Hecla Quebec Inc., our wholly-owned subsidiary, and are not represented by a bargaining agent. There were 646 employees at the Casa Berardi unit at December 31, 2020. We also utilize third-party contractors, which use their employees and equipment, for some of the mining activities at Casa Berardi.

The current mine plan at Casa Berardi utilizes estimates of reserves and mineralized material for approximately 13 years of production, and includes anticipated production from the underground and open pit mine areas.

In-stope and definition underground drilling during 2020 concentrated within the 113, 118, 119, 123, 128, 148, and 152 zones to refine orebody shapes and gold grade distributions for mine planning and reserves. Underground exploration drilling of the 113, 118, 123, and 128 zones in the West Mine focused on expanding mineralization down-plunge and testing extensions to the west and to the east of each zone. Drilling of the 148 and 152 zones in the East Mine tested extensions of the previously identified high grade mineralization down plunge. Surface definition and exploration drilling continues to define limits for the 160 Pit and expands the 159 zone to the east which is open for expansion.

The currently contemplated underground in-stope and definition drilling programs for 2021 are expected to appraise the high-grade ore shoots of the 113, 118, 124, 123, 128, and 134 zones in the western part of the mine and high-grade extensions of the 146 and 148 zones in the East Mine. Surface definition drilling planned for 2021 is expected to focus on the 160 and WMCP zones. Exploration drilling from underground is currently expected to evaluate extensions of the 113, 118 and 128 zones in the western part of the mine and the 148, 152, and 157 zones in the East Mine, while surface drilling is expected to evaluate the high-grade potential of the western extension of the WMCP mineralized lenses at depth and to the west and the eastern extensions of the 160 and 159 zone lenses at depth and to the east.

Hecla acquired Aurizon on June 1, 2013 for approximately CAD\$740.8 million (US\$714.5 million), and has operated the Casa Berardi mine since the acquisition. The net book value of the Casa Berardi unit property and its associated plant, equipment and mineral interests was approximately \$635.8 million as of December 31, 2020. As of December 31, 2020, we have recorded an \$11.7 million asset retirement obligation for reclamation and closure costs. We maintain a surety bond as financial guarantee for future reclamation and closure work.

Information with respect to the Casa Berardi unit's production, cost of sales and other direct production costs and depreciation, depletion and amortization, average Cash Cost, After By-product Credits, Per Gold Ounce, AISC, After By-product Credits, Per Gold Ounce, and proven and probable ore reserves for the past three years is set forth in the table below.

Production	Years Ended December 31,		
	2020	2019	2018
Ore milled (tons)	1,283,701	1,378,065	1,375,718
Gold (ounces)	121,492	134,409	162,744
Silver (ounces)	24,142	31,540	38,086
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 203,434	\$ 217,682	\$ 199,402
Cash Cost, After By-product Credits, Per Gold Ounce⁽¹⁾	\$ 1,131	\$ 1,051	\$ 800
AISC, After By-product Credits, Per Gold Ounce⁽¹⁾	\$ 1,436	\$ 1,354	\$ 1,080
Proven Ore Reserves^(2,3,4,5,6)			
Total tons	5,474,900	6,847,000	6,789,700
Gold (ounces per ton)	0.10	0.09	0.08
Contained gold (ounces)	567,400	603,500	563,400
Probable Ore Reserves^(2,3,4,5,6)			
Total tons	11,295,600	13,780,400	16,953,500
Gold (ounces per ton)	0.09	0.08	0.08
Contained gold (ounces)	974,600	1,114,300	1,343,300
Total Proven and Probable Ore Reserves^(2,3,4,5,6)			
Total tons	16,770,500	20,627,400	23,743,200
Gold (ounces per ton)	0.09	0.08	0.08
Contained gold (ounces)	1,542,000	1,717,800	1,906,700

(1) Includes by-product credits from silver production. Cash Cost, After By-product Credits, Per Gold Ounce and AISC, After By-product Credits, Per Gold Ounce represent non-GAAP measurements that management uses to monitor and evaluate the performance of our mining operations. We believe these measurements provide indicators of economic performance and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other operating mining properties. A reconciliation of cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, to these non-GAAP measures can be found in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, under 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)*.

(2) The term "reserve" means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "economically," as used in the definition of reserve, means that profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. The term "legally," as used in the definition of reserve, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, we must have a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course and in a time frame consistent with our current mine plans.

(3) Proven and probable ore reserves are calculated and reviewed in-house and are subject to periodic audit by others, although audits are not performed on an annual basis. Cutoff grade assumptions vary by ore body and are developed based on reserve metals price assumptions, anticipated mill recoveries and refiner payables, and cash operating costs. The cutoff grade at Casa Berardi is assumed to be 0.101 ounces per ton for underground reserves and 0.025 ounces per ton for open pit reserves. Our estimates of proven and probable reserves are based on the prices of \$1,300 per gold ounce for 2020 and 2019 and \$1,200 per gold ounce for underground reserves and \$1,225 for open pit reserves for 2018.

(4) Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the ore and expected mining recovery. The 2020 reserve model assumes average total mill recoveries for gold of approximately 83% for underground reserves and 85% for open pit reserves.

(5) The changes in reserves in 2020 compared to 2019 and in 2019 compared to 2018 resulted from depletion of the deposit through production, partially offset by inclusion of definition drilling information.

(6) Casa Berardi reserve estimates were prepared by Real Parent, Principal Resource Geologist, Frederic Pare, Geology Superintendent, and Herman De Los Rios, Engineering Superintendent, at the Casa Berardi unit. Casa Berardi resource estimates were reviewed by Keith Blair, Chief Geologist, and Kurt Allen, Director of Exploration, at Hecla Limited.

The San Sebastian Unit

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

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



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

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

Hecla operated the San Sebastian underground mine from 2001 to 2005. The life-of-mine production from the Francine and Don Sergio veins over four years was 11.2 million ounces of silver and 155,937 ounces of gold.

Hecla again operated San Sebastian using open pit and underground methods from 2015 to 2020. Production began with open pit mining and underground mining was added by 2018. The historical production during this period was 77.7 million ounces of silver and 1.4 million ounces of gold. Access to the underground workings was through ramps from the surface connecting one or more levels. Ore was mined by the cut-and-fill stoping method and extracted from the stopes using rubber-tired equipment and hauled to the surface in trucks. In the fourth quarter of 2020, San Sebastian was placed into care and maintenance upon depletion of the known economic resource. Exploration is ongoing.

Run of mine ore was hauled in trucks by contractors to a toll processing facility near Velardeña, Durango, Mexico, which is located approximately 60 miles from the San Sebastian mine site. Before completion of production, processing of ore averaged approximately 474 tons per day in 2020, with recovery of approximately 91% for silver and 82% for gold.

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

There was a total of 30 employees at the San Sebastian unit as of December 31, 2020, with most of them employed by our subsidiary that provides certain specialized services to another subsidiary that owns the mine. These employees are not represented by a bargaining agent. We have primarily used third-party contractors for mining and operation of the processing facility. The hourly employees of the owner of the processing facility are represented by the Sindicato Nacional de Trabajadores Mineros, Metalúrgicos, Siderúrgicos y Similares de la República Mexicana (a Mexico national union) as bargaining agent.

At December 31, 2020, the net book value of the San Sebastian unit property and its associated plant and equipment was \$7.8 million. Infrastructure includes the underground mine portal and development, a water supply system, maintenance shop, warehouse, laboratory, leased mill and related improvements, and various offices. Equipment and facilities are in good condition. As of December 31, 2020, \$6.9 million has been accrued for reclamation and closure costs. All permits required for current mining of the open pits and the underground mine and operation of the mill are in place.

In late 2018 and early 2019, a new vein, called the El Toro Vein, was discovered approximately 1.3 miles south of the San Sebastian Mine Area under thick soil cover. Drilling throughout 2019 at the El Toro Vein area defined oxide mineralization over 1.3 miles of strike length and 900 feet downdip. In late 2019 infill drilling was conducted on key portions of the El Toro Vein. With the recent El Toro discovery, we believe the combined strike length of the primary veins at the project (Francine, Andrea, Middle, North and El Toro) is over 6 miles.

Exploration activities in 2020 consisted primarily of core drilling at two recently discovered veins, referred to as the El Bronco and El Tigre Veins, discovered under soil cover through our 2020 Short Vertical Reverse Circulation ("SVRC") drilling program. SVRC drilling has proven to be an effective method for exploring for new veins under thick soil cover.

For 2021, additional core drilling is planned at the El Bronco and El Tigre Vein target areas. The 2021 SVRC drilling program is expected to focus on the soil covered areas located south and west of the San Sebastian Mine; an area that we believe to be highly prospective for the discovery of new veins. A new generation high resolution airborne spectral survey is also planned to be flown at the San Sebastian unit in 2021 for detail mapping of hydrothermal alteration.

Information with respect to the San Sebastian unit's production, cost of sales and other direct production costs and depreciation, depletion and amortization, average Cash Cost, After By-Product Credits, Per Silver Ounce, AISC, After By-product Credits, Per Silver Ounce, and proven and probable ore reserves for the past three years is set forth in the table below.

Production	Year Ended December 31,		
	2020	2019	2018
Ore milled (tons)	131,859	174,713	156,733
Silver (ounces)	954,772	1,868,884	2,037,072
Gold (ounces)	7,223	15,673	14,979
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 24,104	\$ 50,509	\$ 41,815
Cash Cost, After By-product Credits, Per Silver Ounce⁽¹⁾	\$ 4.92	\$ 8.02	\$ 9.69
AISC, After By-product Credits, Per Silver Ounce⁽¹⁾	\$ 5.68	\$ 12.10	\$ 14.68
Proven Ore Reserves^(2,3,4,5,6)			
Total tons	—	34,500	21,500
Silver (ounces per ton)	—	4.8	3.9
Gold (ounces per ton)	—	0.08	0.08
Contained silver (ounces)	—	165,800	84,700
Contained gold (ounces)	—	2,700	1,800
Probable Ore Reserves^(2,3,4,5,6)			
Total tons	—	65,500	206,100
Silver (ounces per ton)	—	10.9	13.1
Gold (ounces per ton)	—	0.07	0.10
Contained silver (ounces)	—	715,600	2,704,800
Contained gold (ounces)	—	4,900	20,700
Total Proven and Probable Ore Reserves^(2,3,4,5,6)			
Total tons	—	100,000	227,600
Silver (ounces per ton)	—	8.8	12.3
Gold (ounces per ton)	—	0.08	0.10
Contained silver (ounces)	—	881,400	2,789,500
Contained gold (ounces)	—	7,600	22,500

(1) Includes by-product credits from gold production. Cash Cost, After By-product Credits, Per Silver Ounce and AISC, After By-product Credits, Per Silver Ounce represent non-GAAP measurements that management uses to monitor and evaluate the performance of our mining operations. We believe these measurements provide indicators of economic performance and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other operating mining properties. A reconciliation of cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, to these non-GAAP measures can be found in *Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations, under 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)*.

(2) The term "reserve" means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "economically," as used in the definition of reserve, means that profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. The term "legally," as used in the definition of reserve, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, we must have a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course and in a time frame consistent with our current mine plans.

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

	December 31,	
	2019	2018
Silver (per ounce)	\$ 14.50	\$ 14.50
Gold (per ounce)	\$ 1,300	\$ 1,200

(4) Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the ore. Metal recoveries vary by mine zone and ore grade.

(5) The changes in silver and gold reserves in 2020 compared to 2019 and 2019 compared to 2018 were the result of depletion of the deposit through production.

(6) San Sebastian reserve estimates were prepared by Joshua Pritts, Resource Geologist, and Alberto Ramos, Mining Engineer, at Hecla Limited, and reviewed by Keith Blair, Chief Geologist and Kurt Allen, Director of Exploration, at Hecla Limited.

The Nevada Operations Unit

As a result of our acquisition of Klondex in July 2018, we obtained 100% ownership of the Fire Creek mine, Hollister mine, Midas mine and milling facility, Aurora mine and milling facility, and various other mineral interests comprising a total land position of approximately 110 square miles in north central Nevada and the Walker Lane.

The employees at the Nevada Operations unit are employees of Klondex Gold & Silver Mining Company, our wholly-owned subsidiary, and are not represented by a bargaining agent. There were 76 employees at the Nevada Operations unit at December 31, 2020.

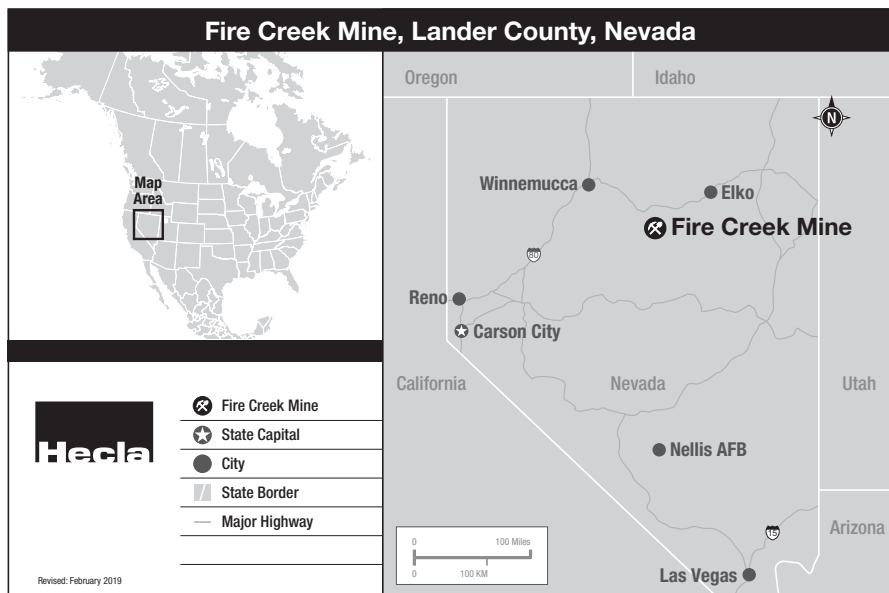
As of December 31, 2020, the total net book value of the properties, plants, equipment and mineral interests at the Nevada Operations unit was approximately \$474.3 million.

As of December 31, 2020, we recorded a \$26.1 million asset retirement obligation for reclamation and closure costs at the Nevada Operations unit. We maintain a surety bond as financial guarantee for future reclamation and closure work.

Additional information on the Nevada Operations properties is below.

Fire Creek

In 1975, Klondex acquired the property as a very early stage exploration project. Fire Creek is located in north-central Nevada in Lander County, and to a lesser extent Eureka County, approximately 16 miles south of a major highway (Interstate 80) near other large gold deposits and mines which are owned and operated by major mining companies. Access to Fire Creek from Interstate 80 is by State Road 306, a good-quality road. Company-maintained mine and exploration roads provide access throughout the property. Fire Creek is a high-grade, epithermal vein deposit, and the land package covers approximately 18,755 acres (approximately 20.7 square miles), consisting of approximately 831 unpatented mining claims, and both leased and owned private fee lands. Our unpatented claims occupy public lands, administered by the United States Bureau of Land Management (“BLM”). Property fees are paid annually to the county in which they are held. To maintain our unpatented claims, we must file an annual notice of intent to maintain the claims within the county they are located and pay the annual mineral claim maintenance fees to the BLM. Certain of Fire Creek’s claims are subject to various net smelter return (“NSR”) royalties and have no expiration date. In addition, Fire Creek is subject to a 2.5% NSR royalty for all production commencing in 2019, which also has no expiration date. Fire Creek consists of an underground, mechanized narrow vein mine, related mine support infrastructure, mining equipment, and administrative buildings, all of which are in operating condition. The map below illustrates the location and access to Fire Creek:



Mineralization at Fire Creek occurs in steeply dipping epithermal veins within Tertiary basalt flows and intrusive rocks. The mineralized basaltic rocks are a suite of mafic, extrusive rocks associated with the regional north-northwest-trending Northern Nevada Rift (“NNR”) structural zone.

The deposit is a low-sulfidation epithermal deposit vertically-zoned within high-angle northwest striking structures, hosted in a mid-Miocene basalt package. Mineralization occurs as shallow structurally-controlled fault hosted gold mineralization in variably altered Tertiary basalts and as native gold in steeply dipping quartz-calcite veins or structures. A package of middle Miocene basalt and basaltic andesite flow has been cut by high-angle normal faults related to both NNR and Basin and Range extension that form grabens and half-grabens which are the structural controls in the district.

High-grade mineralization has been delineated between approximately 4,900 feet and 5,700 feet above sea level and is open both up and down dip as well as along strike.

The Fire Creek mine is a trackless mine accessed by a decline, and historically produced approximately 350 tons of ore per day. The mining method is primarily longhole stoping, with ramp access. Oxide ore mined at Fire Creek is trucked approximately 165 miles to the Midas mill for processing, which is discussed in the *Midas* section below. Processing of a bulk sample of refractory material at a third-party facility is in progress.

Fire Creek receives electrical power provided by NV Energy, a major Nevada power company.

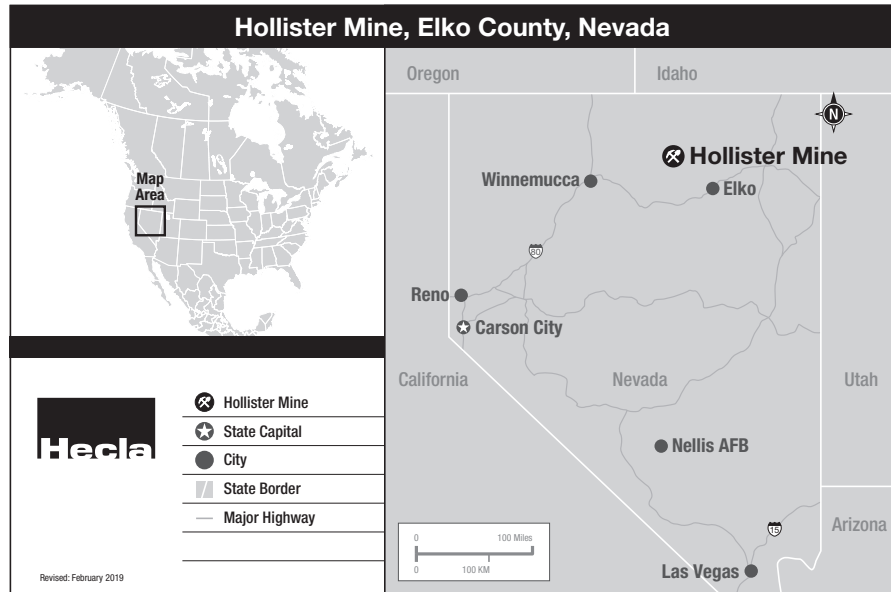
The developed oxide resources at Fire Creek will be depleted in the first quarter of 2021. Mining of a 30,000 ton bulk test of refractory (Type 2) ore occurred in the latter half of 2020. The bulk test demonstrated that larger scale, more productive methods could be applied successfully to this material. Ground conditions were as good or better than expected and water in the test area was readily managed. The bulk test demonstrated that larger scale, more productive mining methods could be applied successfully to this material. The bulk test refractory ore is being processed by a third party through a tolling agreement. While the processing is not yet complete, the recovery information to date is following the grade-recovery curve established through bench testing. Metal prices increased significantly since the tolling agreement was signed, and it is no longer attractive for the third party to displace their own feed to toll. Discussions are underway with another processor. With the developed oxide resource depleted and no immediate alternative for the refractory material, Fire Creek is expected to be placed into care and maintenance in the second quarter of 2021.

In 2020, definition drilling at Fire Creek focused on infill drilling the Titan Zone inferred resource area, with smaller definition drilling programs offsetting two high-grade drill intercepts, one below Spiral 4 and one in the upper Spiral 4 areas. Geologic modeling of these zones is in progress and we believe all assay results should be received in the first quarter of 2021.

At the Fire Creek mine, the 2021 exploration program is currently expected to be limited to detailed mapping, sampling and alteration mineral spectroscopy designed to evaluate vein targets within our extensive property.

Hollister

The Hollister property has been operated since the 1900s by various mining companies which mined mercury in the early 1900s and gold and silver in the late part of the century. Hecla was in an earn-in arrangement for an ownership interest in Hollister from 2002 to 2007, when Hecla sold its interest. Klondex acquired the property in October 2016. Hollister is a fully-permitted past producing underground and open pit operation. It is located in north-central Nevada in Elko County, approximately 61.5 miles east-northeast of Winnemucca, Nevada and 17 miles southeast from the Midas mine. Hollister is accessed by all-weather paved and gravel county roads. Hollister is comprised of 1,005 unpatented lode claims and 11 unpatented mill site claims that cover an area in excess of 15,000 acres, and an additional 209 unpatented lode claims through agreements covering approximately 4,320 acres. Our unpatented claims occupy public lands administered by the BLM. To maintain our unpatented claims in good standing, we must file an annual notice of intent to maintain the claims with the county and pay the annual mineral claim filing fees to the BLM. Certain claims and areas of Hollister are subject to royalties, including seven separate NSR royalties ranging from 1% to 5%, and a 1% NSR royalty after 500,000 ounces of gold production occurring from October 3, 2016, when Klondex acquired the property. There is no expiration date on the aforementioned royalties. Hollister includes an underground mine, former open pit mines, related mine support infrastructure, mining equipment, and administrative buildings, all of which are in operating condition. The map below illustrates the location and access to Hollister:



The Hollister mine is located along the NNR, and is on trend with the north-western end of the Carlin Trend, which is approximately 5 miles wide and 40 miles long. Mineralization is related to the Miocene period of magmatic activity associated with the NNR while gold mineralization on the Carlin Trend has been dated to late Eocene/early Oligocene magmatism.

The Hollister property also includes the Hatter Graben vein system, which is located approximately 2,500 feet east of the Hollister mine's underground development and has been down dropped approximately 800 feet lower than the current mine resource. The system of mineralized veins has a known vertical extent of 1,400 feet and strike length of 2,000 feet. This East-West trending zone is open along strike to the east and west and at depth and mineralization is strengthening in the east as historic high-grade intersections occur up to 4,000 feet along strike to the east. The first surface holes were initiated at Hatter Graben in the third quarter of 2018 with the intent to extend the current identified mineralized material east and west. Drill holes at 300-foot intervals have intersected swarms with multiple veins and mineralized breccias at the anticipated distance. Development of a drift from the Hollister mine's underground workings to the Hatter Graben area commenced in the third quarter of 2018 and was suspended in the second quarter of 2019.

The Hollister mine is a trackless mine accessed by a decline. Due to variability within the Hollister mine material, a selective mining approach is employed by matching mining methodology to stope characteristics. As discussed below, ore mined at Hollister was trucked to the Midas mill for processing, and the resulting loaded carbon was stripped at the Aurora mill. The Hollister mine is not in production.

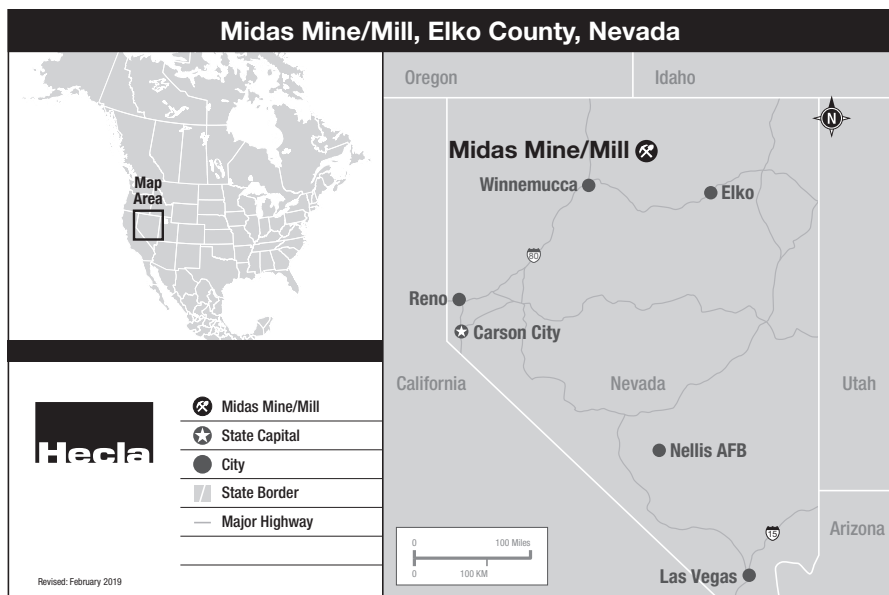
Hollister receives electrical power provided by NV Energy.

With Fire Creek moving into care and maintenance, the focus will shift to exploring the Hatter Graben vein system in 2021. Crews and equipment will be redeployed to resume the exploration decline, and underground drilling will commence as drill platforms are established. Detailed mapping, sampling, alteration mineral spectroscopy, and geophysical surveys will be used to further define targets on the property.

Midas

The Midas mining district has historic gold production dating as early as 1907. Since modern mining began in 1998, 2.2 million ounces of gold and 26.9 million ounces of silver have been produced by three previous owners prior to Klondex acquiring the property. Klondex acquired the fully-permitted Midas mine and ore milling facility in February 2014. Midas is located in north-central Nevada in Elko County and lies about 58 miles east of Winnemucca on Nevada State Highway 789, and one mile from the town of Midas, Nevada. Midas is a high-grade, epithermal vein deposit, and the land package covers approximately 30,000 acres (~47 square miles), which includes fee lands, federal unpatented mining claims, seven mining leases, BLM rights-of-way, general agreements, easements, and surface use agreements, with varied terms and annual payments. Within the land package, there are 1,489 federal unpatented mining claims, of which 1,456 are owned and 33 are leased. Owned and leased fee lands comprise approximately 2,985 acres of the land package which is a mix of surface-mineral rights and surface rights only. Our unpatented claims occupy public lands, administered by the BLM. Property fees on fee lands are paid annually to the county in which they are held. To maintain our unpatented claims, an annual notice of intent must be filed with the respective county, in addition to paying the annual mineral claim maintenance fees to the BLM. Certain of the Midas claims are subject to a royalty. Midas is also subject to a 2.5% NSR royalty from all production commencing in 2019, and there is no expiration date on the royalty. Midas includes an underground, mechanized narrow vein mine, related mine support infrastructure, mining equipment, a Merrill-Crowe refining facility, a milling circuit, and administrative buildings, all of which are in operating condition.

The map below illustrates the location and access to Midas:



Gold and silver mineralization at Midas is hosted in several northwest-striking veins. The veins are divided into four principal groups based on their location and orientation. The two principal groups that host the majority of the identified mineralized material are the Main Veins and East Veins. The Main Veins dip easterly and are gold dominant, while the East Veins dip to the west and contain higher silver content than the Main Veins. The Main Veins produced more than 2.2 million ounces of gold and 26.9 million ounces of silver between 1998 and 2013, principally from the Colorado Grande and Gold Crown Veins. Initial development and production from the East Veins began in 2012. The third group of veins is comprised of the Queen and Trinity Veins located to the south of the existing workings and south of the regional South Owyhee Fault. They are defined by limited underground and surface drilling and there has been no mine production from them to date. The Queen Vein and Trinity Vein systems represent high-priority, near-mine exploration targets.

Mineralized material has been identified on the Main and East veins and other veins near the recently active mine workings. Active drill testing has recently taken place in these areas and has been prioritized based on ounce expectations, accessibility from existing development and geotechnical, ventilation, and hydrological considerations.

The Midas mine is a modern, mechanized narrow vein mine. The veins at Midas can vary in thickness from a few inches to over ten feet. Production at the Midas mine was suspended in the fourth quarter of 2019.

In 2020, surface exploration efforts through the first three quarters of the year focused on target definition within the district through detailed mapping, sampling, alteration mineral spectroscopy, and CSAMT geophysical surveys. This early field work defined 7 high-priority drill targets (Green Racer Sinter, SV1, North Block, Elko Prince, Southern Cross, Jackknife Ridge and G3) that were drill tested in the fourth quarter of 2020. All assay results from this drilling are expected in the first quarter of 2021, but assay results received to date show high-grade intersections from 4 of the 7 targets drilled.

At Midas, the 2021 exploration program is expected to consist primarily of additional detailed mapping, sampling, and alteration mineral spectroscopy to define additional drill targets and core drilling to offset the high-grade intersections from the 2020 drilling program.

Midas Mill

Oxide ore from the Fire Creek, Midas and Hollister mines historically has been processed at the Midas mill, which has a design capacity of 1,200 tons per day. Fire Creek and Midas ore previously was processed using a counter current decantation ("CCD") circuit, with Hollister ore processed using a CIL circuit. However, all ore was subsequently processed using the CIL circuit beginning in April 2019. Run-of-mine ore is crushed to 100% passing one-half inch in a conventional two-stage crushing circuit which utilizes a primary jaw crusher and a secondary cone crusher with the circuit closed by a double deck vibrating screen. The crushed product reports to the grinding circuit consisting of an 800 horsepower overflow ball mill and a 250 horsepower verti-mill. The circuit is closed using a bank of four (three operating, one standby) 10-inch cyclones. A portion of the cyclone underflow is sent to a gravity concentrator to remove coarse gold. The gravity concentrate is leached using an Acacia intense cyanidation unit with the gravity tail returned to the grinding circuit for further processing. The ground product is thickened before being leached with cyanide for 72 hours in a series of eight leach tanks. Thickener underflow is pumped to the first in a series of four CIL tanks. The pregnant solution from the Acacia reactor also reports to the first CIL tank. Sodium cyanide is added to the first tank to enable gold leaching. Each of the four tanks are equipped with a carbon retention screen and a carbon advance pump. The first and fourth tanks also have a loaded carbon screen on the top of the tanks. The slurry flows through the retention screens to the next successive tank and is ultimately pumped to cyanide detoxification and to the tailings facility. New carbon is added to the fourth tank and is pumped counter current to the slurry flow from the fourth tank, progressively upstream, until loaded carbon is pumped over the screen on the first tank and into carbon transport bags. The carbon transport bags are then loaded on a truck and shipped for sale to third-party

processors, or hauled to the Aurora mill where they are stripped. The sludge from stripping at the Aurora mill is collected and shipped to the Midas refinery to be poured into doré bars. The bars are shipped off site for further refining by a third party.

When the CCD circuit is utilized for Fire Creek and Midas ore, the leached slurry from the leach tanks reports to a conventional five-stage counter current decantation circuit with the overflow solution from the first thickener, together with the pregnant solution from the Acacia reactor, reporting to the Merrill-Crowe circuit where zinc dust is used to precipitate the precious metal from solution. The underflow from the fifth thickener is treated to eliminate the remaining cyanide and pumped to the tailings storage facility. The precipitate is retorted to remove mercury before being smelted and poured into doré bars. The bars are shipped off site for further refining by a third party.

For 2020, total mill recovery of gold and silver was approximately 92% and 79%, respectively. The Midas mill was used for batch processing of Fire Creek oxide ore and is on standby to process the stockpiled Fire Creek ore in the first quarter of 2021. The mill will be placed into care and maintenance when that processing is complete.

Midas receives electrical power provided by NV Energy.

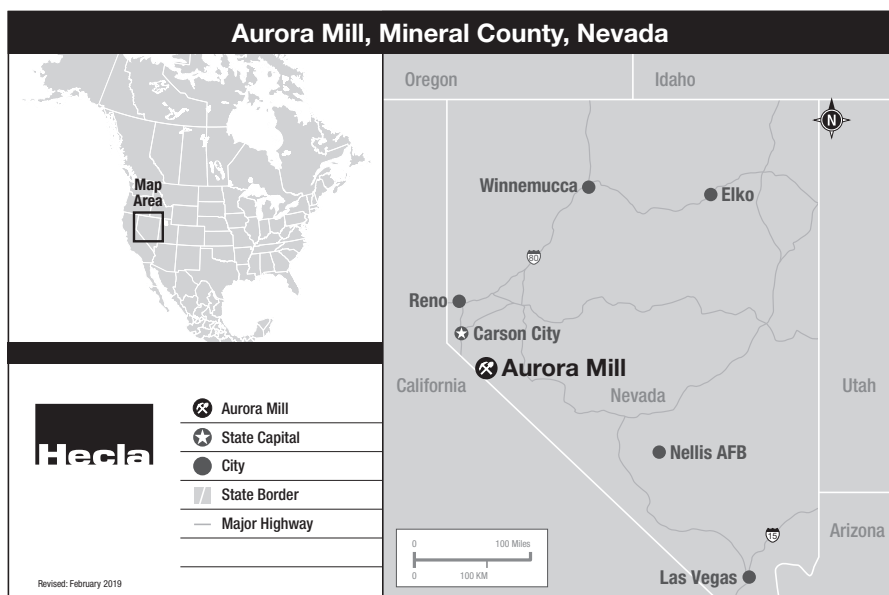
Aurora

Gold was discovered in 1860 on the Aurora property and since that time various companies have mined from this location. Klondex acquired the property in October 2016. The Aurora project includes fully-permitted past producing underground mine and open pit mine operations, which are currently inactive. Aurora is located in west central Nevada 10 miles from the California border in Mineral County, approximately 20 miles west of Hawthorne, Nevada. Access is provided by all-weather paved and gravel county roads. Aurora consists of 92 patented mining claims, 944 acres of fee lands, and 448 unpatented lode-mining claims, totaling approximately 9,928 contiguous acres that encompass the entire district. Patented claims occupy private lands and our unpatented claims occupy public lands, administered by the BLM. To maintain our patented claims in good standing, we must pay the annual property fee payments to the county in which the claims are held. To maintain our unpatented claims in good standing, we must file an annual notice of intent to maintain the claims with the county and pay the annual mineral claim filing fees to the BLM. A portion of the patented and unpatented claims owned or leased by us and the leased fee lands are subject to underlying royalties, including a 3% royalty that would be split among two companies.

Aurora includes an underground mine, former open pit mines, related mine support infrastructure, mining equipment, a milling circuit with permitted tailings storage facility, and administrative buildings, all of which are in operating condition. Aurora is not in production.

The site has access to three-phase overland power from Nevada Energy.

The map below illustrates the location and access to Aurora:



Aurora is located within the Walker Lane structural belt of western Nevada. The Walker Lane is characterized by northwest-trending en echelon right-lateral strike slip faults that have tilted and rotated structural blocks since mid-Miocene through the Quaternary. Mineralization at Aurora occurs as low-sulfidation epithermal veins, breccias, and stockwork zones in Miocene intermediate to felsic composition volcanic rocks.

The Aurora mill is a traditional crush-grind-CIL (Carbon in Leach) processing facility. Run of mine ore is sized through a jaw crusher. The sized ore is fed to a SAG mill followed by two ball mills operating in parallel to produce slurry for the CIL train which consists of nine tanks followed by a detox tank. Depleted slurry reports to the tailings storage facility. Active carbon moves through the CIL circuit counter-current to the slurry flow. Loaded carbon is stripped, regenerated, and returned to the circuit. The gold rich strip solution proceeds to electrowinning cells where it is precipitated and recovered. The precipitate is retorted to remove mercury and then melted with flux in a furnace to produce doré. The doré is sold to refiners. As mentioned previously, the carbon strip and electrowinning circuits at Aurora were used to process carbon from the Midas mill in some instances. The Aurora mill was placed on care-and-maintenance in 2020.

In 2020, exploration efforts at Aurora focused on an exploration potential data review of the district followed by hyperspectral, LiDAR, airborne magnetic/radiometric, gravity, and CSAMT geophysical surveys of the property. In 2021, we expect our exploration focus at Aurora to be on detailed mapping, sampling, and alteration mineral spectroscopy to follow up on targets generated by the review and surveys generated in 2020.

Information with respect to the Nevada Operation unit's production, cost of sales and other direct production costs and depreciation, depletion and amortization, average Cash Cost, After By-product Credits, Per Gold Ounce, AISC, After By-product Credits, Per Gold Ounce, and proven and probable ore reserves for the last three years is set forth in the table below.

	Year Ended December 31, 2020	Year Ended December 31, 2019	July 20 Through December 31, 2018
Production			
Ore milled (tons)	27,984	210,397	116,383
Gold (ounces)	31,756	66,166	32,887
Silver (ounces)	37,443	181,741	172,301
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 44,801	\$ 153,336	\$ 47,005
Cash Cost, After By-product Credits, Per Gold Ounce⁽¹⁾	\$ 716	\$ 1,096	\$ 1,221
AISC, After By-product Credits, Per Gold Ounce⁽¹⁾	\$ 787	\$ 1,527	\$ 1,950
Proven Ore Reserves^(2,3,4,5,6)			
Total tons			
Fire Creek	62,400	22,100	23,900
Hollister	—	—	2,400
Total Nevada Operations	<u>62,400</u>	<u>22,100</u>	<u>26,300</u>
Gold (ounces per ton)			
Fire Creek	0.5	1.5	1.2
Hollister	—	—	0.7
Total Nevada Operations	<u>0.5</u>	<u>1.5</u>	<u>1.2</u>
Silver (ounces per ton)			
Fire Creek	0.4	1.2	1.1
Hollister	—	—	0.7
Total Nevada Operations	<u>0.4</u>	<u>1.2</u>	<u>1.7</u>
Contained gold (ounces)			
Fire Creek	30,100	33,200	28,900
Hollister	—	—	1,700
Total Nevada Operations	<u>30,100</u>	<u>33,200</u>	<u>30,600</u>
Contained silver (ounces)			
Fire Creek	27,900	27,500	27,100
Hollister	—	—	16,500
Total Nevada Operations	<u>27,900</u>	<u>27,500</u>	<u>43,600</u>
Probable Ore Reserves^(2,3,4,5,6)			
Total tons			
Fire Creek	700	37,100	91,200
Hollister	—	—	9,100
Total Nevada Operations	<u>700</u>	<u>37,100</u>	<u>100,300</u>
Gold (ounces per ton)			
Fire Creek	0.7	0.6	0.4
Hollister	—	—	0.7
Total Nevada Operations	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>
Silver (ounces per ton)			
Fire Creek	0.9	0.6	0.3
Hollister	—	—	7.2
Total Nevada Operations	<u>0.9</u>	<u>0.6</u>	<u>1.0</u>
Contained gold (ounces)			
Fire Creek	500	20,900	40,400
Hollister	—	—	5,900
Total Nevada Operations	<u>500</u>	<u>20,900</u>	<u>46,300</u>
Contained silver (ounces)			
Fire Creek	600	23,200	29,800
Hollister	—	—	65,900
Total Nevada Operations	<u>600</u>	<u>23,200</u>	<u>95,700</u>

	Year Ended December 31, 2020	Year Ended December 31, 2019	July 20 through December 31, 2018
Total Proven and Probable Ore Reserves ^(2,3,4,5,6)			
Total tons			
Fire Creek	63,100	59,200	115,100
Hollister	—	—	11,500
Total Nevada Operations	63,100	59,200	126,600
Gold (ounces per ton)			
Fire Creek	0.5	0.9	0.6
Hollister	—	—	0.7
Total Nevada Operations	0.5	0.9	0.6
Silver (ounces per ton)			
Fire Creek	0.5	0.9	0.5
Hollister	—	—	7.2
Total Nevada Operations	0.5	0.9	1.1
Contained gold (ounces)			
Fire Creek	30,600	54,100	69,300
Hollister	—	—	7,600
Total Nevada Operations	30,600	54,100	76,900
Contained silver (ounces)			
Fire Creek	28,500	50,700	56,900
Hollister	—	—	82,400
Total Nevada Operations	28,500	50,700	139,300

- (1) Includes by-product credits from silver production. Cash Cost, After By-product Credits, Per Gold Ounce and AISC, After By-product Credits, Per Gold Ounce represent non-GAAP measurements that management uses to monitor and evaluate the performance of our mining operations. We believe these measurements provide indicators of economic performance and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other operating mining properties. A reconciliation of cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, to these non-GAAP measures can be found in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*, under *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)*.
- (2) The term "reserve" means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "economically," as used in the definition of reserve, means that profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. The term "legally," as used in the definition of reserve, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, we must have a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course and in a time frame consistent with our current mine plans.
- (3) Proven and probable ore reserves are calculated and reviewed in-house and are subject to periodic audit by others, although audits are not performed on an annual basis. Cutoff grade assumptions vary by ore body and are developed based on reserve metals price assumptions, anticipated mill recoveries and refiner payables, and cash operating costs. The cutoff grade assumption is 0.482 gold-equivalent ounces per ton at Fire Creek. Our estimates of proven and probable reserves are based on prices of \$1,300 per ounce for gold and \$16.00 per ounce for silver for 2020, \$1,300 per ounce for gold and \$14.50 per ounce for silver for 2019 and \$1,200 per ounce for gold and \$14.50 per ounce for silver for 2018.
- (4) Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the ore and expected mining recovery. The 2020 reserve model assumes average total mill recoveries for gold and silver of approximately 91% and 63%, respectively, for Fire Creek.
- (5) The changes in gold and silver reserves in 2020 compared to 2019 and 2019 compared to 2018 were the result of depletion of the deposit through production.
- (6) Fire Creek resource and reserve estimates were prepared by Agapito Orozco, Senior Resource Geologist, Sarah Bull, Senior Mining Engineer, and Bryan Farbridge, Chief Engineer, at the Nevada Operations unit and reviewed by Keith Blair, Chief Geologist, and Kurt Allen, Director of Exploration, at Hecla Limited.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of our legal proceedings, see *Note 8 of Notes to Consolidated Financial Statements*.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in exhibit 95 to this report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Shares of our common stock are traded on the New York Stock Exchange, Inc. under the symbol "HL." As of February 16, 2021, there were 3,373 stockholders of record of our common stock.

The following table provides information as of December 31, 2020 regarding our compensation plans under which equity securities are authorized for issuance:

	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders:			
2010 Stock Incentive Plan	—	N/A	12,443,518
Stock Plan for Non-Employee Directors	—	N/A	2,476,644
Key Employee Deferred Compensation Plan	—	N/A	228,624
Total	—	N/A	15,148,786

See Note 9 and Note 10 of Notes to Consolidated Financial Statements for information regarding the above plans.

On November 20, 2020, we issued 89,109 unregistered shares of our common stock to the Lucky Friday Pension Plan Trust and 554,455 shares to the Hecla Mining Company Retirement Plan Trust in private placements in order to satisfy the funding requirements for those defined benefit pension plans. The private placements were exempt from registration under the Securities Act of 1933, as amended ("Securities Act") pursuant to section 4(a)(2) of that Act. We did not receive any cash proceeds from the issuance of the shares. The shares had a value of approximately \$3.3 million at the time of issuance.

On August 18, 2020, we issued 405,186 unregistered shares of our common stock to the Lucky Friday Pension Plan Trust and 1,653,160 shares to the Hecla Mining Company Retirement Plan Trust in private placements in order to satisfy the funding requirements for those defined benefit pension plans. The private placements were exempt from registration under the Securities Act pursuant to section 4(a)(2) of that Act. The shares were subsequently registered for resale on a registration statement on Form S-3 filed with the SEC on September 23, 2020. We did not receive any cash proceeds from the issuance of the shares. The shares had a value of approximately \$12.4 million at the time of issuance.

On April 9, 2020, we issued 119,048 unregistered shares of our common stock to the Lucky Friday Pension Plan Trust and 47,619 shares to the Hecla Mining Company Retirement Plan Trust in private placements in order to satisfy the funding requirements for those defined benefit pension plans. The private placements were exempt from registration under the Securities Act pursuant to section 4(a)(2) of that Act. The shares were subsequently registered for resale on a registration statement on Form S-3 filed with the SEC on April 9, 2020. We did not receive any cash proceeds from the issuance of the shares. The shares had a value of approximately \$0.4 million at the time of issuance.

On December 18, 2019, we issued 10,654,856 unregistered shares of our common stock pursuant to an Exchange Agreement as prepayment of CAD\$40 million (approximately US\$30.5 million as of December 18, 2019) in aggregate principal amount of our Series 2018-A Senior Notes due May 1, 2021 previously held by Ressources Québec. See Note 7 of Notes to Consolidated Financial Statements for more information. The issuance of shares pursuant to the Exchange Agreement was exempt from registration under the Securities Act pursuant to section 3(a)(9) of that Act. We did not receive any cash proceeds from the issuance of the shares. The shares had a total value of approximately USD\$33.5 million at the time of issuance.

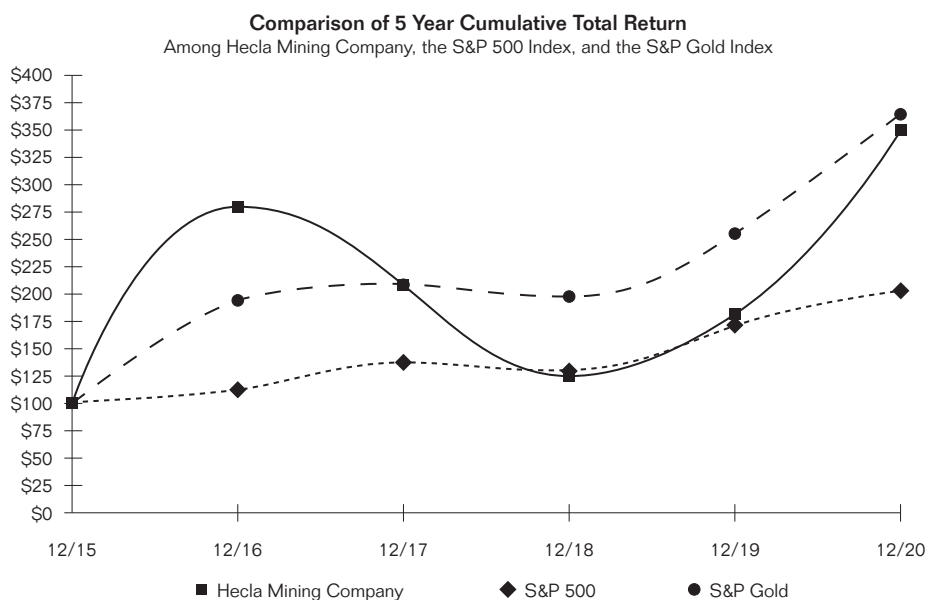
On May 17, 2019, we issued 629,140 unregistered shares of our common stock to the Lucky Friday Pension Plan Trust and 1,754,967 shares to the Hecla Mining Company Retirement Plan Trust in private placements in order to satisfy the funding requirements for those defined benefit pension plans. The private placements were exempt from registration under the Securities Act pursuant to section 4(a)(2) of that Act. The shares were subsequently registered for resale on a registration statement on Form S-3 filed with the SEC on May 17, 2019. We did not receive any cash proceeds from the issuance of the shares. The shares had a value of approximately \$3.6 million at the time of issuance.

On November 30, 2018, we issued 349,174 unregistered shares of our common stock to the Lucky Friday Pension Plan Trust and 516,529 shares to the Hecla Mining Company Retirement Plan Trust in private placements in order to satisfy the funding requirements for those defined benefit pension plans. The private placements were exempt from registration under the Securities Act pursuant to section 4(a)(2) of that Act. The shares were subsequently registered for resale on a registration statement on Form S-3 filed with the SEC on November 30, 2018. We did not receive any cash proceeds from the issuance of the shares. The shares had a value of approximately \$2.1 million at the time of issuance.

On September 12, 2018, we issued 1,870,749 unregistered shares of our common stock in a private placement to the Hecla Mining Company Retirement Plan Trust in order to satisfy the funding requirements for that defined benefit pension plan. The private placement was exempt from registration under the Securities Act pursuant to section 4(a)(2) of that Act. The shares were subsequently registered for resale on a registration statement on Form S-3 filed with the SEC on September 12, 2018. We did not receive any cash proceeds from the issuance of the shares. The shares had a value of approximately \$5.5 million at the time of issuance.

On July 20, 2018, we issued 75,276,176 unregistered shares of common stock to the former holders of common stock of Klondex to partially fund the acquisition of Klondex (see Note 16 of Notes to Consolidated Financial Statements). The shares were not registered under the Securities Act pursuant to an exemption from registration under Section 3(a)(10) of such act. The shares had a value of approximately \$242.4 million at the time of issuance.

The following performance graph compares the performance of our common stock during the period beginning December 31, 2015 and ending December 31, 2020 to the S&P 500 and the S&P 500 Gold Index. The graph assumes a \$100 investment in our common stock and in each of the indexes since the beginning of the period, and a reinvestment of dividends paid on such investments on a quarterly basis throughout the period.



Date	Hecla Mining	S&P 500	S&P 500 Gold Index
December 2015	\$ 100.00	\$ 100.00	\$ 100.00
December 2016	\$ 277.88	\$ 111.96	\$ 190.11
December 2017	\$ 210.96	\$ 136.40	\$ 210.83
December 2018	\$ 125.81	\$ 130.42	\$ 197.89
December 2019	\$ 181.72	\$ 171.49	\$ 258.29
December 2020	\$ 348.65	\$ 203.04	\$ 362.34

The stock performance information above is “furnished” and shall not be deemed to be “soliciting material” or subject to Rule 14A of the Exchange Act, shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, and shall not be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, whether made before or after the date of this report and irrespective of any general incorporation by reference language in any such filing, except to the extent that it specifically incorporates the information by reference.

On May 8, 2012, we announced that our board of directors approved a stock repurchase program. Under the program, we are authorized to repurchase up to 20 million shares of our outstanding common stock from time to time in open market or privately negotiated transactions. See *Note 10 of Notes to Consolidated Financial Statements* for more information. We made no purchases of our outstanding common stock during the quarter and year ended December 31, 2020.

ITEM 6. SELECTED FINANCIAL DATA

The following table (in thousands, except per share amounts, common shares issued, stockholders of record, and employees) sets forth selected historical consolidated financial data as of and for each of the years ended December 31, 2016 through 2020, and is derived from our audited financial statements (except for stockholders of record and employees). The data set forth below should be read in conjunction with, and is qualified in its entirety by, our Consolidated Financial Statements and the Notes thereto.

	2020	2019	2018	2017	2016
Sales of products	\$ 691,873	\$ 673,266	\$ 567,137	\$ 577,775	\$ 645,957
Net (loss) income	\$ (16,790)	\$ (99,557)	\$ (26,563)	\$ (28,520)	\$ 61,569
Preferred stock dividends ⁽¹⁾	\$ (552)	\$ (552)	\$ (552)	\$ (552)	\$ (552)
(Loss) income applicable to common stockholders	\$ (17,342)	\$ (100,109)	\$ (27,115)	\$ (29,072)	\$ 61,017
Basic (loss) income per common share	\$ (0.03)	\$ (0.20)	\$ (0.06)	\$ (0.07)	\$ 0.16
Diluted (loss) income per common share	\$ (0.03)	\$ (0.20)	\$ (0.06)	\$ (0.07)	\$ 0.16
EBITDA ⁽²⁾	\$ 196,940	\$ 129,264	\$ 148,585	\$ 156,922	\$ 236,373
Total assets	\$ 2,667,724	\$ 2,637,308	\$ 2,703,944	\$ 2,345,158	\$ 2,355,795
Accrued reclamation & closure costs	\$ 116,048	\$ 108,374	\$ 108,389	\$ 86,045	\$ 85,580
Non-current portion of debt and finance/capital leases	\$ 516,516	\$ 511,943	\$ 540,670	\$ 508,422	\$ 506,817
Cash dividends paid per common share	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Common shares issued and outstanding	531,666,371	522,895,723	482,603,937	399,176,425	395,286,875
Stockholders of record	3,398	3,637	3,617	3,784	4,197
Employees	1,591	1,622	1,714	1,431	1,396

(1) For all years presented, we declared and paid all four quarterly dividends totaling \$0.6 million annually on our Series B preferred shares.

(2) Earnings before interest, taxes, depreciation, and amortization (“EBITDA”) is a non-GAAP measurement. EBITDA is used by management, and we believe is useful to investors, for evaluating our operational performance. A reconciliation of this non-GAAP measure to net income (loss), the most comparable GAAP measure, can be found in *Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations*, under *Reconciliation of Net Income (Loss) (GAAP) to Earnings Before Interest, Taxes, Depreciation, and Amortization (non-GAAP)*.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Established in 1891 in northern Idaho's Silver Valley, we believe we are the oldest operating precious metals mining company in the United States and the largest silver producer in the United States. Our corporate offices are in Coeur d'Alene, Idaho and Vancouver, British Columbia. Our production profile includes:

- concentrates containing silver, gold (in the case of Greens Creek), lead and zinc, which is shipped to various smelters or sold to metal traders;
- unrefined doré containing gold and silver, which is sold to refiners or further refined before sale of the metals to traders; and
- carbon material containing gold and silver, which is sold to third-party processors.

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

Our operating and strategic framework is based on expanding our production and locating and developing new resource potential. In 2020, we:

- Continued our trend of improved safety performance, as we reduced our All Injury Frequency Rate by 24% to 1.22, the lowest level in our history and 46% below the U.S. national average for MSHA's "metal and nonmetal" category.
- Mitigated the impacts of COVID-19 through early response and implementation of operational plans and procedures to protect our workforce, operations and communities while maintaining liquidity.
- Reported sales of products of \$691.9 million, which was the highest in our history despite the Lucky Friday unit only reaching full production in the fourth quarter of 2020.
- Generated \$180.8 million in net cash flows from operating activities. See the *Financial Liquidity and Capital Resources* section below for further discussion.
- Refinanced our previously outstanding 2021 Senior Notes with issuance of our Senior Notes for total principal of \$475 million due in 2028 and Notes issue to Investissement Québec for total principal of CAD\$48.2 million due in 2025. See *Note 7 of Notes to Consolidated Financial Statements* for more information on our debt arrangements.
- Produced the most silver at our Greens Creek unit since obtaining 100% ownership of it in 2008 due to high grades and consistent ore throughput.
- Returned to full production levels at Lucky Friday following a strike which ended in early January 2020.
- Made capital expenditures (including lease additions and other non-cash items) of approximately \$99.9 million, including \$40.9 million at Casa Berardi, \$28.8 million at Greens Creek, \$25.7 million at Lucky Friday, \$4.0 million at Nevada Operations and \$0.5 million at San Sebastian.
- Performed exploration and pre-development activities at our land packages in Alaska, Idaho, Nevada, British Columbia, Quebec and Mexico.
- Achieved the above while increasing our cash balance to \$129.8 million, which was \$67.4 million higher compared to December 31, 2019, with no amount drawn on our revolving credit facility, as of December 31, 2020.

Our average realized silver and gold prices increased, while lead and zinc prices decreased, in 2020 compared to 2019. Average realized prices for silver and gold were higher, with prices for lead and zinc lower, in 2019 compared to their annual averages in 2018. See the Results of Operations section below for information on our average realized metal prices for 2020, 2019 and 2018. Lead and zinc represent important by-products at our Greens Creek and Lucky Friday segments, and gold is also a significant by-product at Greens Creek and San Sebastian.

See the *Results of Operations* section below for a discussion of the factors impacting income applicable to common stockholders for the three years ended December 31, 2020, 2019 and 2018.

Key Issues

We intend to achieve our long-term objective of generating financial returns, improving operating performance, and expanding our proven and probable reserves by operating, developing and acquiring long-lived, low-cost mines with large land positions in politically stable jurisdictions. Our strategic plan requires that we manage multiple challenges and risks inherent in conducting mining, development, exploration and metal sales at multiple locations.

One such risk involves metals prices, over which we have no control except, on a limited basis, through the use of derivative contracts. As discussed in the *Critical Accounting Estimates* section below, metals prices are influenced by a number of factors beyond our control. While we believe global economic and industrial trends could result in continued demand for the metals we produce, prices have been volatile and there can be no assurance that current prices will continue.

Volatility in global financial markets poses a significant challenge to our ability to access credit and equity markets, should we need to do so, and to predict sales prices for our products. We utilize forward contracts to manage exposure to declines in the prices of (i) silver, gold, zinc and lead contained in our concentrates that have been shipped but have not yet settled, and (ii) zinc and lead that we forecast for future concentrate shipments. We have also utilized put option contracts to manage exposure to declines in the prices of silver and gold in our forecasted future sales of those metals. In addition, we have \$129.8 million of cash and cash equivalents and a \$250 million revolving credit agreement, of which \$20.3 million was used as of December 31, 2020 for letters of credit, leaving approximately \$229.7 million available for borrowing.

The COVID-19 outbreak impacted our operations in 2020, including adversely impacting our expected production of gold at Casa Berardi and exploration drilling at Greens Creek. In addition, we incurred additional costs of approximately \$2.3 million in 2020 related to quarantining employees at Greens Creek, which started in late March 2020. See each segment section below for information on how those operations have been impacted by COVID-19. To mitigate the impact of COVID-19, we have taken precautionary measures, including implementing operational plans and practices and increasing our cash reserves. As long as they are required, the operational practices implemented could continue to have an adverse impact on our operating results due to additional costs or deferred production and revenues. There is uncertainty related to the potential additional impacts COVID-19 and any subsequent variants could have on our operations and financial results for 2021. See *Part II, Item 1A. Risk Factors – Natural disasters, public health crises (including COVID-19), political crises, and other catastrophic events or other events outside of our control may materially and adversely affect our business or financial results* and *COVID-19 virus pandemic may heighten other risks* for information on how restrictions related to COVID-19 have recently affected some of our operations.

We had total long-term debt as of December 31, 2020 of \$507.2 million, comprised of (i) our Senior Notes having total principal of \$475 million which are due in 2028 and bear interest at a rate of 7.25% per year and (ii) our Series 2020-A Senior Notes due July 9, 2025 (the "IQ Notes") issued to Investissement Québec, a financing arm of the Québec government, which have total principal of CAD\$48.2 million and bear interest at a rate of 6.515%. See *Note 7 of Notes to Consolidated Financial Statements* 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, IQ Notes and amounts drawn on our revolving credit facility in the future, if any; however, a number of factors could impact our ability to meet the debt obligations and fund our other projects. See *Item 1A. Risk Factors - We have a substantial amount of debt that could impair our financial health and prevent us from fulfilling our obligations under our existing and future indebtedness.*

We make our strategic plans in the context of significant uncertainty about future availability of ore to mine and process. To sustain operations, we must find new

opportunities that require many years and substantial expenditures from discovery to production. We approach this challenge by investing in exploration and capital in districts with known mineralization. There can be no assurance that we will be able to obtain the permits required to develop or otherwise move forward with exploration projects such as Rock Creek and Montanore. See *Item 1A. Risk Factors – Legal challenges could prevent the Rock Creek or Montanore projects from ever being developed.*

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 MSHA, the Commission of Labor Standards, Pay Equity and Occupational Health and Safety in Quebec, and the Mexico Ministry of Economy and Mining to address issues outlined in any investigations and inspections and continue to evaluate our safety practices. Achieving and maintaining compliance with regulations will be challenging and may increase our operating costs. See *Item 1A. Risk Factors – We face substantial governmental regulation, including the Mine Safety and Health Act, various environmental laws and regulations and the 1872 Mining Law.*

Another challenge for us is the risk associated with environmental litigation and ongoing reclamation activities. As described *Item 1A. Risk Factors* and in *Note 8 of Notes to Consolidated Financial Statements*, it is possible that our estimate of these liabilities (and our ability to estimate liabilities in general) may change in the future, affecting our strategic plans. We are involved in various environmental legal matters 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 terms as favorable to us as possible.

Reserve estimation is a major risk inherent in mining. Our reserve estimates, which underly (i) our mining and investment plans, (ii) the valuation of a significant portion of our long-term assets and (iii) depreciation, depletion and amortization expense, may change based on economic factors and actual production experience. Until ore is mined and processed, the volumes and grades of our reserves must be considered as estimates. Our reserves are depleted as we mine. Reserves can also change as a result of changes in economic and operating assumptions. See *Item 1A. Risk Factors – Our ore reserve estimates may be imprecise.*

Consolidated Results of Operations

Sales of products by metal for the years ended December 31, 2020, 2019 and 2018 were as follows:

(in thousands)	Year Ended December 31,		
	2020	2019	2018
Silver	\$ 260,227	\$ 192,235	\$ 144,609
Gold	356,166	388,602	313,076
Lead	48,776	35,777	33,829
Zinc	95,065	89,656	99,800
Less: Smelter and refining charges	(68,361)	(33,004)	(24,177)
Sales of products	<u>\$ 691,873</u>	<u>\$ 673,266</u>	<u>\$ 567,137</u>

The fluctuations in sales for 2020 compared to 2019 and 2018 were primarily due to the following two factors:

- Higher average realized silver and gold prices in 2020 were partially offset by lower average realized lead and zinc prices compared to 2019, and the same was true when comparing 2019 to 2018. These price variances are illustrated in the table below.

	Average price for the year ended December 31,		
	2020	2019	2018
Silver – London PM Fix (\$/ounce)	\$ 20.51	\$ 16.20	\$ 15.71
Realized price per ounce	21.15	16.65	15.63
Gold – London PM Fix (\$/ounce)	1,770	1,392	1,269
Realized price per ounce	1,757	1,413	1,265
Lead – LME Final Cash Buyer (\$/pound)	0.83	0.91	1.02
Realized price per pound	0.84	0.91	1.04
Zinc – LME Final Cash Buyer (\$/pound)	1.03	1.16	1.33
Realized price per pound	1.03	1.14	1.27

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 2020, we recorded net positive price adjustments to provisional settlements of \$8.0 million compared to net positive price adjustments to provisional settlements of \$0.6 million in 2019 and net negative adjustments of \$3.8 million in 2018. The price adjustments related to silver, gold, zinc and lead contained in our concentrate sales were largely offset by gains and losses on forward contracts for those metals for each year (see *Note 11 of Notes to Consolidated Financial Statements* for more information). The gains and losses on these contracts are included in revenues and impact the realized prices for silver, gold, lead and zinc. Realized prices are calculated by dividing gross revenues for each metal (which include the price adjustments and gains and losses on the forward contracts discussed above) by the payable quantities of each metal included in products sold during the period.

- Higher quantities of silver, lead and zinc sold, partially offset by lower gold quantities sold, in 2020 compared to 2019. Silver, gold, zinc and lead volumes were higher in 2019 compared to 2018. See *The Greens Creek Segment*, *The Lucky Friday Segment*, *The Casa Berardi Segment*, *The San Sebastian Segment*, and *The Nevada Operations Segment* sections below for more information on metals 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:

	Year Ended December 31,		
	2020	2019	2018
Silver – Ounces produced	13,542,957	12,605,234	10,369,503
Payable ounces sold	12,305,917	11,548,373	9,254,385
Gold – Ounces produced	208,962	272,873	262,103
Payable ounces sold	202,694	275,060	247,528
Lead – Tons produced	34,127	24,210	20,091
Payable tons sold	29,108	19,746	16,214
Zinc – Tons produced	63,112	58,857	56,023
Payable tons sold	46,349	39,381	39,273

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 our products 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.

For the year ended December 31, 2020, we reported a loss applicable to common stockholders of \$17.3 million compared to losses of \$100.1 million and \$27.1 million in 2019 and 2018, respectively. The following factors contributed to those differences:

- Variances in gross profit (loss) at our operating units as follows (in millions):

	Year Ended December 31,			Variance	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Greens Creek	\$ 110,695	\$ 88,003	\$ 75,584	\$ 22,692	\$ 12,419
Lucky Friday	6,319	—	—	6,319	—
Casa Berardi	5,790	(24,738)	10,937	30,528	(35,675)
San Sebastian	8,802	5,701	8,409	3,101	(2,708)
Nevada	14,097	(45,567)	(15,831)	59,664	(29,736)
Total gross profit	<u>\$ 145,703</u>	<u>\$ 23,399</u>	<u>\$ 79,099</u>	<u>\$ 122,304</u>	<u>\$ (55,700)</u>

See *The Greens Creek Segment*, *The Lucky Friday Segment*, *The Casa Berardi Segment*, *The San Sebastian Segment*, and *The Nevada Operations Segment* sections below.

- Unrealized gains on investments of \$10.3 million in 2020 compared to unrealized losses of \$2.4 million in 2019 and \$2.8 million in 2018 due to changes in the prices of shares in other publicly traded mining companies held by us.
- Exploration and pre-development expense decreased to \$18.3 million in 2020 from \$19.1 million in 2019 and \$40.6 million in 2018. Our activity in 2020 included a continuation of exploration work at our Greens Creek, San Sebastian, Casa Berardi and Nevada Operations units, but at lower spending levels. Pre-development expense was primarily related to advancement of our Montanore and Rock Creek projects.
- Insignificant acquisition costs in 2020 and 2019 compared to \$10.0 million in 2018 related to the acquisition of Klondex.
- Research and development expense of \$0.5 million in 2019 and \$5.4 million in 2018 related to evaluation and development of technologies that would be new to our operations, with no research and development expense in 2020. The decrease in 2019 was due to capitalization and completion of fabrication of the remote vein miner.
- Net foreign exchange loss of \$4.6 million in 2020 compared to a loss of \$8.2 million in 2019 and gain of \$10.3 million in 2018 on translation of our monetary assets and liabilities at our Casa Berardi and San Sebastian units.
- Loss on disposition of properties, plants, equipment, and mineral interests of \$0.6 million and \$4.6 million in 2020 and 2019, respectively, compared to a gain of \$2.8 million in 2018. The loss in 2019 was related to disposition of our interest in the Fayolle exploration project in Quebec.
- In June 2020, we gifted 650,000 shares of our common stock valued at \$2.0 million at the time of the gift to the Hecla Charitable Foundation (the “Foundation”), and recognized expense for that amount. The Foundation is a 501(c)(3) entity established in 2007 to provide grants and disburse funds for educational and charitable purposes to qualifying organizations in order to promote the social, environmental and economic sustainability and development of the communities where we have operations and activities.
- Other operating expense of \$8.9 million, \$3.0 million and \$1.6 million in 2020, 2019 and 2018, respectively, with the increase in 2020 primarily due to costs for a project to identify and implement potential operational improvements at Casa Berardi.
- Interest expense of \$49.6 million, \$48.4 million and \$40.9 million in 2020, 2019 and 2018, respectively. The interest in 2020 was primarily related to our Senior Notes, and the interest in 2019 and 2018 was primarily related to our previously outstanding 2021 Notes (see *Note 7 of Notes to Consolidated Financial Statements and Guarantor Subsidiaries* below). The increase in 2020 was primarily due to (i) interest recognized on both the Senior Notes and 2021 Notes for an overlapping period of almost one month, as the Senior Notes were issued on February 19, 2020 and the 2021 Notes were redeemed on March 19, 2020, (ii) \$1.7 million in unamortized initial purchaser discount on the 2021 Notes recognized as expense upon their redemption and (iii) higher interest related to amounts drawn on our revolving credit facility.
- Ramp-up and suspension costs of \$24.9 million in 2020 compared to \$12.1 million in 2019 and \$20.7 million in 2018, which included non-cash depreciation expense of \$7.1 million, \$4.3 million and \$5.0 million, respectively. The increase in 2020 was due to (i) placement of the Midas and Hollister mines and Aurora mill in Nevada on care-and-maintenance and (ii) the temporary suspension of operations at Casa Berardi and San Sebastian in response to COVID-19, which lead to lower production at those operations, partially offset by (iii) lower ramp-up and suspension costs at Lucky Friday due to increased production there. The cost for 2018 included \$1.1 million related to curtailment of production at the Midas mine, with the other costs for 2018 and all costs for 2019 related to suspension at the Lucky Friday mine resulting

from the strike that ended in early January 2020. See *The Lucky Friday Segment*, *The Nevada Operations Segment*, *The Casa Berardi Segment* and *The San Sebastian Segment* sections below.

- Net loss on metal derivative contracts of \$22.1 million in 2020 compared to a net loss of \$4.0 million in 2019 and gain of \$40.3 million in 2018. During the third quarters of 2019 and 2018, we settled, prior to their maturity date, base metal forward contracts in a gain position for cash proceeds to us of approximately \$6.7 million and \$32.8 million, respectively, with no such settlements in 2020. These gains and losses are related to financially-settled forward contracts on forecasted production of zinc and lead (but not silver and gold) as part of a risk management program, and resulted from changes in zinc and lead prices during each period. From June 2019, we began utilizing put option contracts to provide a minimum price for our forecasted future gold and silver sales, resulting in net losses in 2020 and 2019 of \$9.3 million and \$13.1 million. See *Note 11 of Notes to Consolidated Financial Statements* for more information.
- Income tax provision of \$0.1 million in 2020 compared to a benefit of \$24.1 million in 2019 and a benefit of \$6.7 million in 2018. See *Corporate Matters* and *Note 6 of Notes to Consolidated Financial Statements* for more information.

The Greens Creek Segment

Dollars are in thousands (except per ounce and per ton amounts)	Years Ended December 31,		
	2020	2019	2018
Sales	\$ 327,820	\$ 299,722	\$ 265,650
Cost of sales and other direct production costs	(167,433)	(164,132)	(143,555)
Depreciation, depletion and amortization	(49,692)	(47,587)	(46,511)
Cost of sales and other direct production costs and depreciation, depletion and amortization	(217,125)	(211,719)	(190,066)
Gross Profit	\$ 110,695	\$ 88,003	\$ 75,584
Tons of ore milled	818,408	846,076	845,398
Production:			
Silver (ounces)	10,494,726	9,890,125	7,953,003
Gold (ounces)	48,491	56,625	51,493
Zinc (tons)	56,814	56,805	55,350
Lead (tons)	21,400	20,112	18,960
Payable metal quantities sold:			
Silver (ounces)	9,385,404	8,786,377	6,828,955
Gold (ounces)	42,407	47,934	43,135
Zinc (tons)	41,832	37,848	38,338
Lead (tons)	17,415	16,414	14,491
Ore grades:			
Silver ounces per ton	15.65	14.64	12.16
Gold ounces per ton	0.08	0.10	0.09
Zinc percent	7.58	7.43	7.47
Lead percent	3.13	2.92	2.80
Total production cost per ton	\$ 179.37	\$ 174.28	\$ 156.21
Cash Cost, After By-product Credits, Per Silver Ounce ⁽¹⁾	\$ 5.49	\$ 1.97	\$ (1.13)
AISC, After By-Product Credits, per Silver Ounce ⁽¹⁾	\$ 8.57	\$ 5.99	\$ 5.58
Capital additions	\$ 28,797	\$ 35,829	\$ 46,864

(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)*. At Greens Creek, gold, zinc and lead are considered to be by-products of our silver production, and the values of those metals therefore offset operating costs within our calculations of Cash Cost and AISC, After By-product Credits, per Silver Ounce.

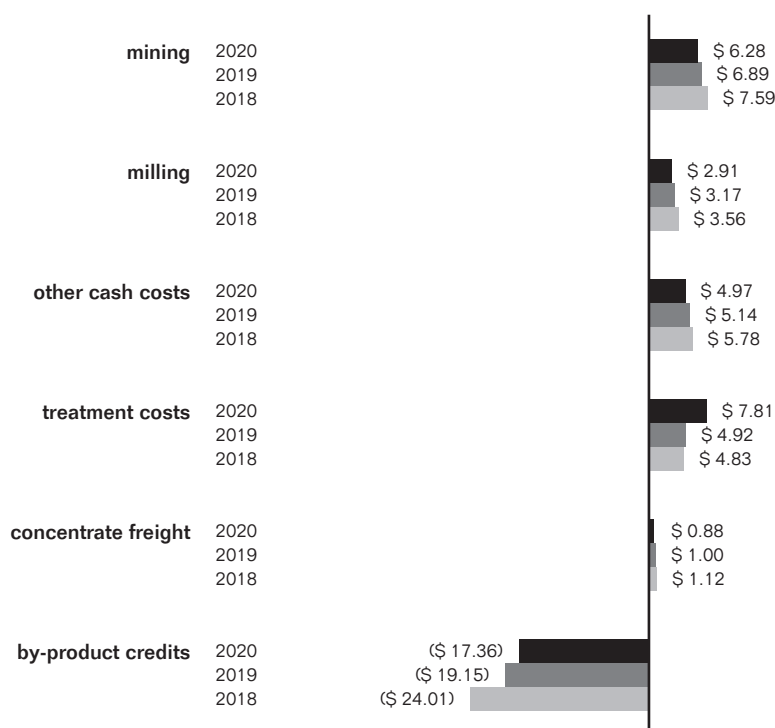
Restrictions imposed by the State of Alaska beginning in late March 2020 in response to the COVID-19 pandemic, including the requirement for employees returning to Alaska to self-quarantine for 14 days (changed in June to 7 days), has caused us to revise the normal operating procedures and incur additional costs for staffing operations at Greens Creek. We incurred costs of approximately \$2.3 million in 2020 related to quarantining employees at Greens Creek. These or other potential restrictions could have a material impact if they continue longer than anticipated or become broader.

The \$22.7 million and \$35.1 million increases in gross profit for 2020 compared to 2019 and 2018, respectively, were due to higher silver, zinc and lead sales volumes and higher average realized silver and gold prices, partially offset by lower gold volume and lower average realized zinc and lead prices. In addition, treatment charges expense for 2020 was 87% and 151% higher compared to 2019 and 2018, respectively, primarily due to unfavorable changes in smelter terms.

The increases in total production cost per ton in 2020 and 2019 compared to 2018 were due to higher costs for labor and equipment maintenance, with 2020 also impacted by COVID-19-related costs and lower mill throughput and 2019 impacted by higher costs for power and consumables. The lower mill throughput in 2020 was partially due to periods of mill downtime for (i) upgrades to mill components in November and (ii) an extreme rainfall event in early December which resulted in water handling issues and limited access caused by downed power lines and mudslides.

The chart below illustrates the factors contributing to the variances in Cash Cost, After By-product Credits, Per Silver Ounce for 2020 compared to 2019 and 2018:

For the Year Ended December 31,



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

	Years Ended December 31,		
	2020	2019	2018
Cash Cost, Before By-product Credits, per Silver Ounce	\$ 22.85	\$ 21.12	\$ 22.88
By-product credits per silver ounce	(17.36)	(19.15)	(24.01)
Cash Cost, After By-product Credits, per Silver Ounce	\$ 5.49	\$ 1.97	\$ (1.13)

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

	Years Ended December 31,		
	2020	2019	2018
AISC, Before By-product Credits, per Silver Ounce	\$ 25.93	\$ 25.14	\$ 29.59
By-product credits per silver ounce	(17.36)	(19.15)	(24.01)
AISC, After By-product Credits, per Silver Ounce	\$ 8.57	\$ 5.99	\$ 5.58

Both Cash Costs and AISC, After By-product Credits, per Silver Ounce were higher in 2020 compared to 2019 and 2018 primarily due to lower by-product credits, partially offset by higher silver production, and in the case of AISC, lower capital and exploration spending.

Mining, milling and other costs decreased in 2020 compared to 2019 and 2018 on a per-ounce basis due primarily to higher silver production resulting from increased silver grades.

Treatment costs per ounce for 2020 were higher compared to 2019 and 2018 due to unfavorable changes in smelter terms and higher silver prices and production. Treatment costs are impacted by silver production and price variances, as treatment costs include the value of silver not payable to us through the smelting and refining processes. The silver not payable to us is either recovered by the smelters through further processing or ultimately not recovered and included in the smelters' waste material. Treatment costs also include a price adjustment component that fluctuates with changes in base metal prices.

By-product credits per ounce were lower in 2020 compared to 2019 and 2018 due to lower zinc and lead prices, and higher silver production also reduced the credit per silver ounce.

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 our products 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 our products.

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.

The Lucky Friday Segment

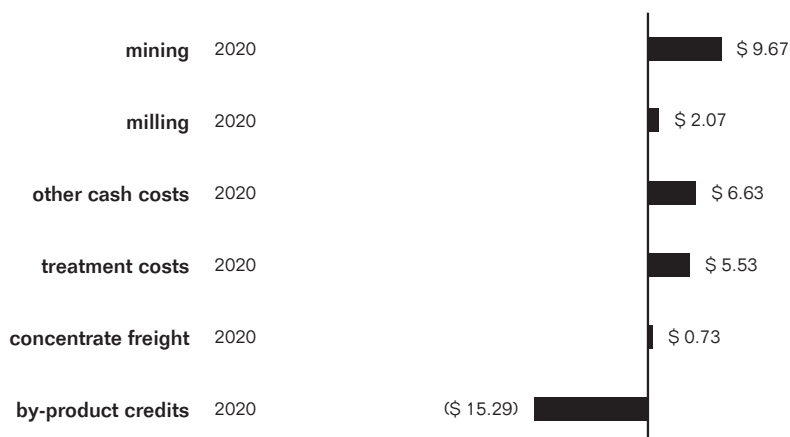
Dollars are in thousands (except per ounce and per ton amounts)	Years Ended December 31,		
	2020	2019	2018
Sales	\$ 63,025	\$ 16,621	\$ 9,750
Cost of sales and other direct production costs	(45,233)	(15,446)	(8,738)
Depreciation, depletion and amortization	(11,473)	(1,175)	(1,012)
Cost of sales and other direct production costs and depreciation, depletion and amortization	(56,706)	(16,621)	(9,750)
Gross profit	\$ 6,319	\$ —	\$ —
Tons of ore milled	179,208	57,091	17,309
Production:			
Silver (ounces)	2,031,874	632,944	169,041
Lead (tons)	12,727	4,098	1,131
Zinc (tons)	6,298	2,052	673
Payable metal quantities sold:			
Silver (ounces)	1,866,883	517,074	275,469
Lead (tons)	11,692	3,332	1,723
Zinc (tons)	4,517	1,532	935
Ore grades:			
Silver ounces per ton	11.85	11.83	10.78
Lead percent	7.49	7.86	7.19
Zinc percent	3.88	4.25	4.20
Total production cost per ton	\$ 251.49	\$ —	\$ —
Cash Cost, After By-product Credits, Per Silver Ounce ⁽¹⁾	\$ 9.34	\$ —	\$ —
AISC, After By-product Credits, Per Silver Ounce ⁽¹⁾	\$ 18.22	\$ —	\$ —
Capital additions	\$ 25,749	\$ 8,989	\$ 14,236

(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)*. At Lucky Friday, lead and zinc are considered to be by-products of our silver production, and the values of those metals therefore offset operating costs within our calculations of Cash Cost and AISC, After By-product Credits, per Silver Ounce.

The increase in gross profit and production for 2020 compared to 2019 and 2018 was due to a ramp-up of operations leading up to a return to full production starting in the fourth quarter of 2020 following the strike by unionized employees that started in mid-March 2017 and ended in early January 2020, discussed further below.

The chart below illustrates the factors contributing to the variances in Cash Cost, After By-product Credits, Per Silver Ounce for the fourth quarter of 2020. Total production cost per ton, Cash Cost, After By-product Credits, per Silver Ounce and AISC, After By-product Credits per Silver Ounce are not presented for 2019 and 2018 and the first three quarters of 2020, as production was limited due to the strike and results are not comparable. The total production cost per ton, Cash Cost, After By-product Credits, per Silver Ounce and AISC, After By-product Credits per Silver Ounce amounts presented for 2020 are for activity for the fourth quarter only, and the results for that period may not be indicative of future operating results under full production.

For the Year Ended December 31,



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

	Three Months Ended
	December 31,
	2020
Cash Cost, Before By-product Credits, per Silver Ounce	\$ 24.63
By-product credits per silver ounce	(15.29)
Cash Cost, After By-product Credits, per Silver Ounce	<u>\$ 9.34</u>

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

	Three Months Ended
	December 31,
	2020
AISC, Before By-product Credits, per Silver Ounce	\$ 33.51
By-product credits per silver ounce	(15.29)
AISC, After By-product Credits, per Silver Ounce	<u>\$ 18.22</u>

Similar to the Greens Creek segment, the difference between what we report as “production” and “payable metal quantities sold” is due essentially to the difference between the quantities of metals contained in the concentrates we produce versus the portion of those metals actually paid for by our customers according to the terms of our sales contracts. Differences can also arise from inventory changes incidental to the timing of concentrate shipments, or variances in ore grades which impact the amount of metals contained in concentrates produced and sold.

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

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

Likewise, we believe the identification of lead and zinc as by-product credits is appropriate because of their low economic value compared to silver and due to the fact that silver is the primary product we intend to produce. In addition, we do not receive sufficient revenue from any single by-product metal to warrant classification of such as a co-product.

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

Many of the employees at our Lucky Friday unit are represented by a union, and the previous collective bargaining agreement with the union expired on April 30, 2016. The unionized employees were on strike from March 13, 2017 until January 7, 2020, when the union ratified a new collective bargaining agreement. Salaried personnel performed limited production and capital improvements from July 2017 until the end of the strike. Re-staffing of the mine commenced in the first quarter of 2020. We have substantially completed the re-staffing and ramp-up process, and the mine has returned to full production starting with the fourth quarter of 2020. Costs related to ramp-up activities totaled \$8.0 million in 2020, and suspension-related costs during the strike in 2019 and 2018 totaled \$12.1 million and \$19.6 million, respectively, which include non-cash depreciation expense of \$6.3 million, \$4.3 million and \$5.0 million, respectively, for those years, and are reported in a separate line item on our consolidated statements of operations. These ramp-up and suspension costs are excluded from the calculation of gross profit, total production cost per ton, Cash Cost, After By-product Credits, per Silver Ounce and AISC, After By-product Credits, per Silver Ounce, when presented.

See Note 8 of Notes to Consolidated Financial Statements for more information about a contingency related to ground water monitoring at the Lucky Friday mine in prior periods.

The Casa Berardi Segment

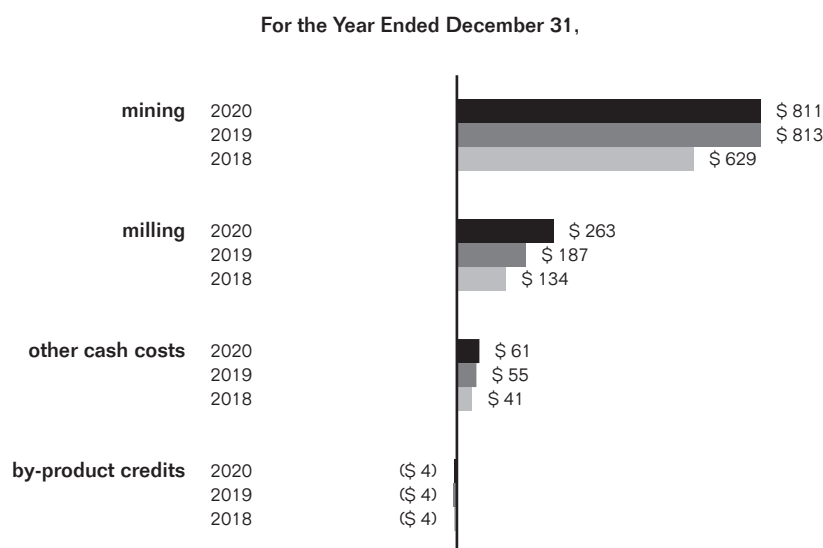
Dollars are in thousands (except per ounce and per ton amounts)	Years Ended December 31,		
	2020	2019	2018
Sales	\$ 209,224	\$ 192,944	\$ 210,339
Cost of sales and other direct production costs	(133,862)	(143,722)	(128,100)
Depreciation, depletion and amortization	(69,572)	(73,960)	(71,302)
Cost of sales and other direct production costs and depreciation, depletion and amortization	(203,434)	(217,682)	(199,402)
Gross (loss) profit	<u>\$ 5,790</u>	<u>\$ (24,738)</u>	<u>\$ 10,937</u>
Tons of ore milled	1,283,701	1,378,065	1,375,718
Production:			
Gold (ounces)	121,492	134,409	162,744
Silver (ounces)	24,142	31,540	38,086
Payable metal quantities sold:			
Gold (ounces)	117,671	137,444	165,208
Silver (ounces)	25,659	25,320	40,131
Ore grades:			
Gold ounces per ton	0.117	0.120	0.136
Silver ounces per ton	0.02	0.03	0.03
Total production cost per ton	\$ 105.71	\$ 101.13	\$ 93.26
Cash Cost, After By-product Credits, per Gold Ounce ⁽¹⁾	\$ 1,131	\$ 1,051	\$ 800
AISC, After By-product Credits, per Gold Ounce ⁽¹⁾	\$ 1,436	\$ 1,354	\$ 1,080
Capital additions	\$ 40,853	\$ 36,059	\$ 40,710

(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

Gross profit increased in 2020 compared to 2019 due to higher average realized gold prices, partially offset by lower gold production and higher milling and administrative costs. Gross profit decreased in 2020 compared to 2018 primarily due to lower gold production, partially offset by higher gold prices. The decrease in gold volume in 2020 was primarily due to lower mill throughput, with lower ore grades also a factor when compared to 2018. The lower throughput was due to major mill maintenance activities that resulted in a longer period of mill down-time than anticipated and the impact of COVID-19 measures noted below. The higher milling costs resulted primarily from the maintenance activities and an increase in pre-crushing of open pit ore to aid in recovery, with the increase in administration costs resulting from COVID-19 mitigation. Gross profit (loss) for 2020 and 2019 was also impacted by stripping costs incurred on the EMCP pit extension, which was substantially complete in the fourth quarter of 2020. Gold production in 2020 was negatively impacted by approximately 11,700 ounces due to a government COVID-19-related order. In late March, the Government of Quebec ordered the mining industry to reduce to minimum operations as part of the fight against COVID-19, causing us to suspend our Casa Berardi operations from March 24 until April 15, 2020, when mining operations resumed. Production may continue to be adversely impacted by the COVID-19 mitigation practices in place until they are no longer required. Suspension-related costs totaling \$1.6 million for the first half of 2020 are reported in a separate line item on our consolidated statements of operations and excluded from the calculations of cost of sales and other direct production costs and depreciation, depletion and amortization, total production cost per ton, and Cash Cost and AISC, After By-product Credits, per Gold Ounce.

The increases in total production cost per ton in 2020 and 2019 compared to 2018 were primarily due to inclusion of stripping costs for the EMCP pit extension in 2020 and 2019, with 2020 also impacted by lower mill throughput.

The chart below illustrates the factors contributing to Cash Cost, After By-product Credits, Per Gold Ounce for 2020, 2019 and 2018:



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

	Years Ended December 31,		
	2020	2019	2018
Cash Cost, Before By-product Credits, per Gold Ounce	\$ 1,135	\$ 1,055	\$ 804
By-product credits per gold ounce	(4)	(4)	(4)
Cash Cost, After By-product Credits, per Gold Ounce	<u>\$ 1,131</u>	<u>\$ 1,051</u>	<u>\$ 800</u>

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

	Years Ended December 31,		
	2020	2019	2018
AISC, Before By-product Credits, per Gold Ounce	\$ 1,440	\$ 1,358	\$ 1,084
By-product credits per gold ounce	(4)	(4)	(4)
AISC, After By-product Credits, per Gold Ounce	<u>\$ 1,436</u>	<u>\$ 1,354</u>	<u>\$ 1,080</u>

The increase in both Cash Cost and AISC, After By-product Credits, per Gold Ounce for 2020 compared to 2019 and 2018 was due to lower gold production, partially offset, in the case of AISC, by lower sustaining capital and 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

Years Ended December 31,

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

	2020	2019	2018
Sales	\$ 32,906	\$ 56,210	\$ 50,224
Cost of sales and other direct production costs	(20,556)	(40,737)	(37,213)
Depreciation, depletion and amortization	(3,548)	(9,772)	(4,602)
Cost of sales and other direct production costs and depreciation, depletion and amortization	(24,104)	(50,509)	(41,815)
Gross profit	\$ 8,802	\$ 5,701	\$ 8,409
Tons of ore milled	131,859	174,713	156,733
Production:			
Silver (ounces)	954,772	1,868,884	2,037,072
Gold (ounces)	7,223	15,673	14,979
Payable metal quantities sold:			
Silver (ounces)	982,807	2,006,076	1,985,230
Gold (ounces)	7,392	16,757	15,099
Ore grades:			
Silver ounces per ton	7.94	11.78	14.07
Gold ounces per ton	0.067	0.106	0.110
Total production cost per ton	\$ 120.32	\$ 192.42	\$ 232.10
Cash Cost, After By-product Credits, per Silver Ounce ⁽¹⁾	\$ 4.92	\$ 8.02	\$ 9.69
AISC, After By-product Credits, per Silver Ounce ⁽¹⁾	\$ 5.68	\$ 12.10	\$ 14.68
Capital additions	\$ 537	\$ 5,035	\$ 6,219

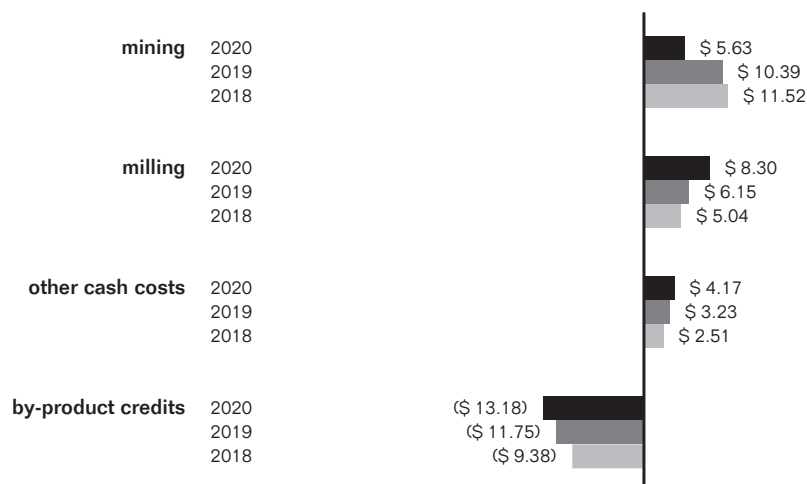
(1) A reconciliation of these non-GAAP measures to cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, can be found below in *Reconciliation of Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (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)*. At San Sebastian, gold is considered to be a by-product of our silver production, and the value of gold therefore offsets operating costs within our calculations of Cash Cost and AISC, After By-product Credits, per Silver Ounce.

Mining at San Sebastian was completed in the third quarter, and milling was completed in the fourth quarter of 2020, with exploration and evaluation activities ongoing. The increases in gross profit in 2020 compared to 2019 and 2018 were due to higher silver and gold prices and lower production costs, partially offset by lower silver and gold production due to lower ore throughput and grades.

The reduction in total production cost per ton in 2020 was due to lower contractor costs, partially offset by lower tonnage.

The chart below illustrates the factors contributing to Cash Cost, After By-product Credits, Per Silver Ounce for the years ended December 31, 2020, 2019 and 2018:

For the Year Ended December 31,



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

Years Ended December 31,

	2020	2019	2018
Cash Cost, Before By-product Credits, per Silver Ounce	\$ 18.10	\$ 19.77	\$ 19.07
By-product credits per silver ounce	(13.18)	(11.75)	(9.38)
Cash Cost, After By-product Credits, per Silver Ounce	\$ 4.92	\$ 8.02	\$ 9.69

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

	Years Ended December 31,		
	2020	2019	2018
AISC, Before By-product Credits, per Silver Ounce	\$ 18.86	\$ 23.85	\$ 24.06
By-product credits per silver ounce	(13.18)	(11.75)	(9.38)
AISC, After By-product Credits, per Silver Ounce	\$ 5.68	\$ 12.10	\$ 14.68

The decrease in Cash Cost and AISC, After By-product Credits, per Silver Ounce in 2020 compared to 2019 and 2018 was primarily due to lower mining costs and higher by-product credits on a per-ounce basis due to higher gold prices, partially offset by lower silver production. The decrease in AISC, After By-product Credits, per Silver Ounce, was also attributable to lower capital and 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 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 do not receive sufficient revenue from gold at San Sebastian 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 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.

In early April 2020, the Government of Mexico issued an order to the mining industry to reduce operations to a minimum level until April 30 in response to COVID-19, and the order was subsequently extended until May 30, 2020. Our operations at San Sebastian were suspended during that time. Suspension-related costs totaling \$1.8 million for 2020 are reported in a separate line item on our consolidated statements of operations and excluded from the calculations of cost of sales and other direct production costs and depreciation, depletion and amortization, total production cost per ton, and Cash Cost and AISC, After By-product Credits, per Gold Ounce.

The Nevada Operations Segment

On July 20, 2018, we completed the acquisition of all of the issued and outstanding common shares of Klondex for total consideration of \$413.9 million. See *Note 16 of Notes to Consolidated Financial Statements* for more information. The acquisition gives us 100% ownership of the Fire Creek, Midas and Hollister mines, where gold is the primary metal produced, the Midas and Aurora mills, and interests in various gold exploration properties, all located in Nevada. The tabular information below reflects our ownership of the Nevada Operations commencing on July 20, 2018.

	Years Ended December 31,		
	2020	2019	2018
Dollars are in thousands (except per ounce and per ton amounts)			
Sales	\$ 58,898	\$ 107,769	\$ 31,174
Cost of sales and other direct production costs	(21,956)	(86,312)	(36,388)
Depreciation, depletion and amortization	(22,845)	(67,024)	(10,617)
Cost of sales and other direct production costs and depreciation, depletion and amortization	(44,801)	(153,336)	(47,005)
Gross profit (loss)	\$ 14,097	\$ (45,567)	\$ (15,831)
Tons of ore milled	27,984	210,397	116,383
Production:			
Gold (ounces)	31,756	66,166	32,887
Silver (ounces)	37,443	181,741	172,301
Payable metal quantities sold:			
Gold (ounces)	35,224	72,924	24,086
Silver (ounces)	45,164	213,526	124,600
Ore grades:			
Gold ounces per ton	1.232	0.361	0.328
Silver ounces per ton	1.70	1.64	2.06
Total production cost per ton	\$ 892.09	\$ 332.06	\$ 369.61
Cash Cost, After By-product Credits, per Gold Ounce ⁽¹⁾	\$ 716	\$ 1,096	\$ 1,221
AISC, After By-product Credits, per Gold Ounce ⁽¹⁾	\$ 787	\$ 1,527	\$ 1,950
Capital additions	\$ 4,003	\$ 42,184	\$ 32,587

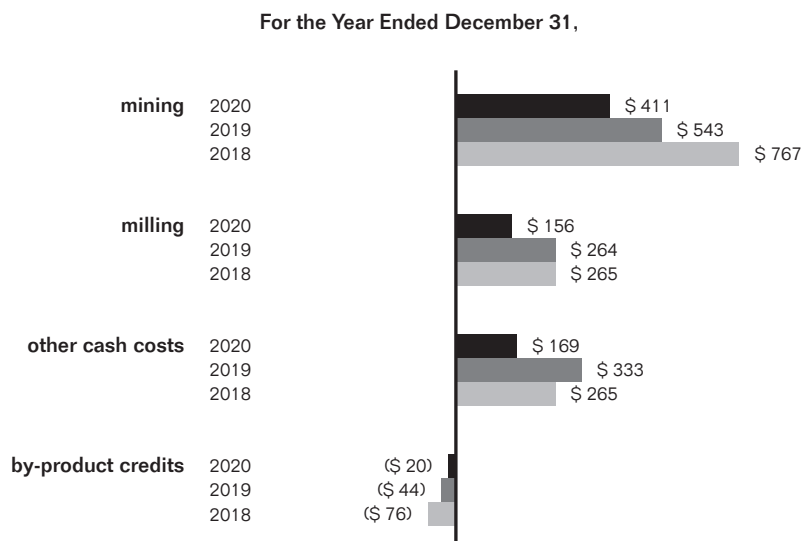
(1) A reconciliation of these non-GAAP measures to cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, can be found below in *Reconciliation of Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (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)*. At Nevada Operations, silver is considered to be a by-product of our gold production, and the value of silver therefore offsets operating costs within our calculations of Cash Cost and AISC, After By-product Credits, per Gold Ounce.

The higher gross profit in 2020 compared to 2019 and 2018 is primarily the result of higher gold prices and reduced production costs. In addition, cost of sales and other direct production costs for 2020 included write-downs totaling approximately \$1.5 million of the values of stockpile, in-process and finished goods inventory to their net realizable value, compared to write-downs of \$37.1 million in 2019 and \$8.2 million for the period from July 20 to December 31, 2018. The write-downs in 2019 and 2018 were primarily attributed to development costs incurred at the Fire Creek mine, which ceased in the second quarter of 2019 when the decision was made to limit near-term production to areas of the mine where development was already completed.

During the second half of 2020, all ore mined at Nevada Operations was stockpiled, with no ore milled and no production reported during the period. Mining of non-refractory ore at Fire Creek in areas where development has already been performed was completed in the fourth quarter of 2020. As discussed below, we have mined and stockpiled a bulk sample of refractory ore for processing at a third-party facility, and transporting of the stockpiled ore to the third-party facility started in the fourth quarter of 2020. The results from the bulk sample test are expected in the first quarter of 2021.

The increase in total production cost per ton in 2020 is primarily due to lower tonnage.

The chart below illustrates the factors contributing to Cash Cost, After By-product Credits, Per Gold Ounce for 2020, 2019 and 2018:



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

	Years Ended December 31,		
	2020	2019	2018
Cash Cost, Before By-product Credits, per Gold Ounce	\$ 736	\$ 1,140	\$ 1,297
By-product credits per gold ounce	(20)	(44)	(76)
Cash Cost, After By-product Credits, per Gold Ounce	<u>\$ 716</u>	<u>\$ 1,096</u>	<u>\$ 1,221</u>

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

	Years Ended December 31,		
	2020	2019	2018
AISC, Before By-product Credits, per Gold Ounce	\$ 807	\$ 1,571	\$ 2,026
By-product credits per gold ounce	(20)	(44)	(76)
AISC, After By-product Credits, per Gold Ounce	<u>\$ 787</u>	<u>\$ 1,527</u>	<u>\$ 1,950</u>

The decrease in Cash Cost and AISC, After By-product Credits, per Gold Ounce in 2020 compared to 2019 and 2018 was a result of higher ore grades, with the decrease in AISC After By-product Credits, per Gold Ounce also attributed to lower exploration and capital spending.

We believe the identification of silver as a by-product credit is appropriate at the Nevada Operations 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 the Nevada Operations to warrant classification of such as a co-product. Because we consider silver to be a by-product of our gold production at the Nevada Operations, 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.

Activities since our acquisition of the Nevada Operations have included underground development and rehabilitation at the Fire Creek mine, construction of a new tailings dam, installation of a carbon-in-leach circuit in order to improve recoveries at the Midas mill, where ore from each of the mines has been processed, and start of development of a new drift to the Hatter Graben area at Hollister.

A review of our Nevada operations, including the relevant carrying value of our long-term assets there, was conducted during the second quarter of 2019 to address poor operational performance since acquisition. The review led to a plan to limit near-term mining at Fire Creek and temporarily suspend production and development of the Hatter Graben project adjacent to Hollister and resulted in lower subsequent production and capitalized development costs. Production at the Midas mine and Aurora mill was also suspended in late 2019. Suspension-related costs totaling \$13.5 million in 2020, including non-cash depreciation expense of \$5.6 million, are reported in a separate line item on our consolidated statements of operations and excluded from the calculations of cost of sales and other direct production costs and depreciation, depletion and amortization, total production cost per ton, and Cash Cost and AISC, After By-product Credits, per Gold Ounce.

There were no subsequent events or changes in circumstances during the latter half of 2019 or 2020 that indicated the carrying value of our long-term assets in Nevada was not recoverable as of December 31, 2020. We have entered into a third-party ore processing arrangement for a bulk sample of refractory ore. Mining of the bulk sample material commenced in the second quarter of 2020, with costs for mining the material totaling \$7.7 million, along with \$11.5 million for costs related to mining non-refractory ore, included in stockpiled ore inventory as of December 31, 2020. The bulk test demonstrated that larger scale, more productive mining methods could be applied successfully to this material. The bulk test refractory ore is being processed by a third party through a tolling agreement. While the processing is not yet complete, the recovery information to date is following the grade-recovery curve established through bench testing. Metal prices increased significantly since the tolling agreement was signed, and it is no longer attractive for the third party to displace their own feed to toll. Discussions are underway with another processor. The carrying value of our properties, plants, equipment and mineral interests in Nevada as of December 31, 2020 was \$474.3 million, of which \$382.2 million related to value beyond proven and probable reserves.

Corporate Matters

Employee Benefit Plans

Our defined benefit pension plans provide a significant benefit to our employees, but represent a significant liability to us. During 2020, the underfunded status of our plans changed from a liability of \$56.8 million at the first of the year to a liability of \$44.9 million at the end of the year. The decreased liability was attributable to contributions to the plans and returns on plan assets that, combined, exceeded service costs and interest costs, collectively. During 2020, we contributed a total of approximately \$16.0 million in

shares of our common stock, and contributed \$6.0 million in cash, to the plans. We do not expect to be required to contribute to our defined benefit plans in 2021, but we may choose to do so. In January 2021, we contributed \$16.8 million in shares of our common stock to the supplemental executive retirement plan, and expect to contribute another \$0.8 million in cash in 2021. See *Note 9 of Notes to Consolidated Financial Statements* for more information. While the economic variables which will determine future cash requirements are uncertain, we expect contributions to increase in future years under current plan provisions, and we periodically examine the plans for affordability and competitiveness.

Income Taxes

Each reporting period we assess our deferred tax balance based on a review of long-range forecasts and quarterly activity. In 2018, through the acquisition of Klondex Mines Ltd., we acquired the Nevada U.S. Group that did not join the Hecla U.S. tax group. We recognized a full valuation allowance on our separate Hecla U.S. net deferred tax assets at the end of 2017 based on results of tax law changes and maintain a full valuation allowance on Hecla U.S. net deferred tax assets at December 31, 2020.

Our net U.S. deferred tax liability for the Nevada U.S. Group at December 31, 2020 was \$33.9 million compared to the \$38.3 million net deferred tax liability at December 31, 2019. The \$4.4 million decrease is for current period activity in Nevada. 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 U.S. tax reporting.

Our net Canadian deferred tax liability at December 31, 2020 was \$98.6 million, a decrease of \$1.3 million from the \$99.9 million net deferred tax liability at December 31, 2019. The decrease was due to current period activity and the impact of weakening of the CAD relative to the USD on remeasurement of the deferred tax liability balance. 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 December 31, 2020 was \$2.9 million, a decrease of \$0.6 million from the net deferred tax asset of \$3.5 million at December 31, 2019. A \$2.1 million valuation allowance remains on deferred tax assets in Mexico.

As a result of the Tax Cuts and Jobs Act ("TCJ Act") enacted in December 2017, our remaining Alternative Minimum Tax ("AMT") credit carryforward of \$11.4 million became partially refundable through 2020 and fully refundable in 2021. State and Federal AMT refunds of \$0.8 million and \$10.0 million were received in 2019 and 2020, respectively, leaving a net AMT state credit receivable of \$0.6 million as of December 31, 2020. In March 2020, the U.S. government passed the Coronavirus Aid, Relief and Economic Security Act, which allowed companies to claim immediate refunds of AMT credits. As a result, the remaining \$0.6 million AMT state credit is classified as a current receivable as of December 31, 2020.

As discussed in *Note 6 of Notes to Consolidated Financial Statements*, our effective tax rate for 2020 was (1)% compared to 19% for 2019. We are subject to income taxes in the United States and other foreign jurisdictions. The overall effective tax rate will continue to be dependent upon the geographic distribution of our earnings in different jurisdictions, the U.S. deduction for percentage depletion, and fluctuation in foreign currency exchange rates. As a result, the 2021 effective tax rate could vary significantly from that of 2020. The other relevant provisions of the TCJ Act that became effective in 2018 consist of global intangible low-taxed income (GILTI) tax and base erosion and anti-abuse tax (BEAT); however, these provisions have not materially impacted us.

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 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 (i) Cash Cost, Before By-product Credits, (ii) Cash Cost, After By-product Credits, (iii) AISC, Before By-product Credits and (iv) AISC, After By-product Credits for our operations at the Greens Creek, Lucky Friday, San Sebastian, Casa Berardi and Nevada Operations units and for the Company for the years ended December 31, 2020, 2019 and 2018.

Cash Cost, After By-product Credits, per Ounce and AISC, After By-product Credits, per Ounce are measures developed by precious metals companies (including the Silver Institute and the World Gold Council) 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.

Cash Cost, After By-product Credits, per Ounce is an important operating statistic that we utilize to measure each mine's operating performance. We use AISC, After By-product Credits, per Ounce 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 silver and gold 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 silver mining companies, and aggregating Casa Berardi and Nevada Operations for comparison with other gold mining companies. 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.

In addition to the uses described above, 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 and net cash flow, respectively, 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.

The Casa Berardi, Nevada Operations and combined gold properties information below reports Cash Cost, After By-product Credits, per Ounce and AISC, After By-product Credits, per Ounce for the production of gold, their primary product, and by-product revenues earned from silver, which is a by-product at Casa Berardi and the Nevada Operations. 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 and Nevada Operations units 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. Similarly, the silver produced at our other three units is not included as a by-product credit when calculating the gold metrics for Casa Berardi and the Nevada Operations. As depicted in the tables below, by-product credits from the silver production at our primary gold properties comprise an element of our gold unit cost structure.

Year Ended December 31, 2020

In thousands (except per ounce amounts)	Greens Creek	Lucky Friday ⁽³⁾	San Sebastian ⁽⁴⁾	Corporate ⁽⁵⁾	Total Silver
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 217,125	\$ 56,706	\$ 24,104		\$ 297,935
Depreciation, depletion and amortization	(49,692)	(11,473)	(3,548)		(64,713)
Treatment costs	77,122	4,590	287		81,999
Change in product inventory	(3,144)	2,340	(2,357)		(3,161)
Reclamation and other costs ⁽¹⁾	(1,608)	(274)	(1,198)		(3,080)
Lucky Friday cash costs excluded	—	(31,442)	—		(31,442)
Cash Cost, Before By-product Credits ⁽²⁾	239,803	20,447	17,288		277,538
Reclamation and other costs	3,154	222	418		3,794
Exploration	354	—	—	1,788	2,142
Sustaining capital	28,797	7,154	299	38	36,288
General and administrative	—	—	—	33,759	33,759
AISC, Before By-product Credits ⁽²⁾	272,108	27,823	18,005	35,585	353,521
By-product credits:					
Zinc	(79,413)	(4,273)			(83,686)
Gold	(74,615)	—	(12,586)		(87,201)
Lead	(28,193)	(8,421)			(36,614)
Total By-product credits	(182,221)	(12,694)	(12,586)		(207,501)
Cash Cost, After By-product Credits	\$ 57,582	\$ 7,753	\$ 4,702		\$ 70,037
AISC, After By-product Credits	\$ 89,887	\$ 15,129	\$ 5,419	\$ 35,585	\$ 146,020
Divided by silver ounces produced	10,495	830	955		12,280
Cash Cost, Before By-product Credits, per Silver Ounce	\$ 22.85	\$ 24.63	\$ 18.10		\$ 22.60
By-product credits per ounce	(17.36)	(15.29)	(13.18)		(16.90)
Cash Cost, After By-product Credits, per Silver Ounce	\$ 5.49	\$ 9.34	\$ 4.92		\$ 5.70
AISC, Before By-product Credits, per Silver Ounce	\$ 25.93	\$ 33.51	\$ 18.86		\$ 28.79
By-product credits per ounce	(17.36)	(15.29)	(13.18)		(16.90)
AISC, After By-product Credits, per Silver Ounce	\$ 8.57	\$ 18.22	\$ 5.68		\$ 11.89

Year Ended December 31, 2020

In thousands (except per ounce amounts)	Nevada		
	Casa Berardi ⁽⁶⁾	Operations ⁽⁷⁾	Total Gold
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 203,434	\$ 44,801	\$ 248,235
Depreciation, depletion and amortization	(69,572)	(22,845)	(92,417)
Treatment costs	2,591	45	2,636
Change in product inventory	2,226	15,869	18,095
Reclamation and other costs ⁽¹⁾	(773)	(978)	(1,751)
Exclusion of Nevada Operations costs	—	(13,511)	(13,511)
Cash Cost, Before By-product Credits ⁽²⁾	137,906	23,381	161,287
Reclamation and other costs	386	654	1,040
Exploration	2,231	—	2,231
Sustaining capital	34,431	1,600	36,031
AISC, Before By-product Credits ⁽²⁾	174,954	25,635	200,589
By-product credits:			
Silver	(499)	(635)	(1,134)
Total By-product credits	(499)	(635)	(1,134)
Cash Cost, After By-product Credits	\$ 137,407	\$ 22,746	\$ 160,153
AISC, After By-product Credits	\$ 174,455	\$ 25,000	\$ 199,455
Divided by gold ounces produced	121	32	153
Cash Cost, Before By-product Credits, per Gold Ounce	\$ 1,135	\$ 736	\$ 1,052
By-product credits per ounce	(4)	(20)	(7)
Cash Cost, After By-product Credits, per Gold Ounce	\$ 1,131	\$ 716	\$ 1,045
AISC, Before By-product Credits, per Gold Ounce	\$ 1,440	\$ 807	\$ 1,309
By-product credits per ounce	(4)	(20)	(7)
AISC, After By-product Credits, per Gold Ounce	\$ 1,436	\$ 787	\$ 1,302

In thousands (except per ounce amounts)	Year Ended December 31, 2020		
	Total Silver	Total Gold	Total
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 297,935	\$ 248,235	\$ 546,170
Depreciation, depletion and amortization	(64,713)	(92,417)	(157,130)
Treatment costs	81,999	2,636	84,635
Change in product inventory	(3,161)	18,095	14,934
Reclamation and other costs ⁽¹⁾	(3,080)	(1,751)	(4,831)
Cash costs excluded	(31,442)	(13,511)	(44,953)
Cash Cost, Before By-product Credits ⁽²⁾	277,538	161,287	438,825
Reclamation and other costs	3,794	1,040	4,834
Exploration	2,142	2,231	4,373
Sustaining capital	36,288	36,031	72,319
General and administrative	33,759	—	33,759
AISC, Before By-product Credits ⁽²⁾	353,521	200,589	554,110
By-product credits:			
Zinc	(83,686)	—	(83,686)
Gold	(87,201)	—	(87,201)
Lead	(36,614)	—	(36,614)
Silver	—	(1,134)	(1,134)
Total By-product credits	(207,501)	(1,134)	(208,635)
Cash Cost, After By-product Credits	\$ 70,037	\$ 160,153	\$ 230,190
AISC, After By-product Credits	\$ 146,020	\$ 199,455	\$ 345,475
Divided by ounces produced	12,280	153	
Cash Cost, Before By-product Credits, per Ounce	\$ 22.60	\$ 1,052	
By-product credits per ounce	(16.90)	(7)	
Cash Cost, After By-product Credits, per Ounce	\$ 5.70	\$ 1,045	
AISC, Before By-product Credits, per Ounce	\$ 28.79	\$ 1,309	
By-product credits per ounce	(16.90)	(7)	
AISC, After By-product Credits, per Ounce	\$ 11.89	\$ 1,302	

In thousands (except per ounce amounts)	Year Ended December 31, 2019				
	Greens Creek	Lucky Friday ⁽³⁾	San Sebastian	Corporate ⁽³⁾	Total Silver
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 211,719	\$ 16,621	\$ 50,509		\$ 278,849
Depreciation, depletion and amortization	(47,587)	(1,175)	(9,772)		(58,534)
Treatment costs	8,487	2,884	760		52,131
Change in product inventory	(1,155)	1,016	(2,953)		(3,092)
Reclamation and other costs	(2,523)	—	(1,588)		(4,111)
Lucky Friday cash costs excluded	—	(19,346)	—		(19,346)
Cash Cost, Before By-product Credits ⁽²⁾	208,941	—	36,956		245,897
Reclamation and other costs	2,949	—	492		3,441
Exploration	982	—	4,667	1,332	6,981
Sustaining capital	35,829	—	2,461	108	38,398
General and administrative	—	—	—	35,832	35,832
AISC, Before By-product Credits ⁽²⁾	248,701	—	44,576	37,272	330,549
By-product credits:					
Zinc	(91,435)	—	—		(91,435)
Gold	(69,391)	—	(21,960)		(91,351)
Lead	(28,589)	—	—		(28,589)
Total By-product credits	(189,415)	—	(21,960)		(211,375)
Cash Cost, After By-product Credits	\$ 19,526	\$ —	\$ 14,996		\$ 34,522
AISC, After By-product Credits	\$ 59,286	\$ —	\$ 22,616	\$ 37,272	\$ 119,174
Divided by silver ounces produced	9,890	—	1,869		11,759
Cash Cost, Before By-product Credits, per Silver Ounce	\$ 21.12	\$ —	\$ 19.77		\$ 20.91
By-product credits per ounce	(19.15)	—	(11.75)		(17.98)
Cash Cost, After By-product Credits, per Silver Ounce	\$ 1.97	\$ —	\$ 8.02		\$ 2.93
AISC, Before By-product Credits, per Silver Ounce	\$ 25.14	\$ —	\$ 23.85		\$ 28.11
By-product credits per ounce	(19.15)	—	(11.75)		(17.98)
AISC, After By-product Credits, per Silver Ounce	\$ 5.99	\$ —	\$ 12.10		\$ 10.13

Year Ended December 31, 2019

In thousands (except per ounce amounts)

	Nevada		
	Casa Berardi	Operations	Total Gold
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 217,682	\$ 153,336	\$ 371,018
Depreciation, depletion and amortization	(73,960)	(67,024)	(140,984)
Treatment costs	1,876	158	2,034
Change in product inventory	(3,371)	(9,008)	(12,379)
Reclamation and other costs	(515)	(2,019)	(2,534)
Cash Cost, Before By-product Credits ⁽²⁾	141,712	75,443	217,155
Reclamation and other costs	515	1,512	2,027
Exploration	3,450	2,333	5,783
Sustaining capital	36,825	24,652	61,477
AISC, Before By-product Credits ⁽²⁾	182,502	103,940	286,442
By-product credits:			
Silver	(508)	(2,922)	(3,430)
Total By-product credits	(508)	(2,922)	(3,430)
Cash Cost, After By-product Credits	\$ 141,204	\$ 72,521	\$ 213,725
AISC, After By-product Credits	\$ 181,994	\$ 101,018	\$ 283,012
Divided by gold ounces produced	134	66	200
Cash Cost, Before By-product Credits, per Gold Ounce	\$ 1,055	\$ 1,140	\$ 1,083
By-product credits per ounce	(4)	(44)	(17)
Cash Cost, After By-product Credits, per Gold Ounce	\$ 1,051	\$ 1,096	\$ 1,066
AISC, Before By-product Credits, per Gold Ounce	\$ 1,358	\$ 1,571	\$ 1,428
By-product credits per ounce	(4)	(44)	(17)
AISC, After By-product Credits, per Gold Ounce	\$ 1,354	\$ 1,527	\$ 1,411

Year Ended December 31, 2019

In thousands (except per ounce amounts)

	Total Silver		
	Total Silver	Total Gold	Total
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 278,849	\$ 371,018	\$ 649,867
Depreciation, depletion and amortization	(58,534)	(140,984)	(199,518)
Treatment costs	52,131	2,034	54,165
Change in product inventory	(3,092)	(12,379)	(15,471)
Reclamation and other costs	(4,111)	(2,534)	(6,645)
Lucky Friday cash costs excluded	(19,346)	—	(19,346)
Cash Cost, Before By-product Credits ⁽²⁾	245,897	217,155	463,052
Reclamation and other costs	3,441	2,027	5,468
Exploration	6,981	5,783	12,764
Sustaining capital	38,398	61,477	99,875
General and administrative	35,832	—	35,832
AISC, Before By-product Credits ⁽²⁾	330,549	286,442	616,991
By-product credits:			
Zinc	(91,435)	—	(91,435)
Gold	(91,351)	—	(91,351)
Lead	(28,589)	—	(28,589)
Silver	—	(3,430)	(3,430)
Total By-product credits	(211,375)	(3,430)	(214,805)
Cash Cost, After By-product Credits	\$ 34,522	\$ 213,725	\$ 248,247
AISC, After By-product Credits	\$ 119,174	\$ 283,012	\$ 402,186
Divided by ounces produced	11,759	200	
Cash Cost, Before By-product Credits, per Ounce	\$ 20.91	\$ 1,083	
By-product credits per ounce	(17.98)	(17)	
Cash Cost, After By-product Credits, per Ounce	\$ 2.93	\$ 1,066	
AISC, Before By-product Credits, per Ounce	\$ 28.11	\$ 1,428	
By-product credits per ounce	(17.98)	(17)	
AISC, After By-product Credits, per Ounce	\$ 10.13	\$ 1,411	

Year Ended December 31, 2018

In thousands (except per ounce amounts)	Greens Creek	Lucky Friday (a)	San Sebastian	Corporate (a)	Total Silver
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 190,066	\$ 9,750	\$ 41,815		\$ 241,631
Depreciation, depletion and amortization	(46,511)	(1,012)	(4,602)		(52,125)
Treatment costs	38,174	839	807		39,820
Change in product inventory	3,087	(2,330)	2,385		3,142
Reclamation and other costs	(2,911)	—	(1,559)		(4,470)
Lucky Friday cash costs excluded	—	(7,247)	—		(7,247)
Cash Cost, Before By-product Credits (2)	181,905	—	38,846		220,751
Reclamation and other costs	3,397	—	419		3,816
Exploration	3,151	—	7,792	1,959	12,902
Sustaining capital	46,864	—	1,947	1,495	50,306
General and administrative	—	—	—	36,542	36,542
AISC, Before By-product Credits (2)	235,317	—	49,004	39,996	324,317
By-product credits:					
Zinc	(103,096)	—	—		(103,096)
Gold	(57,316)	—	(19,100)		(76,416)
Lead	(30,512)	—	—		(30,512)
Silver	—	—	—		—
Total By-product credits	(190,924)	—	(19,100)		(210,024)
Cash Cost, After By-product Credits	\$ (9,019)	\$ —	\$ 19,746		\$ 10,727
AISC, After By-product Credits	\$ 44,393	\$ —	\$ 29,904	\$ 39,996	\$ 114,293
Divided by silver ounces produced	7,953	—	2,037		9,990
Cash Cost, Before By-product Credits, per Silver Ounce	\$ 22.88	\$ —	\$ 19.07		\$ 22.10
By-product credits per ounce	(24.01)	—	(9.38)		(21.02)
Cash Cost, After By-product Credits, per Silver Ounce	\$ (1.13)	\$ —	\$ 9.69		\$ 1.08
AISC, Before By-product Credits, per Silver Ounce	\$ 29.59	\$ —	\$ 24.06		\$ 32.46
By-product credits per ounce	(24.01)	—	(9.38)		(21.02)
AISC, After By-product Credits, per Silver Ounce	\$ 5.58	\$ —	\$ 14.68		\$ 11.44

Year Ended December 31, 2018

In thousands (except per ounce amounts)	Nevada		
	Casa Berardi	Operations (a)	Total Gold
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 199,402	\$ 47,005	\$ 246,407
Depreciation, depletion and amortization	(71,302)	(10,617)	(81,919)
Treatment costs	2,068	90	2,158
Change in product inventory	1,205	7,138	8,343
Reclamation and other costs	(558)	(954)	(1,512)
Cash Cost, Before By-product Credits (2)	130,815	42,662	173,477
Reclamation and other costs	558	567	1,125
Exploration	4,277	6,345	10,622
Sustaining capital	40,711	17,079	57,790
AISC, Before By-product Credits (2)	176,361	66,653	243,014
By-product credits:			
Silver	(597)	(2,512)	(3,109)
Total By-product credits	(597)	(2,512)	(3,109)
Cash Cost, After By-product Credits	\$ 130,218	\$ 40,150	\$ 170,368
AISC, After By-product Credits	\$ 175,764	\$ 64,141	\$ 239,905
Divided by gold ounces produced	163	33	196
Cash Cost, Before By-product Credits, per Gold Ounce	\$ 804	\$ 1,297	\$ 887
By-product credits per ounce	(4)	(76)	(16)
Cash Cost, After By-product Credits, per Gold Ounce	\$ 800	\$ 1,221	\$ 871
AISC, Before By-product Credits, per Gold Ounce	\$ 1,084	\$ 2,026	\$ 1,242
By-product credits per ounce	(4)	(76)	(16)
AISC, After By-product Credits, per Gold Ounce	\$ 1,080	\$ 1,950	\$ 1,226

Year Ended December 31, 2018

In thousands (except per ounce amounts)	Year Ended December 31, 2018		
	Total Silver	Total Gold	Total
Cost of sales and other direct production costs and depreciation, depletion and amortization	\$ 241,631	\$ 246,407	\$ 488,038
Depreciation, depletion and amortization	(52,125)	(81,919)	(134,044)
Treatment costs	39,820	2,158	41,978
Change in product inventory	3,142	8,343	11,485
Reclamation and other costs	(4,470)	(1,512)	(5,982)
Lucky Friday cash costs excluded	(7,247)	—	(7,247)
Cash Cost, Before By-product Credits ⁽²⁾	220,751	173,477	394,228
Reclamation and other costs	3,816	1,125	4,941
Exploration	12,902	10,622	23,524
Sustaining capital	50,306	57,790	108,096
General and administrative	36,542	—	36,542
AISC, Before By-product Credits ⁽²⁾	324,317	243,014	567,331
By-product credits:			
Zinc	(103,096)	—	(103,096)
Gold	(76,416)	—	(76,416)
Lead	(30,512)	—	(30,512)
Silver	—	(3,109)	(3,109)
Total By-product credits	(210,024)	(3,109)	(213,133)
Cash Cost, After By-product Credits	\$ 10,727	\$ 170,368	\$ 181,095
AISC, After By-product Credits	\$ 114,293	\$ 239,905	\$ 354,198
Divided by ounces produced	9,990	196	
Cash Cost, Before By-product Credits, per Ounce	\$ 22.10	\$ 887	
By-product credits per ounce	(21.02)	(16)	
Cash Cost, After By-product Credits, per Ounce	\$ 1.08	\$ 871	
AISC, Before By-product Credits, per Ounce	\$ 32.46	\$ 1,242	
By-product credits per ounce	(21.02)	(16)	
AISC, After By-product Credits, per Ounce	\$ 11.44	\$ 1,226	

(1) Excludes the discretionary portion of general and administrative costs for Greens Creek, Casa Berardi, Lucky Friday and corporate of \$0.6 million, \$0.4 million, \$0.1 million and \$1.8 million, respectively, for 2020.

(2) Includes all direct and indirect operating costs related to the physical activities of producing metals, including mining, processing and other plant costs, third-party refining and marketing expense, non-discretionary on-site general and administrative costs, royalties and mining production taxes, before 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.

(3) The unionized employees at Lucky Friday were on strike from March 2017 until January 2020, and production at Lucky Friday had been limited from the start of the strike until the ramp-up was substantially completed in the fourth quarter of 2020. Costs related to ramp-up activities totaling approximately \$8.0 million in 2020, and suspension-related costs totaling approximately \$12.1 million and \$19.6 million during the strike in 2019 and 2018, respectively, which include \$6.3 million, \$4.3 million and \$5.0 million, respectively, in non-cash depreciation expense for those periods, have been excluded from the calculations of cost of sales and other direct production costs and depreciation, depletion and amortization, Cash Cost, Before By-product Credits, Cash Cost, After By-product Credits, AISC, Before By-product Credits, and AISC, After By-product Credits.

(4) In early April 2020, the Government of Mexico issued an order to the mining industry to reduce operations to a minimum level until April 30 in response to COVID-19, and the order was subsequently extended until May 30. Our operations at San Sebastian were suspended during that time. Suspension-related costs totaling \$1.8 million for 2020 are reported in a separate line item on our consolidated statements of operations and excluded from the calculations of cost of sales and other direct production costs and depreciation, depletion and amortization, mining and milling cost per ton, and Cash Cost and AISC, After By-product Credits, per Gold Ounce.

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

(6) In late March 2020, the Government of Quebec ordered the mining industry to reduce to minimum operations as part of the fight against COVID-19, causing us to suspend our Casa Berardi operations from March 24 until April 15, when mining operations resumed, resulting in reduced mill throughput. Suspension-related costs totaling \$1.6 million for 2020 are reported in a separate line item on our consolidated statements of operations and excluded from the calculations of cost of sales and other direct production costs and depreciation, depletion and amortization and Cash Cost and AISC, After By-product Credits, per Gold Ounce.

(7) Production was suspended at the Hollister mine in the third quarter of 2019 and at the Midas mine and Aurora mill in late 2019. Suspension-related costs at Hollister, Midas and Aurora totaling \$13.5 million for 2020 are reported in a separate line item on our consolidated statements of operations and excluded from the calculations of cost of sales and other direct production costs and depreciation, depletion and amortization and Cash Cost and AISC, After By-product Credits, per Gold Ounce. During the second half of 2020, all ore mined at Nevada Operations was stockpiled, with no ore milled and no production reported during the period. As a result, costs incurred at Nevada Operations during the second half of 2020 were excluded from the calculations of Cash Cost and AISC, After By-product Credits, per Gold Ounce.

(8) The Nevada Operations were acquired on July 20, 2018 as a result of the acquisition of Klondex (see Note 16 of Notes to Consolidated Financial Statements for more information).

Reconciliation of Net (Loss) Income (GAAP) to Earnings Before Interest, Taxes, Depreciation, and Amortization (non-GAAP)

The non-GAAP measure of earnings before interest, taxes, depreciation, and amortization ("EBITDA") is calculated as net (loss) income before the following items: interest expense, income tax provision (benefit), and depreciation, depletion, and amortization expense. Management believes that, when presented in conjunction with net loss (income), the most comparable GAAP measure, EBITDA is useful to investors in evaluating our operating performance. The table below presents reconciliations between the non-GAAP measure of EBITDA and the GAAP measure of net (loss) income for the years ended December 31, 2020, 2019, 2018, 2017, and 2016 (in thousands).

	Year ended December 31,				
	2020	2019	2018	2017	2016
Net (loss) income (GAAP)	\$ (16,790)	\$ (99,557)	\$ (26,563)	\$ (28,520)	\$ 61,569
Interest expense, net of amount capitalized	49,569	48,447	40,944	38,012	21,796
Income tax provision (benefit)	135	(24,101)	(6,701)	20,963	28,090
Depreciation, depletion, and amortization	164,026	204,475	140,905	126,467	124,918
EBITDA	\$ 196,940	\$ 129,264	\$ 148,585	\$ 156,922	\$ 236,373

Financial Liquidity and Capital Resources

Liquidity overview

We have a disciplined cash management strategy of maintaining financial flexibility to execute our capital priorities and provide long-term value to our shareholders. Consistent with that strategy, we aim to reduce our net debt and maintain sufficient liquidity to fund debt service costs, operations, capital development and exploration projects, while returning cash to stockholders through dividends and potential share repurchases.

At December 31, 2020, we had \$129.8 million in cash and cash equivalents, of which \$13.4 million was held in foreign subsidiaries' local currency denominated accounts readily convertible to U.S. dollars that, if repatriated, may be subject to withholding taxes. We expect that there would be no additional tax burden upon repatriation after considering the cash cost associated with the withholding taxes. We believe that our liquidity and capital resources from our U.S. operations are adequate to fund our U.S. operations and corporate activities.

On February 19, 2020, we completed an offering of Senior Notes in the total principal amount of US\$475 million. The Senior Notes are due February 15, 2028 and bear interest at a rate of 7.25% per year from the most recent payment date to which interest has been paid or provided for. The net proceeds from the Senior Notes were used, along with cash on hand, to redeem, in March 2020, our previously-outstanding 2021 Notes having a principal balance of \$506.5 million. Also, in July 2018 we entered into a new \$250 million revolving credit facility. Interest is payable on amounts drawn from the revolving credit facility at a rate of between 2.25% and 4.00% over the London Interbank Offered Rate, or between 1.25% and 3.00% over an alternative base rate, with interest payable on March 31, June 30, September 30, and December 31 of each year. As a precaution due to uncertainties of the duration, severity and scope of the COVID-19 outbreak, we drew \$210.0 million on the facility in the first quarter of 2020. We repaid the \$210.0 million during the second and third quarters of 2020, with no amount outstanding as of December 31, 2020. In July 2020, we agreed to issue our IQ Notes for CAD\$50 million (approximately USD\$36.8 million at the time of the transaction) in aggregate principal, which mature in July 2025 and bear interest at a rate of 6.515% per year. The IQ Notes were issued at a premium of 103.65%, implying an effective annual yield of 5.74% and an aggregate principal amount to be repaid of CAD\$48.2 million. The IQ Notes were issued in four equal installments of CAD\$12.5 million in July, August, September and October 2020, with the first installment issued net of CAD\$0.6 million in fees. The net proceeds from the IQ Notes are available for general corporate purposes, including for open market purchases of a portion of the Senior Notes and to pay for capital expenditures at our Casa Berardi unit. Under the note purchase agreement for the IQ Notes and subject to a force majeure event, we are required to invest, in the aggregate, CAD\$100 million at the Casa Berardi unit and other exploration and development projects in Quebec over the four-year period commencing on July 9, 2020. See *Note 7 of Notes to Consolidated Financial Statements* for more information on our debt arrangements.

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 are in possession of any material non-public information, limitations on share repurchases or cash usage that may be imposed by our credit agreement or in connection with issuances of securities, alternative uses for cash, applicable law, and other investment opportunities from time to time. As of December 31, 2020, 934,100 shares had been purchased in prior periods at an average price of \$3.99 per share, leaving approximately 19.1 million shares that may yet be purchased under the program. The closing price of our common stock at February 16, 2021, was \$6.13 per share.

Pursuant to our common stock dividend policy described in *Note 10 of Notes to Consolidated Financial Statements*, our board of directors declared and paid dividends on common stock totaling \$8.6 million in 2020, \$4.9 million in 2019, and \$4.4 million in 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. In September 2020, we increased our minimum annual dividend from \$0.01 per share to \$0.015 per share and reduced the realized silver price threshold for the silver-price-linked component from \$30 per ounce to \$25 per ounce beginning with the third quarter of 2020, and declared a quarterly cash dividend of \$0.00875 per share of common stock. In the fourth quarter of 2020 the realized price of \$25.16 exceeded the new threshold. As a result, on February 16, 2021, our board of directors declared a quarterly cash dividend of \$0.00875 per share of common stock, consisting of \$0.005 per share for the silver price-linked component and \$0.00375 for the minimum annual dividend component, payable in March 2021. The declaration and payment of dividends on common stock is at the sole discretion of our board of directors, and we cannot assure you that we will continue to declare and pay common stock dividends in the future.

We continue to address the COVID-19 outbreak and face uncertainty related to the potential additional impact it and any subsequent variants could have on our operations. It is possible that future restrictions at Casa Berardi, San Sebastian or Greens Creek (or at any other operation) could have an adverse impact on operations or financial results, including materially so, beyond 2020. We have taken precautionary measures to mitigate the impact of COVID-19, including implementing operational plans and practices and increasing our cash reserves through a temporary draw-down of our revolving credit facility, which has since been fully repaid. As long as they are required, the operational practices implemented could continue to have an adverse impact on our operating results due to deferred production and revenues or additional costs. If required, increasing or prolonged restrictions on our operations could require access to additional sources of liquidity, which may not be available to us. See *Part I, Item 1A. Risk Factors - Natural disasters, public health crises, political crises (including COVID-19), and other catastrophic events or other events outside of our control may materially and adversely affect our business or financial results and COVID-19 virus pandemic may heighten other risks* for information on how restrictions related to COVID-19 have affected some of our operations.

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. We cannot assure you that such financing will be available to us.

We believe as a result of our 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 our revolving credit facility, we will be able to meet our obligations and other potential cash requirements during the next 12 months from the date of this report. Our obligations and other uses of cash may include, but are not limited to: debt service obligations related to the Senior Notes, IQ Notes and revolving credit facility (if amounts are drawn); care-and-maintenance and other costs related to addressing the impact of COVID-19 on our operations; 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. We currently estimate that a total of approximately \$110 million will be spent on capital expenditures, primarily for equipment, infrastructure, and development at our mines, in 2021. We also estimate that exploration and pre-development expenditures will total approximately \$34.5 million in 2021. Our expenditures for these items and our related plans for 2021 may change based upon our financial position, metals prices, and other considerations. Our ability to fund the activities described above will depend on our operating performance, metals prices, our ability to estimate revenues and costs, sources of liquidity available to us, including the revolving credit facility, and other factors. A sustained downturn in metals prices, significant increase in operational or capital costs or other uses of cash, our inability to access the credit facility or the sources of liquidity discussed above, or other factors beyond our control could impact our plans. See *Item 1A. Risk Factors - An extended decline in metals prices, an increase in operating or capital costs, mine accidents or closures, increasing regulatory obligations, or our inability to convert exploration potential to reserves may cause us to record write-downs, which could negatively impact our results of operations and We have a substantial amount of debt that could impair our financial health and prevent us from fulfilling our obligations under our existing and future indebtedness.*

Our liquid assets include (in millions):

	December 31,		
	2020	2019	2018
Cash and cash equivalents held in U.S. dollars	\$ 116.4	\$ 50.3	\$ 15.7
Cash and cash equivalents held in foreign currency	13.4	12.2	11.7
Total cash and cash equivalents	129.8	62.5	27.4
Marketable equity securities, current and non-current	19.3	6.2	6.6
Total cash, cash equivalents and investments	\$ 149.1	\$ 68.7	\$ 34.0

Cash and cash equivalents increased by \$67.3 million in 2020, discussed below. Cash and cash equivalents held in foreign currencies represents balances in CAD and MXN, and increased by \$1.2 million in 2020 resulting from an increase in CAD held. The value of current and non-current marketable equity securities increased by \$13.1 million (see Note 3 of Notes to Consolidated Financial Statements for more information).

	Year Ended December 31,		
	2020	2019	2018
Cash provided by operating activities (in millions)	\$ 180.8	\$ 120.9	\$ 94.2

Cash provided by operating activities increased by \$59.9 million in 2020 compared to 2019. The increase was due to higher income, adjusted for non-cash items, partially offset by the impact of working capital and other operating asset and liability changes. Income, adjusted for non-cash items, was higher by \$47.6 million primarily due to higher gross profit, which was mainly a result of higher realized silver and gold prices and higher silver production, partially offset by lower realized lead and zinc prices and higher treatment charges. Working capital and other operating asset and liability changes resulted in a net cash increase of \$22.4 million in 2020 compared to an increase in cash of \$10.1 million in 2019. Significant variances in working capital changes between 2020 and 2019 resulted from lower accounts receivable, higher accounts payable, and higher accruals for incentive compensation and taxes, partially offset by higher product inventory.

Cash provided by operating activities increased by \$26.7 million in 2019 compared to 2018. The increase was due to working capital and other operating asset and liability changes that resulted in a net cash addition of \$10.1 million in 2019 compared to a reduction in cash of \$10.6 million in 2018. Significant variances in working capital changes between 2019 and 2018 resulted from lower product inventory and reduced payment of accrued incentive compensation in cash, partially offset by higher accounts receivable and lower accounts payable. In addition to the positive net working capital variance, income, adjusted for non-cash items, was higher by \$6.0 million due to lower exploration spending and Lucky Friday suspension related costs, partially offset by lower gross profit (see *The Greens Creek Segment*, *The Lucky Friday Segment*, *The Casa Berardi Segment*, *The San Sebastian Segment* and *The Nevada Operations Segment* sections above) and lower cash proceeds from settlement of base metal derivative contracts prior to their maturity date.

	Year Ended December 31,		
	2020	2019	2018
Cash used in investing activities (in millions)	\$ 92.9	\$ 119.9	\$ 236.5

Capital expenditures were \$91.0 million in 2020, excluding non-cash lease additions of \$9.1 million, which was \$30.4 million lower than capital expenditures in 2019. The decrease was due to reduced spending at Nevada, Greens Creek and San Sebastian, partially offset by higher capital expenditures at Lucky Friday and Casa Berardi. We purchased marketable equity securities having a cost basis of \$2.2 million and \$0.4 million during 2020 and 2019, respectively, and sold marketable equity securities for proceeds of \$1.8 million in 2019.

We had a cash outflow of \$139.3 million for the acquisition of Klondex, net of the cash balance acquired, in July 2018, with no cash outflows for acquisitions in 2019. Capital expenditures were \$121.4 million in 2019, excluding non-cash lease additions of \$6.5 million, compared to \$136.9 million, excluding \$7.0 million in non-cash lease additions, in 2018. The decrease was primarily due to reduced spending at all of our operations with the exception of Nevada Operations. In 2018, we purchased bonds having maturities of greater than 90 days and less than 365 days with a cost basis of \$31.2 million, and bonds valued at \$64.9 million matured in 2018, with no such activity during 2019. We purchased marketable equity securities having a cost basis of \$0.8 million in 2018. During 2018, we received \$4.4 million in insurance proceeds related to the collapse of the mill building at the Troy mine in February 2017 due to snow.

	Year Ended December 31,		
	2020	2019	2018
Cash provided by (used in) financing activities (in millions)	\$ (19.4)	\$ 33.2	\$ (14.9)

During 2019 and 2018, we received \$49.0 million and \$6.7 million, respectively, in net proceeds from the sale of shares of our common stock under our at-the-market common stock sales program, with no such sales of shares in 2020. In 2020, 2019 and 2018, we had aggregate draws of \$210.0 million, \$279.5 million and \$71.0 million, respectively, on our revolving credit facility, with repayments of the same amounts in those years. In addition, in 2020 we received \$469.5 million and \$36.8 million in net proceeds from the issuance of our Senior Notes and IQ Notes, respectively, and had debt repayments of \$506.5 million for redemption of our 2021 Notes. In 2018, we had additional borrowings of \$30.8 million for the issuance of the RQ Notes in March 2018, which were repaid in 2019 through the issuance of shares of our common stock. In July 2018, we repaid the \$35.0 million revolving credit facility balance assumed in the acquisition of Klondex. In 2020, 2019 and 2018, we paid cash dividends on our common stock of \$8.6 million, \$4.9 million and \$4.4 million, respectively. We also paid cash dividends of \$0.6 million on our Series B preferred stock during each of those years. We made payments on our finance leases of \$6.0 million, \$7.2 million, and \$7.3 million in 2020, 2019, and 2018, respectively. We also purchased shares of our common stock for \$2.7 million, \$2.2 million, and \$2.7 million in 2020, 2019, and 2018, respectively, as a result of our employees' election to utilize net share settlement to satisfy their tax withholding obligations related to incentive compensation paid in stock and vesting of restricted stock units. See Note 10 of Notes to Consolidated Financial Statements for more information.

Exchange rate fluctuations between the U.S. dollar and the Canadian dollar and Mexican peso resulted in a decrease in our cash balance of \$1.1 million during 2020, an increase of \$0.9 million during 2019 and a decrease of \$1.5 million in 2018.

Contractual Obligations and Contingent Liabilities and Commitments

The table below presents our fixed, non-cancelable contractual obligations and commitments primarily related to our Senior Notes, IQ Notes, revolving credit facility, outstanding purchase orders, certain service contract commitments and lease arrangements as of December 31, 2020 (in thousands):

	Payments Due By Period				
	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
Purchase obligations ⁽¹⁾	\$ 7,419	\$ —	\$ —	\$ —	\$ 7,419
Contractual obligations ⁽²⁾	78	—	—	—	78
Commitment fees ⁽³⁾	1,722	1,902	—	—	3,624
Finance lease commitments ⁽⁴⁾	7,053	7,917	1,849	—	16,819
Operating lease commitments ⁽⁵⁾	3,811	5,391	1,081	2,339	12,622
Supplemental executive retirement plan ⁽⁶⁾	758	1,642	2,447	7,352	12,199
Senior Notes ⁽⁷⁾	34,438	68,875	68,875	548,179	720,367
IQ Notes ⁽⁸⁾	2,468	4,937	41,640	—	49,045
Total contractual cash obligations	\$ 57,747	\$ 90,664	\$ 115,892	\$ 557,870	\$ 822,173

(1) Consists of open purchase orders of approximately \$2.0 million at the Greens Creek unit, \$4.2 million at the Lucky Friday unit, \$0.7 million at the Casa Berardi unit, and \$0.5 million at the Nevada Operations unit.

(2) As of December 31, 2020, we were committed to approximately \$0.1 million in expenditures for various items.

(3) We have a \$250 million revolving credit agreement under which we are required to pay a standby fee of between 0.5625% and 1.00% per annum on undrawn amounts and interest of between 2.25% and 4.00% over the London Interbank Offered Rate or between 1.25% and 3.00% over an alternative base rate on drawn amounts under the revolving credit agreement. We had \$20.3 million in letters of credit outstanding as of December 31, 2020. The amounts in the table above assume no additional amounts will be drawn in future periods, and include only the standby fee on the current undrawn balance. For more information on our credit facility, see Note 7 of Notes to Consolidated Financial Statements.

(4) Includes scheduled finance lease payments of \$15.6 million, \$0.1 million, \$0.7 million and \$0.5 million (including interest), respectively, for equipment at our Greens Creek, Lucky Friday, Casa Berardi and Nevada Operations units. These leases have fixed payment terms and contain bargain purchase options at the end of the lease periods. See Note 7 of Notes to Consolidated Financial Statements 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 ("SERP"). These amounts represent our estimate of the future benefit payment requirements for the next 10 years for the SERP as of December 31, 2020. However, in January 2021, we contributed \$16.8 million in shares of our common stock to the SERP in order to fund future benefit payments. We believe we will have future funding requirements related to our defined benefit plans and benefit payment obligations for the SERP beyond 10 years; however, such funding requirements are not fixed in nature and are difficult to estimate, as they involve significant assumptions. See Note 9 of Notes to Consolidated Financial Statements for more information.

(7) On February 19, 2020, we completed an offering of \$475 million in aggregate principal amount of our Senior Notes due February 15, 2028. The Senior Notes bear interest at a rate of 7.25% per year from the original date of issuance or the most recent payment date to which interest has been paid or provided for. Interest on the Senior Notes is payable on February 15 and August 15 of each year, commencing August 15, 2020. See Note 7 of Notes to Consolidated Financial Statements for more information.

(8) On July 9, 2020, we entered into a note purchase agreement pursuant to which we issued our IQ Notes for CAD\$50 million (approximately USD\$36.8 million at the time of the transaction) in aggregate principal. The IQ Notes were issued at a premium of 103.65%, or CAD\$1.8 million, implying an effective annual yield of 5.74% and an aggregate principal amount to be repaid of CAD\$48.2 million. The IQ Notes were issued in four equal installments of CAD\$12.5 million on July 9, August 9, September 9 and October 9, 2020. The IQ Notes bear interest on amounts outstanding at a rate of 6.515% per year, payable on January 9 and July 9 of each year, commencing January 9, 2021. See Note 7 of Notes to Consolidated Financial Statements for more information.

We record liabilities for costs associated with mine closure, reclamation of land and other environmental matters. At December 31, 2020, our liabilities for these matters totaled \$116.0 million. Future expenditures related to closure, reclamation and environmental expenditures at our other sites are difficult to estimate, although we anticipate we will incur expenditures relating to these obligations over the next 30 years. For additional information relating to our environmental obligations, see Note 5 of Notes to Consolidated Financial Statements and Item 1A. Risk Factors – Our environmental obligations may exceed the provisions we have made. As discussed in Note 8 of Notes to Consolidated Financial Statements, we are involved in various other legal proceedings which may result in obligations in excess of provisions we have made.

Off-Balance Sheet Arrangements

At December 31, 2020, 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 2 of Notes to Consolidated Financial Statements. As described in such Note 2, 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; accounting for business combinations; and assumptions used in accounting for our pension plans, 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, equipment and mineral interests, 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, 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., U.S. and global trading policies (including tariffs), a global economic recovery, recent uncertainty in China and from the current downturn and continued uncertainty resulting from the COVID-19 outbreak and any subsequent variants, 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 demand for metals to decarbonize the economy and 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, the global economy has been significantly impacted by the COVID-19 outbreak, with the ultimate severity and duration of the downturn is unknown. 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 upon completion of the performance obligations and transfer of control of the product 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 *Note 12 of Notes to Consolidated Financial Statements*.

We utilize financially-settled forward and put option contracts to manage our exposure to changes in prices for silver, gold, zinc and lead. See *Item 7A. – Quantitative and Qualitative Disclosures About Market Risk – Commodity-Price Risk Management* below for more information on our contract programs. These contracts do not qualify for hedge accounting and are therefore marked-to-market through earnings each period. Changes in silver, gold, zinc and lead prices between the dates that the contracts are entered into and their settlements will result in changes to the fair value asset or liability associated with the contracts, with a corresponding gain or loss recognized in earnings.

Obligations for Environmental, Reclamation and Closure Matters

Accrued reclamation and closure costs can represent a significant and variable liability on our balance sheet. We have estimated our liabilities under appropriate accounting guidance; 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. See *Item 2. – Properties* above for the metals price assumptions used in our estimates of reserves as of December 31, 2020, 2019 and 2018. 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.

Pension Plan Accounting Assumptions

We are required to make a number of assumptions in estimating the future benefit obligations for, and fair value of assets included in, our pension plans, which impact the amount of liability and net periodic pension cost recognized related to our plans. These include assumptions for applicable discount rates, the expected rate of return on plan assets and the rate of future employee compensation increases. See *Note 9* for more information on the accounting for our pension plans and the related assumptions.

New Accounting Pronouncements

Accounting Standards Updates Adopted

In June 2016, the FASB issued ASU No. 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The update changes how entities will record credit losses from an "incurred loss" approach to an "expected loss" approach. The update was adopted as of January 1, 2020, and its adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The update removes, modifies and makes additions to certain disclosure requirements with respect to fair value measurements. The update was adopted as of January 1, 2020, and its adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14 Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework -

Changes to the Disclosure Requirements for Defined Benefit Plans. The update removes several disclosure requirements, adds two new disclosure requirements, and clarifies other disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. The update is effective for fiscal years ending after December 15, 2020, with early adoption permitted. The update was adopted as of December 31, 2020, and its adoption did not have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04 Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The update provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The update is effective as of March 12, 2020 through December 31, 2022. Adoption of the update has not had a material impact on our consolidated financial statements.

Accounting Standards Updates to Become Effective in Future Periods

In December 2019, the FASB issued ASU No. 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The update contains a number of provisions intended to simplify the accounting for income taxes. The update is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. We are evaluating the impact of this update on our consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06 Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The update is to address issues identified as a result of the complexity associated with applying generally accepted accounting principles for certain financial instruments with characteristics of liabilities and equity. The update is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years and with early adoption permitted. We are evaluating the impact of this update on our consolidated financial statements.

Guarantor Subsidiaries

Presented below are Hecla's 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 of the Senior Notes (see *Note 7 of Notes to Consolidated Financial Statements* 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, Inc.; Montanore Minerals Corp.; Hecla Alaska LLC; Hecla Greens Creek Mining Company; Hecla Admiralty Company; Hecla Juneau Mining Company; Klondex Holdings Inc.; Klondex Gold & Silver Mining Co.; Klondex Midas Holdings Limited; Klondex Aurora Mine Inc.; Klondex Hollister Mine Inc.; and Hecla Quebec, Inc. We completed the offering of the Senior Notes on February 19, 2020 under our shelf registration statement previously filed with the SEC.

The condensed consolidating financial statements below have been prepared from our financial information on the same basis of accounting as the 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 that is sufficient to meet their capital needs, and their cash requirements are routinely met with inter-company advances from their parent companies. Generally on 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.** At times, 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 for two consolidated tax groups of subsidiaries within the United States: The Nevada U.S. Group and the Hecla U.S. Group. Within each tax group, all subsidiaries' estimated future taxable income contributes to the ability of their tax group 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 income 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 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.

Condensed Consolidating Balance Sheets

As of December 31, 2020

(in thousands)	Non-				
	Parent	Guarantors	Guarantors	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 89,256	\$ 11,402	\$ 29,172	\$ —	\$ 129,830
Other current assets	4,041	147,065	3,818	(73)	154,851
Properties, plants, equipment and mineral interests – net	1,913	2,334,992	8,314	—	2,345,219
Intercompany receivable (payable)	(82,559)	(408,391)	213,126	277,824	—
Investments in subsidiaries	1,739,689	—	—	(1,739,689)	—
Other non-current assets	306,124	20,695	(116,250)	(172,745)	37,824
Total assets	<u>\$ 2,058,464</u>	<u>\$ 2,105,763</u>	<u>\$ 138,180</u>	<u>\$ (1,634,683)</u>	<u>\$ 2,667,724</u>
Liabilities and Stockholders' Equity					
Current liabilities	\$ (191,865)	\$ 194,028	\$ 5,540	\$ 142,082	\$ 149,785
Long-term debt	507,242	16,707	201	—	524,150
Non-current portion of accrued reclamation	—	103,579	6,887	—	110,466
Non-current deferred tax liability	—	169,551	—	(37,076)	132,475
Other non-current liabilities	40,747	6,988	773	—	48,508
Stockholders' equity	1,702,340	1,614,910	124,779	(1,739,689)	1,702,340
Total liabilities and stockholders' equity	<u>\$ 2,058,464</u>	<u>\$ 2,105,763</u>	<u>\$ 138,180</u>	<u>\$ (1,634,683)</u>	<u>\$ 2,667,724</u>

Condensed Consolidating Statements of Operations

Year Ended December 31, 2020

(in thousands)	Non-				
	Parent	Guarantors	Guarantors	Eliminations	Consolidated
Revenues	\$ (16,380)	\$ 675,345	\$ 32,908	\$ —	\$ 691,873
Cost of sales	(2,127)	(366,344)	(20,569)	—	(389,040)
Depreciation, depletion, and amortization	—	(153,582)	(3,548)	—	(157,130)
General and administrative	(12,294)	(21,637)	(1,630)	—	(35,561)
Exploration and pre-development	(25)	(13,924)	(4,346)	—	(18,295)
Research and development	—	—	—	—	—
Loss on derivative contracts	(22,074)	—	—	—	(22,074)
Acquisition costs	(20)	—	—	—	(20)
Equity in earnings of subsidiaries	37,267	—	—	(37,267)	—
Other (expense) income	(1,011)	(66,605)	3,842	(22,634)	(86,408)
(Loss) income before income taxes	(16,664)	53,253	6,657	(59,901)	(16,655)
(Provision) benefit from income taxes	(126)	(21,731)	(912)	22,634	(135)
Net (loss) income	(16,790)	31,522	5,745	(37,267)	(16,790)
Preferred stock dividends	(552)	—	—	—	(552)
(Loss) income applicable to common stockholders	(17,342)	31,522	5,745	(37,267)	(17,342)
Net (loss) income	(16,790)	31,522	5,745	(37,267)	(16,790)
Changes in comprehensive (loss) income	4,421	—	—	—	4,421
Comprehensive (loss) income	<u>\$ (12,369)</u>	<u>\$ 31,522</u>	<u>\$ 5,745</u>	<u>\$ (37,267)</u>	<u>\$ (12,369)</u>

Condensed Consolidating Statements of Cash Flows

Year Ended December 31, 2020

(in thousands)	Non-				
	Parent	Guarantors	Guarantors	Eliminations	Consolidated
Cash flows from operating activities	\$ 123,260	\$ 202,180	\$ 17,688	\$ (162,335)	\$ 180,793
Cash flows from investing activities:					
Additions to properties, plants, equipment and mineral interests	—	(91,063)	47	—	(91,016)
Other investing activities, net	(102,887)	287	(2,172)	102,887	(1,885)
Cash flows from financing activities:					
Dividends paid to stockholders	(9,152)	—	—	—	(9,152)
Borrowings under debt arrangements	716,327	—	—	—	716,327
Repayments of debt	(716,500)	(5,570)	(383)	—	(722,453)
Other financing activity	44,458	(109,625)	1,618	59,448	(4,101)
Effect of exchange rate changes on cash	—	(136)	(971)	—	(1,107)
Changes in cash, cash equivalents and restricted cash and cash equivalents	55,506	(3,927)	15,827	—	67,406
Beginning cash, cash equivalents and restricted cash and cash equivalents	33,750	16,382	13,345	—	63,477
Ending cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 89,256</u>	<u>\$ 12,455</u>	<u>\$ 29,172</u>	<u>\$ —</u>	<u>\$ 130,883</u>

Forward-Looking Statements

The foregoing discussion and analysis, as well as certain information contained elsewhere in this report, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, and are intended to be covered by the safe harbor created thereby. See the discussion in *Special Note on Forward-Looking Statements* included prior to *Item 1*.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our exposure to market risks and risk-management activities includes forward-looking statements that involve risk and uncertainties, as well as summarizes the financial instruments held by us at December 31, 2020 which are sensitive to changes in commodity prices, foreign exchange rates and interest rates and are not held for trading purposes. Actual results could differ materially from those projected in the forward-looking statements. In the normal course of business, we also face risks that are either non-financial or non-quantifiable (see *Item 1A. Risk Factors* above).

Metals Prices

Changes in the market prices of silver, gold, lead and zinc can significantly affect our profitability and cash flow. As discussed in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates*, metals prices can fluctuate due to numerous factors beyond our control. As discussed below, we utilize financially-settled forward and put option contracts to manage our exposure to changes in prices for silver, gold, zinc and lead.

Provisional Sales

Sales of all metals products sold directly to customers, including by-product metals, are recorded as revenues when performance obligations have been completed 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 concentrates will be settled. Previously recorded sales are adjusted to estimated settlement metals prices until final settlement by the customer. Changes in metals prices between shipment and final settlement will result in changes to revenues previously recorded upon shipment. Metals prices can and often do fluctuate widely and are affected by numerous factors beyond our control (see *Item 1A. Risk Factors – A substantial or extended decline in metals prices would have a material adverse effect on us*). At December 31, 2020, metals contained in concentrate sales and exposed to future price changes totaled approximately 1.7 million ounces of silver, 4,516 ounces of gold, 26.4 million pounds of zinc, and 9.1 million pounds 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 \$9.5 million. However, as discussed in *Commodity-Price Risk Management* below, at times, subject to management's discretion, we utilize a program designed and intended to mitigate the risk of price adjustments with limited mark-to-market financially-settled forward contracts for our silver, gold, zinc and lead sales. Therefore, when the program is fully utilized, the impact of changes in prices on the value of concentrates sold would be substantially offset by a gain or loss on forward contracts.

Commodity-Price Risk Management

We may at times 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 market prices. 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 covered under such programs that would establish a ceiling for prices to be realized on future sales. These instruments do, however, expose us to (i) credit risk in the event of non-performance by counterparties for contracts in which the contract price exceeds the spot price of a commodity and (ii) price risk to the extent that the spot price exceeds the contract price for quantities of our production covered under contract positions.

We are currently using financially-settled forward contracts to manage the exposure to changes in prices of silver, gold, zinc and lead contained in our concentrate shipments between the time of shipment and final settlement. In addition, we 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. The following tables summarize the quantities of metals committed under forward sales contracts at December 31, 2020 and December 31, 2019:

	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)
December 31, 2020								
Contracts on provisional sales								
2021 settlements	1,282	4	23,314	4,905	\$ 25.00	\$ 1,858	\$ 1.19	\$ 0.90
Contracts on forecasted sales								
2021 settlements	—	—	41,557	30,876	N/A	N/A	\$ 1.17	\$ 0.88
2022 settlements	—	—	18,519	—	N/A	N/A	\$ 1.28	N/A
	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)
December 31, 2019								
Contracts on provisional sales								
2020 settlements	2,556	10	21,550	5,159	\$ 17.20	\$ 1,481	\$ 1.04	\$ 0.88
Contracts on forecasted sales								
2020 settlements	—	—	441	11,740	N/A	N/A	\$ 1.13	\$ 0.98

In June 2019, we began using put option contracts to manage the exposure of our forecasted future gold and silver sales to potential declines in market prices for those metals. These put contracts give us the option, but not the obligation, to realize established prices on quantities of silver and gold to be sold in the future. The put contracts establish the minimum ("floor") prices we would expect to be able to realize, without limiting our ability to realize higher prices when market prices exceed the put exercise prices at the time the metals are sold. As of December 31, 2020, we had put contracts that provided average floor prices of \$16.50 per ounce for silver and \$1,650 per ounce for gold for a total of 1.1 million silver ounces and 12,992 gold ounces.

These forward and put option contracts do not qualify for hedge accounting and are marked-to-market through earnings each period.

At December 31, 2020 and 2019, we recorded the following balances for the fair value of the forward and put option contracts held at that time (in millions):

Balance sheet line item:	December 31, 2020			December 31, 2019		
	Contracts in an asset position	Contracts in a liability position	Net asset (liability)	Contracts in an asset position	Contracts in a liability position	Net asset (liability)
Other current assets	\$ 0.2	\$ (0.2)	\$ —	\$ —	\$ —	\$ —
Other non-current assets	0.5	(0.1)	0.4	—	—	—
Current derivatives liability	0.1	(11.8)	(11.7)	2.1	(7.9)	(5.8)

We recognized a \$16.4 million net loss during 2020 on the contracts utilized to manage exposure to prices of metals in our concentrate shipments, which is included in sales of products. The net loss recognized on the contracts offsets gains related to price adjustments on our provisional concentrate sales, both of which resulted from changes to silver, gold, lead and zinc prices between the time of sale and final settlement.

We recognized a \$22.1 million net loss during 2020 on the contracts utilized to manage exposure to changes in prices for forecasted future sales. The net loss on these contracts is included as a separate line item under other income (expense), as they relate to forecasted future sales, as opposed to sales that have already taken place but are subject to final pricing (as discussed in the preceding paragraph). The net loss for 2020 is the result of increasing silver, gold, zinc and lead prices. During the third quarters of 2019 and 2018, we settled, prior to their maturity date, contracts in a gain position for cash proceeds to us of approximately \$6.7 million and \$32.8 million, respectively, with no such early settlements in 2020. These programs, when utilized and the contracts are not settled prior to their maturity, are designed to mitigate the impact of potential future declines in silver, gold, zinc and lead prices from the price levels established in the contracts (see average price information above). When those prices increase compared to the contract prices, we incur losses on the contracts.

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 USD and CAD and MXN, respectively. 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 year ended December 31, 2020, we recognized a net foreign exchange loss of \$4.6 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 December 31, 2020 would have resulted in a change of approximately \$10.6 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 December 31, 2020 would have resulted in a change of approximately \$0.1 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 similar program with respect to MXN, which was not in use as of December 31, 2020. The programs utilize forward contracts to buy CAD and MXN, and each contract is designated as a cash flow hedge. As of December 31, 2020, we had 143 forward contracts outstanding to buy a total of CAD\$293.8 million having a notional amount of US\$223.0 million. The CAD contracts are related to cash operating costs at Casa Berardi forecasted to be incurred from 2021 through 2024 and have CAD-to-USD exchange rates ranging between 1.2702 and 1.3785. There were no outstanding contracts for MXN as of December 31, 2020. Our risk management policy allows for up to 75% of our planned cost exposure for five years into the future to be covered under such programs, and for potential additional programs to manage other foreign currency-related exposure areas. These instruments do, however, expose us to (i) credit risk in the form of non-performance by counterparties for contracts in which the contract exchange rate exceeds the spot exchange rate of a currency and (ii) exchange rate risk to the extent that the spot exchange rate exceeds the contract exchange rate for amounts of our operating costs covered under contract positions.

As of December 31, 2020 and 2019, we recorded the following balances for the fair value of the contracts (in millions):

Balance sheet line item:	December 31,	
	2020	2019
Other current assets	\$ 3.5	\$ 0.6
Other non-current assets	4.2	0.6
Current derivatives liability	—	0.4
Other non-current assets	—	1.0

Net unrealized gains of approximately \$7.6 million related to the effective portion of the hedges were included in accumulated other comprehensive loss as of December 31, 2020, 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 \$3.1 million in net unrealized gains included in accumulated other comprehensive loss as of December 31, 2020 would be reclassified to current earnings in the next twelve months. Net realized losses of approximately \$2.7 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 in 2020. No net unrealized gains or losses 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 year ended December 31, 2020.

Interest Rates

We have a \$250 million credit facility, and amounts drawn on the facility are subject to variable rates of interest based on a spread over the London Interbank Offered Rate or an alternative base rate. Interest rates fluctuate due to economic factors beyond our control. We had no amount drawn under the facility as of December 31, 2020. See Note 7 of Notes to Consolidated Financial Statements for more information on our credit facility.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements are included herein beginning on page F-1. Financial statement schedules are omitted as they are not applicable or the information required in the schedule is already included in the Consolidated Financial Statements.

The following table sets forth supplementary financial data (in thousands, except per share amounts) for each quarter for the years ended December 31, 2020 and 2019, derived from our unaudited quarterly financial statements, with the total amounts for each year derived from our audited financial statements. The data set forth below should be read in conjunction with and is qualified in its entirety by reference to our Consolidated Financial Statements.

	Fourth	Third	Second	First	Total
2020	Quarter	Quarter	Quarter	Quarter	
Sales of products	\$ 188,890	\$ 199,703	\$ 166,355	\$ 136,925	\$ 691,873
Gross profit	\$ 46,764	\$ 53,488	\$ 34,079	\$ 11,372	\$ 145,703
Net income (loss)	\$ 795	\$ 13,628	\$ (14,028)	\$ (17,185)	\$ (16,790)
Preferred stock dividends	\$ (138)	\$ (138)	\$ (138)	\$ (138)	\$ (552)
Income (loss) income applicable to common stockholders	\$ 657	\$ 13,490	\$ (14,166)	\$ (17,323)	\$ (17,342)
Basic income (loss) per common share	\$ —	\$ 0.03	\$ (0.03)	\$ (0.03)	\$ (0.03)
Diluted income (loss) per common share	\$ —	\$ 0.03	\$ (0.03)	\$ (0.03)	\$ (0.03)
2019					
Sales of products	\$ 224,945	\$ 161,532	\$ 134,172	\$ 152,617	\$ 673,266
Gross profit	\$ 25,318	\$ 14,880	\$ (20,243)	\$ 3,444	\$ 23,399
Net loss	\$ (7,976)	\$ (19,516)	\$ (46,532)	\$ (25,533)	\$ (99,557)
Preferred stock dividends	\$ (138)	\$ (138)	\$ (138)	\$ (138)	\$ (552)
Loss applicable to common stockholders	\$ (8,114)	\$ (19,654)	\$ (46,670)	\$ (25,671)	\$ (100,109)
Basic loss per common share	\$ (0.02)	\$ (0.04)	\$ (0.10)	\$ (0.05)	\$ (0.20)
Diluted loss per common share	\$ (0.02)	\$ (0.04)	\$ (0.10)	\$ (0.05)	\$ (0.20)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures as required by Exchange Act Rules 13a-15(e) and 15(d)-15(e) as of the end of the reporting 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 December 31, 2020 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.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting, which is designed 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 in the United States of America.

Because of its inherent limitations, any system of internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020, using criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and concluded that we have maintained effective internal control over financial reporting as of December 31, 2020, based on these criteria.

Our internal control over financial reporting as of December 31, 2020 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in the attestation report which is included herein.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors

Hecla Mining Company

Coeur d'Alene, Idaho

Opinion on Internal Control over Financial Reporting

We have audited Hecla Mining Company's (the "Company's") internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated February 18, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Spokane, Washington

February 18, 2021

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

In accordance with our restated certificate of incorporation, our board of directors is divided into three classes. The terms of office of the directors in each class expire at different times. The directors are elected for three-year terms. The Effective Dates listed below for each director indicate their current term of office. All officers are elected for a term which ordinarily expires on the date of the meeting of the board of directors immediately following the annual meeting of stockholders. The positions and ages listed below for our current directors and officers are as of the scheduled date of our next annual meeting of stockholders in May 2021. There are no arrangements or understandings between any of the directors or officers and any other person(s) pursuant to which such directors or officers were elected.

	Age at		
	May 19, 2021		
Phillips S. Baker, Jr.	61	President and CEO, Director ⁽¹⁾	5/20 — 5/21 5/20 — 5/23
Lindsay A. Hall*	65	Senior Vice President and Chief Financial Officer	5/20 — 3/21
Lauren M. Roberts	55	Senior Vice President and Chief Operating Officer	5/20 — 5/21
David C. Sienko	52	Vice President and General Counsel	5/20 — 5/21
Robert D. Brown	52	Vice President – Corporate Development	5/20 — 5/21
Ted Crumley	76	Director and Chairman of the Board ^(1,4)	5/20 — 5/22
Catherine J. Boggs	66	Director ^(2,3,4)	5/18 — 5/21
George R. Johnson	72	Director ^(2,3,5)	5/20 — 5/23
George R. Nethercutt, Jr.	76	Director ^(3,4,5)	5/18 — 5/21
Stephen F. Ralbovsky	67	Director ^(2,3)	5/18 — 5/21
Terry V. Rogers	74	Director ^(1,4,5)	5/19 — 5/22
Charles B. Stanley	62	Director ^(2,5)	5/19 — 5/22

* Mr. Hall will be retiring from the Company on March 31, 2021.

(1) Member of Executive Committee

(2) Member of Audit Committee

(3) Member of Corporate Governance and Directors Nominating Committee

(4) Member of Compensation Committee

(5) Member of Health, Safety, Environmental and Technical Committee

Phillips S. Baker, Jr., has been our Chief Executive Officer since May 2003 and has served as our President and as a member of the Board of Directors since November 2001. Mr. Baker has served as a director for QEP Resources, Inc. (a natural gas and oil exploration and production company) since May 2010. He has served as a Board member of the National Mining Hall of Fame and Museum (a federally-chartered non-profit national mining museum) since February 2012.

Lindsay A. Hall was appointed Senior Vice President and Chief Financial Officer in July 2016. Prior to his appointment, Mr. Hall was Chief Financial Officer of Goldcorp Inc. (a leading gold producer) from April 2006 to March 2016, and Executive Vice President from March 2006 to March 2016. Mr. Hall will retire from the Company on March 31, 2021.

Lauren M. Roberts was appointed Senior Vice President and Chief Operating Officer in August 2019. Prior that, Mr. Roberts was Chief Operating Officer for Kinross Gold Corporation from October 2016 to April 2019, Senior Vice President, Corporate Development from November 2015 to October 2016; and Regional Vice President, Americas from October 2013 to November 2015. He previously worked for Hecla in various roles from January 1989 to November 1996.

David C. Sienko was appointed Vice President and General Counsel in January 2010. Prior to his appointment, Mr. Sienko was a partner with the law firm K&L Gates LLP from 2004 to January 2010, where he specialized in securities, mergers and acquisitions, and corporate governance.

Robert D. Brown was appointed Vice President - Corporate Development in January 2016, and prior to that was a consultant for Hecla from March 2015 to December 2015. Prior to joining Hecla, Mr. Brown was President of Septemus Consulting Ltd. (a private consulting firm providing technical and corporate support for exploration, development, and production companies) from October 2011 to December 2015. He also served as a Vice President - Corporate Development for Fortuna Silver Mines (a Canadian silver mining company) from May 2012 to October 2014.

Ted Crumley has served as a director since 1995 and became Chairman of the Board in May 2006. Mr. Crumley served as the Executive Vice President and Chief Financial Officer of OfficeMax Incorporated (a distributor of office products) from January 2005 until his retirement in December 2005.

Catherine “Cassie” J. Boggs has served as a director since January 2017. Ms. Boggs was the General Counsel at Resource Capital Funds (a mining-focused private equity firm) from January 2011 until her retirement in February 2019. Since November 2019, she has been serving as an Intermittent Expert in mining with the US Department of Commerce’s Commercial Law Development Program. Ms. Boggs has been a board member of Funzeleo (a non-profit dedicated to inspiring and preparing youth for high-demand science and math-based careers) since January 2016, as well as serving as a board member and President of the Rocky Mountain Mineral Law Foundation (a non-profit organization dedicated to the study of laws and regulations relating to mining, oil and gas, energy, public lands, water, environmental and international law) from July 2011 to July 2015. She briefly served on the board of US Energy Corp. (an oil and gas company) from June 2019 to December 2019.

George R. Johnson has served as a director since March 2016. Mr. Johnson was Senior Vice President of Operations of B2Gold Corporation (a Canadian-based gold producing company) from August 2009 until his retirement in April 2015. He has served on the Board of Directors of B2Gold Corporation since March 2016.

George R. Nethercutt, Jr. has served as a director since February 2005. Mr. Nethercutt has served as Chairman of The George Nethercutt Foundation (a non-profit student leadership and civics education charity) since 2005, and served as Of Counsel to Lee & Hayes PLLC (a law firm) from September 2010 to June 2018. He has been a board member of Washington Policy Center (a public policy organization providing analysis on issues relating to the free market and government regulation) since January 2005; and a member of the Board of Chancellors, Juvenile Diabetes Research Foundation International (a charity and advocate of juvenile diabetes research worldwide) since June 2011. He was a board member of ARCADIS Corporation (an international company providing consultancy, engineering and management services) from May 2005 to April 2017.

Stephen F. Ralbovsky has served as a director since March 2016. Mr. Ralbovsky has been the founder and principal of Wolf Sky Consulting LLC (a tax consulting firm) since June 2014. Prior to that, he was a partner with PricewaterhouseCoopers LLP (an accounting firm) from February 1987 until his retirement in June 2014, where he concentrated his practice on public companies operating in the mining industry. Mr. Ralbovsky is a part-time Professor of Practice at the University of Arizona James E. Rogers

College of Law, where he teaches Global Mining Taxation, and is a member of several organizations, including AICPA, Arizona Society of CPAs, National Mining Association, and Society for Mining, Metallurgy and Exploration.

Charles B. Stanley has served as a director since May 2007. Mr. Stanley is Managing Member of Cutthroat Energy, LLC (a private oil and gas producer). Prior to that, Mr. Stanley was Chief Executive Officer, President and Director of QEP Resources, Inc. (a natural gas and oil exploration and production company) from May 2010 until his retirement in January 2019, and Chairman of QEP's Board of Directors from May 2012 until his retirement in January 2019. He also served as Chairman, Chief Executive Officer, President and Director of QEP Midstream Partners, LP (a master limited partnership that owns, operates, acquires and develops midstream energy assets) from May 2013 to December 2014.

Terry V. Rogers has served as a director since May 2007. Mr. Rogers was the Senior Vice President and Chief Operating Officer of Cameco Corporation (a uranium producer) from February 2003 until his retirement in June 2007. He also served as a Director for Centerra Gold Inc. (a Canadian gold mining company) and its predecessor company, Cameco Gold, from February 2003 to May 2018.

Information with respect to our directors is set forth under the caption "Proposal 1 - Election of Directors" in our proxy statement to be filed pursuant to Regulation 14A for the annual meeting scheduled to be held on May 19, 2021 (the Proxy Statement), which information is incorporated herein by reference.

Reference is made to the information set forth in the first paragraph under the caption "Report of Audit Committee," and under the caption "Corporate Governance and Related Matters," in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

Reference is made to the information set forth under the caption "Delinquent Section 16(a) Reports" in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

Reference is made to the information set forth under the caption "Available Information" in *Item 1* for information about the Company's Code of Business Conduct and Ethics, which information is incorporated herein by reference.

There have been no material changes to the procedures by which stockholders may recommend director nominees.

ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the information set forth under the caption "Compensation Discussion and Analysis;" the caption "Compensation of Named Executive Officers;" the caption "Compensation of Non-Management Directors;" the caption "Compensation Committee Interlocks and Insider Participation;" and the caption "Compensation Committee Report" in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Reference is made to the information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" and the caption "Equity Compensation Plan Information" in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Reference is made to the information set forth under the captions "Certain Relationships and Related Transactions" and "Director Independence" of the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Reference is made to the information set forth under the caption "Audit and Non-Audit Fees" in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) (1) Financial Statements
See Index to Financial Statements on Page F-1
- (a) (2) Financial Statement Schedules
Not applicable
- (a) (3) Exhibits

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

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

Date: February 18, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>/s/ Phillips S. Baker, Jr.</u> Phillips S. Baker, Jr. President, Chief Executive Officer and Director (principal executive officer)	<u>February 18, 2021</u> Date	<u>/s/ Ted Crumley</u> Ted Crumley Director	<u>February 18, 2021</u> Date
<u>/s/ Lindsay A. Hall</u> Lindsay A. Hall Senior Vice President and Chief Financial Officer (principal financial and accounting officer)	<u>February 18, 2021</u> Date	<u>/s/ Charles B. Stanley</u> Charles B. Stanley Director	<u>February 18, 2021</u> Date
<u>/s/ Stephen F. Ralbovsky</u> Stephen F. Ralbovsky Director	<u>February 18, 2021</u> Date	<u>/s/ George R. Nethercutt, Jr.</u> George R. Nethercutt, Jr. Director	<u>February 18, 2021</u> Date
<u>/s/ Terry V. Rogers</u> Terry V. Rogers Director	<u>February 18, 2021</u> Date	<u>/s/ Catherine J. Boggs</u> Catherine J. Boggs Director	<u>February 18, 2021</u> Date
<u>/s/ George R. Johnson</u> George R. Johnson Director	<u>February 18, 2021</u> Date		

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors

Hecla Mining Company
Coeur d'Alene, Idaho

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Hecla Mining Company and Subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2020 and 2019, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated February 18, 2021 expressed an unqualified opinion thereon.

Change in Accounting Method Related to Leases

As discussed in Note 2(K), to the consolidated financial statements, effective January 1, 2019 the Company has changed its method of accounting for recognition of financing and operating leases and related disclosures due to the adoption of Accounting Standards Codification 842.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accounting for Income Taxes

As described in Notes 2 and 6 to the consolidated financial statements, the Company recorded a deferred tax asset of \$233.0 million, which is presented net of a valuation allowance of \$77.2 million, and a net deferred tax liability of \$129.6 million as of December 31, 2020. The valuation allowance is primarily related to net operating losses. As of December 31, 2020, a \$72.5 million valuation allowance remains in U.S. jurisdictions, \$2.6 million in Hecla Canada Ltd. and \$2.1 million in Minera Hecla S.A. de C.V.

We identified certain aspects of accounting for income taxes as a critical audit matter. Specifically, the Company's tax provision process includes complexity related to material foreign and domestic tax provisions. Complex tax regulations relating to multiple jurisdictions, including evaluation of gross deferred tax assets and liabilities involve significant management judgments. Auditing these elements involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters, including the need for specialized knowledge and skill in assessing these elements.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of certain internal controls related to the Company's tax provision process. Specifically, testing the controls over the completeness and accuracy of identifying changes in domestic and foreign tax law and accurate interpretation and inclusion in the tax provision calculation and applicable disclosures.
- Evaluating the appropriateness and accuracy of the gross deferred tax assets and deferred tax liabilities by assessing significant changes by nature of the tax item and testing the schedule of reversing gross deferred tax assets as compared to deferred tax liabilities by jurisdiction.
- Utilizing personnel with specialized knowledge and skill in domestic and international tax to assist in analyzing management's assessment of domestic and foreign tax laws and the application to the Company's tax provisions.

Proven and Probable Ore Reserves

As discussed in Note 2 to the consolidated financial statements, the Company records ore reserve values which are estimated by internal specialists based on the amount of metals that could be economically and legally extracted or produced at the time of the reserve determination. Management's calculations of proven and probable ore reserves are based on financial, engineering and geological estimates, including future metals prices and operating costs, and an assessment of the ability to obtain permits required to mine and process the ore. Reserve estimates will change as existing reserves are depleted through production, as additional reserves are proven and added to the estimates and as market prices of metals, production or capital costs, smelter terms, the grade or tonnage of the deposit, throughput, dilution of the ore or recovery rates change.

We identified the assessment of the reasonableness of the conversion of mineralized material to proven and probable reserves as a critical audit matter. Reserves are the basis to calculate material financial statements areas including depletion, depreciation and amortization, deferred tax assets, and the carrying value of the long-lived assets. The reserve estimates are based on several significant assumptions that are developed internally by management's specialists, including the amount of metals to be extracted, future operating costs, and estimated future capital expenditures. Auditing these elements involved especially challenging and subjective auditor judgment due to the nature and extent of audit effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of certain controls over the inputs into management's estimates of mineralized material, including drilling, sampling and assaying methods.
- Evaluating the reasonableness of the reserves estimates by reviewing management's assessment of current year drilling, sampling and assaying activity, which drive the conversion estimate of the mineralized material to proven and probable reserves. This evaluation involved inquiry of the Company's geologists and corroborating their responses by performing a retrospective review of previous production estimates and evaluating against evidence obtained in other areas of the audit, including reviewing current year expenditures.
- Assessing the reasonableness of management's determination of future operating costs and estimated future capital expenditures through comparison to current and past performance by mine site.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2001.

Spokane, Washington

February 18, 2021

HECLA MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Dollars and shares in thousands, except per share amounts)

	Year Ended December 31,		
	2020	2019	2018
Sales of products	\$ 691,873	\$ 673,266	\$ 567,137
Cost of sales and other direct production costs	389,040	450,349	353,994
Depreciation, depletion and amortization	157,130	199,518	134,044
Total cost of sales	<u>546,170</u>	<u>649,867</u>	<u>488,038</u>
Gross profit	<u>145,703</u>	<u>23,399</u>	<u>79,099</u>
Other operating expenses:			
General and administrative	35,561	35,832	36,542
Exploration	15,853	15,919	35,695
Pre-development	2,442	3,150	4,887
Research and development	—	535	5,441
Provision for closed operations and environmental matters	3,929	4,690	6,119
Other operating expense	8,864	3,043	1,596
Loss (gain) on disposition of properties, plants, equipment and mineral interests	572	4,643	(2,793)
Ramp-up and suspension costs	24,911	12,051	20,693
Foundation grant	1,970	—	—
Acquisition costs	20	645	10,045
Total other operating expense	<u>94,122</u>	<u>80,508</u>	<u>118,225</u>
Income (loss) from operations	<u>51,581</u>	<u>(57,109)</u>	<u>(39,126)</u>
Other income (expense):			
(Loss) gain on derivative contracts	(22,074)	(3,971)	40,253
Gain (loss) on disposition of investments	—	923	(34)
Unrealized gain (loss) on investments	10,268	(2,389)	(2,816)
Net foreign exchange (loss) gain	(4,605)	(8,236)	10,310
Other net expense	(2,256)	(4,429)	(907)
Interest expense, net	(49,569)	(48,447)	(40,944)
Total other (expense) income:	<u>(68,236)</u>	<u>(66,549)</u>	<u>5,862</u>
Loss before income taxes	<u>(16,655)</u>	<u>(123,658)</u>	<u>(33,264)</u>
Income tax (provision) benefit	(135)	24,101	6,701
Net loss	<u>(16,790)</u>	<u>(99,557)</u>	<u>(26,563)</u>
Preferred stock dividends	(552)	(552)	(552)
Loss applicable to common stockholders	<u>\$ (17,342)</u>	<u>\$ (100,109)</u>	<u>\$ (27,115)</u>
Comprehensive loss:			
Net loss	\$ (16,790)	\$ (99,557)	\$ (26,563)
Other comprehensive loss, net of tax:			
Unrealized loss and amortization of prior service on pension plans	(3,559)	(3,277)	(1,550)
Unrealized gain (loss) on derivative contracts designated as hedge transactions	7,980	8,436	(13,814)
Unrealized holding (losses) gains on investments	—	—	(2,443)
Total change in accumulated other comprehensive loss, net	<u>\$ 4,421</u>	<u>\$ 5,159</u>	<u>\$ (17,807)</u>
Comprehensive loss	<u>\$ (12,369)</u>	<u>\$ (94,398)</u>	<u>\$ (44,370)</u>
Basic loss per common share after preferred dividends	<u>\$ (0.03)</u>	<u>\$ (0.20)</u>	<u>\$ (0.06)</u>
Diluted loss per common share after preferred dividends	<u>\$ (0.03)</u>	<u>\$ (0.20)</u>	<u>\$ (0.06)</u>
Weighted average number of common shares outstanding – basic	<u>527,329</u>	<u>490,449</u>	<u>433,419</u>
Weighted average number of common shares outstanding – diluted	<u>527,329</u>	<u>490,449</u>	<u>433,419</u>

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

HECLA MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2020	2019	2018
Operating activities:			
Net loss	\$ (16,790)	\$ (99,557)	\$ (26,563)
Non-cash elements included in net loss:			
Depreciation, depletion and amortization	164,026	204,475	140,905
(Gain) loss on disposition of investments	—	(923)	34
Unrealized (gain) loss on investments	(10,268)	2,389	2,816
Adjustment of inventory to market value	—	1,399	8,191
Fee on prepayment of debt with shares of common stock	—	2,855	—
Loss (gain) on disposition of properties, plants, equipment and mineral interests	572	4,643	(2,793)
Provision for reclamation and closure costs	6,189	6,914	6,090
Deferred income taxes	(5,505)	(33,387)	(9,699)
Stock compensation	6,458	5,668	6,278
Amortization of loan origination fees	3,666	2,637	2,077
Loss (gain) on derivative contracts	5,578	5,613	(15,366)
Foreign exchange loss (gain)	2,680	8,025	(7,104)
Foundation grant	1,970	—	—
Other non-cash items	(176)	42	(66)
Change in assets and liabilities, net of business acquired:			
Accounts receivable	(1,080)	(10,939)	9,843
Inventories	(13,208)	16,146	(27,512)
Other current and non-current assets	2,381	15,618	(1,726)
Accounts payable and accrued liabilities	19,379	(24,355)	17,795
Accrued payroll and related benefits	14,445	9,226	(2,425)
Accrued taxes	3,561	(3,155)	645
Accrued reclamation and closure costs and other non-current liabilities	(3,085)	7,532	(7,199)
Net cash provided by operating activities	<u>180,793</u>	<u>120,866</u>	<u>94,221</u>
Investing activities:			
Additions to properties, plants, equipment and mineral interests	(91,016)	(121,421)	(136,933)
Proceeds from sale of investments	—	1,760	—
Proceeds from disposition of properties, plants and equipment	331	183	2,411
Insurance proceeds received for damaged property	—	—	4,377
Purchases of investments	(2,216)	(389)	(31,971)
Maturities of investments	—	—	64,895
Purchase of other companies, net of cash and restricted cash acquired	—	—	(139,326)
Net cash used in investing activities	<u>(92,901)</u>	<u>(119,867)</u>	<u>(236,547)</u>
Financing activities:			
Proceeds from issuance of common stock, net of offering costs	—	49,019	6,744
Dividends paid to common stockholders	(8,600)	(4,914)	(4,393)
Dividend paid to preferred stockholders	(552)	(552)	(552)
Debt issuance and credit facility fees paid	(1,356)	(976)	(2,638)
Acquisition of treasury shares from employee equity awards	(2,745)	(2,231)	(2,694)
Borrowings on debt	716,327	279,500	102,024
Repayments of debt	(716,500)	(279,500)	(106,036)
Repayments of finance leases	(5,953)	(7,157)	(7,339)
Net cash (used in) provided by financing activities	<u>(19,379)</u>	<u>33,189</u>	<u>(14,884)</u>
Effect of exchange rates on cash	(1,107)	875	(1,515)
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	67,406	35,063	(158,725)
Cash, cash equivalents and restricted cash and cash equivalents at beginning of year	63,477	28,414	187,139
Cash, cash equivalents and restricted cash and cash equivalents at end of year	<u>\$ 130,883</u>	<u>\$ 63,477</u>	<u>\$ 28,414</u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Supplemental disclosure of cash flow information:			
Cash received (paid) during year for:			
Interest	\$ (34,853)	\$ (42,972)	\$ (38,400)
Income taxes	\$ 7,913	\$ (3,385)	\$ 115
Significant non-cash investing and financing activities:			
Common stock and warrants issued for acquisition of other companies	\$ —	\$ (325)	\$ 252,544
Addition of finance lease obligations	\$ 9,113	\$ 6,506	\$ 7,008
Recognition of operating lease liabilities and right-of-use assets	\$ —	\$ 22,365	\$ —
Common stock contributed to pension plans	\$ 16,032	\$ 3,600	\$ 7,595
Common stock issued for 401(k) match	\$ 4,624	\$ 3,862	\$ 3,705
Payment of accrued compensation in restricted stock units	\$ 5,096	\$ 8,274	\$ 4,863
Common stock issued for prepayment of debt	\$ —	\$ 33,457	\$ —
Marketable equity securities received for sale of mineral interest	\$ —	\$ 2,257	\$ —

See Notes 3, 5, 10 and 16 for additional non-cash investing and financing activities.
The accompanying notes are an integral part of the consolidated financial statements.

HECLA MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	December 31,	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 129,830	\$ 62,452
Accounts receivable:		
Trade	27,864	11,952
Taxes	1,584	20,048
Other, net	9,745	6,421
Inventories:		
Concentrates, doré, stockpiled ore, and metals in transit and in-process	57,936	30,364
Materials and supplies	38,608	35,849
Other current assets	19,114	12,038
Total current assets	<u>284,681</u>	<u>179,124</u>
Investments	15,148	6,207
Restricted cash and investments	1,053	1,025
Properties, plants, equipment and mineral interests, net	2,345,219	2,423,698
Operating lease right-of-use assets	10,628	16,381
Deferred income taxes	2,912	3,537
Other non-current assets	8,083	7,336
Total assets	<u>\$ 2,667,724</u>	<u>\$ 2,637,308</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 68,516	\$ 57,716
Accrued payroll and related benefits	31,807	26,916
Accrued taxes	8,349	4,776
Finance leases	6,491	5,429
Operating leases	3,008	5,580
Accrued reclamation and closure costs	5,582	4,581
Accrued interest	14,157	5,804
Current derivative liabilities	11,737	6,170
Other current liabilities	138	2
Total current liabilities	<u>149,785</u>	<u>116,974</u>
Finance leases	9,274	7,214
Operating leases	7,634	10,818
Accrued reclamation and closure costs	110,466	103,793
Long-term debt	507,242	504,729
Deferred tax liability	132,475	138,282
Pension liability	44,144	56,219
Other non-current liabilities	4,364	6,856
Total liabilities	<u>965,384</u>	<u>944,885</u>
Commitments and contingencies (Notes 3, 4, 5, 7, 8, 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, authorized 750,000,000 shares; issued 2020 — 538,487,415 shares and 2019 – 529,182,994 shares	134,629	132,292
Capital surplus	2,003,576	1,973,700
Accumulated deficit	(379,519)	(353,331)
Accumulated other comprehensive loss, net	(32,889)	(37,310)
Less treasury stock, at cost; 2020 – 6,821,044 and 2019 – 6,287,271 shares issued and held in treasury	(23,496)	(22,967)
Total stockholders' equity	<u>1,702,340</u>	<u>1,692,423</u>
Total liabilities and stockholders' equity	<u>\$ 2,667,724</u>	<u>\$ 2,637,308</u>

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

HECLA MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2020, 2019 and 2018
(Dollars in thousands)

	Series B Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Other Accumulated Comprehensive Loss, net	Treasury Stock	Total
Balances, January 1, 2018	\$ 39	\$ 100,926	\$ 1,619,816	\$ (218,089)	\$ (23,373)	\$ (18,042)	\$ 1,461,277
Net loss	—	—	—	(26,563)	—	—	(26,563)
Change in accounting for marketable equity securities	—	—	—	1,289	(1,289)	—	—
Stock issued to directors (162,000 shares)	—	40	553	—	—	—	593
Common stock issued for cash, net of offering costs (2,565,000 shares)	—	641	6,105	—	—	—	6,746
Series B Preferred Stock dividends declared	—	—	—	(552)	—	—	(552)
Stock issued for 401(k) match (1,068,000 shares)	—	267	3,438	—	—	—	3,705
Restricted stock units granted	—	—	5,649	—	—	—	5,649
Common stock and warrants issued for purchase of another company (75,276,000 shares)	—	18,819	233,725	—	—	—	252,544
Common stock dividends declared (\$0.01 per common share)	—	—	—	(4,393)	—	—	(4,393)
Common stock issued for employee incentive compensation (1,237,000 shares)	—	309	4,554	—	—	(1,308)	3,555
Common stock issued to pension plans (2,736,000 shares)	—	684	6,911	—	—	—	7,595
Restricted stock unit distributions (1,079,000 shares)	—	270	(270)	—	—	(1,386)	(1,386)
Other comprehensive loss	—	—	—	—	(17,807)	—	(17,807)
Balances, December 31, 2018	39	121,956	1,880,481	(248,308)	(42,469)	(20,736)	1,690,963
Net loss	—	—	—	(99,557)	—	—	(99,557)
Stock issued to directors (253,000 shares)	—	63	392	—	—	—	455
Common stock issued for cash, net of offering costs (21,410,000 shares)	—	5,353	43,666	—	—	—	49,019
Series B Preferred Stock dividends declared	—	—	—	(552)	—	—	(552)
Stock issued for 401(k) match (1,882,000 shares)	—	470	3,392	—	—	—	3,862
Restricted stock units granted	—	—	5,213	—	—	—	5,213
Restricted stock unit distributions (1,164,000 shares)	—	291	(291)	—	—	(636)	(636)
Adjustment to fair value of warrants issued for purchase of another company	—	—	(325)	—	—	—	(325)
Common stock dividends declared (\$0.01 per common share)	—	—	—	(4,914)	—	—	(4,914)
Common stock issued for employee incentive compensation (3,597,000 shares)	—	899	7,375	—	—	(1,595)	6,679
Common stock issued for prepayment of debt (10,655,000 shares)	—	2,664	30,793	—	—	—	33,457
Common stock issued to pension plans (2,384,000 shares)	—	596	3,004	—	—	—	3,600
Other comprehensive income	—	—	—	—	5,159	—	5,159
Balances, December 31, 2019	39	132,292	1,973,700	(353,331)	(37,310)	(22,967)	1,692,423
Net loss	—	—	—	(16,790)	—	—	(16,790)
Stock issued to directors (391,000 shares)	—	97	1,389	—	—	—	1,486
Series B Preferred Stock dividends declared	—	—	—	(552)	—	—	(552)
Stock issued for 401(k) match (1,584,000 shares)	—	397	4,227	—	—	—	4,624
Restricted stock units granted	—	—	4,975	—	—	—	4,975
Restricted stock unit distributions (1,702,000 shares)	—	426	(426)	—	—	(1,479)	(1,479)
Common stock dividends declared (\$0.01 per common share)	—	—	—	(8,600)	—	—	(8,600)
Common stock issued for employee incentive compensation (2,800,000 shares)	—	700	4,396	—	—	(1,266)	3,830
Treasury shares issued to charitable foundation (650,000 shares)	—	—	—	(246)	—	2,216	1,970
Common stock issued to pension plans (2,869,000 shares)	—	717	15,315	—	—	—	16,032
Other comprehensive income	—	—	—	—	4,421	—	4,421
Balances, December 31, 2020	\$ 39	\$ 134,629	\$ 2,003,576	\$ (379,519)	\$ (32,889)	\$ (23,496)	\$ 1,702,340

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

HECLA MINING COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: THE COMPANY

Hecla Mining Company, and its affiliates and subsidiaries (collectively, "Hecla", "we", "us" or "the Company"), is primarily a precious metals mining company with five operations located in the United States, Canada and Mexico and several exploration projects in North America. Hecla Mining Company is a Delaware corporation. Our current holding company structure dates from the incorporation of Hecla Mining Company in 2006 and the renaming of our subsidiary (previously Hecla Mining Company) as Hecla Limited. Hecla Limited was incorporated on October 14, 1891 as an Idaho Corporation in northern Idaho's Silver Valley. We believe we are the oldest operating precious metals mining company in the United States and the largest silver producer in the United States. Our corporate offices are in Coeur d'Alene, Idaho and Vancouver, British Columbia. The cash flow and profitability of the Company's operations are significantly affected by the market price of silver, gold, lead and zinc. The prices of silver, gold, lead and zinc are affected by numerous factors beyond our control.

References to "CAD" and "MXN" refer to the Canadian Dollar and Mexican Peso, respectively.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Principles of Consolidation, Basis of Presentation and Other Information — Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and include our accounts and our wholly-owned subsidiaries' accounts. All significant inter-company balances and transactions have been eliminated in consolidation.

The 2019 novel strain of coronavirus ("COVID-19") was characterized as a global pandemic by the World Health Organization on March 11, 2020, and COVID-19 resulted in travel restrictions and business slowdowns or shutdowns in affected areas. In late March 2020, the Government of Quebec ordered the mining industry to reduce to minimum operations as part of the fight against COVID-19, causing us to suspend our Casa Berardi operations from March 24 until April 15, when mining operations resumed. In early April, the Government of Mexico issued a similar order causing us to suspend our San Sebastian operations until May 30. In addition, restrictions imposed by the State of Alaska in late March caused us to revise the normal operating procedures for staffing operations at Greens Creek. These suspension orders impacted us in the first half of 2020 by curtailing our expected production of gold at Casa Berardi by approximately 11,700 ounces in 2020, which resulted in a reduction in related revenue. We continued to incur costs at Casa Berardi and San Sebastian while operations were suspended. At Casa Berardi and San Sebastian, suspension costs in 2020 totaled \$1.6 million and \$1.8 million, respectively. In addition, we incurred costs of approximately \$2.3 million in 2020 related to quarantining employees at Greens Creek, which started in late March 2020. At Lucky Friday and Nevada Operations, COVID-19 procedures have been implemented without a significant impact on production or operating costs. It is possible that future restrictions at any of our operations could have an adverse impact on operations or financial results beyond 2020.

We took precautionary measures to mitigate the impact of COVID-19, including implementing operational plans and practices and increasing our cash reserves through a temporary draw-down of our revolving credit facility, which was fully repaid (see *Note 7* for more information). As long as they are required, the operational practices implemented could have an adverse impact on our operating results due to deferred production and revenues or additional costs. We continue to monitor the rapidly evolving situation and guidance from federal, state, local and foreign governments and public health authorities and may take additional actions based on their recommendations. The extent of the impact of COVID-19 and any subsequent variants on our business and financial results will also depend on future developments, including the duration and spread of the outbreak and the success of the current vaccination programs being rolled out within the markets in which we operate and the related impact on prices, demand, creditworthiness and other market conditions and governmental reactions, all of which are highly uncertain.

B. Assumptions and Use of Estimates — Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts and related disclosure of assets, liabilities, revenue and expenses at the date of the consolidated financial statements and reporting periods. We consider our most critical accounting estimates to be future metals prices; obligations for environmental, reclamation and closure matters; mineral reserves; and valuation of business combinations. Other significant areas requiring the use of management assumptions and estimates relate to reserves for contingencies and litigation; asset impairments, including long-lived assets and investments; valuation of deferred tax assets; and post-employment, post-retirement and other employee benefit assets and liabilities. We have based our estimates on historical experience and various other assumptions that we believe to be reasonable. Accordingly, actual results may differ materially from these estimates under different assumptions or conditions.

C. Cash and Cash Equivalents — Cash and cash equivalents consist of all cash balances and highly liquid investments with a remaining maturity of three months or less when purchased and are carried at fair value. Cash and cash equivalents are invested in money market funds, certificates of deposit, U.S. government and federal agency securities, municipal securities and corporate bonds.

D. Investments — We determine the appropriate classification of our investments at the time of purchase and re-evaluate such determinations at each reporting date. Current investments include certificates of deposit and held to maturity or available for sale debt securities, based on our intent and ability to hold the securities to maturity. Marketable equity securities are carried at fair value. Held to maturity securities are carried at amortized cost. Marketable securities determined to be an asset held-for-sale are included in other current assets. Marketable debt securities held by us are categorized as available for sale and carried at fair value.

Gains and losses on the sale of securities are recognized on a specific identification basis. Unrealized gains and losses are included in a separate line item on our consolidated statements of operations and comprehensive income.

E. Inventories — Major types of inventories include materials and supplies and metals product inventory, which is determined by the stage at which the ore is in the production process (stockpiled ore, in-process and finished goods). Product inventories are stated at the lower of full cost of production or estimated net realizable value based on current metals prices. Materials and supplies inventories are stated at cost.

Stockpiled ore inventory represents ore that has been mined, hauled to the surface, and is available for further processing. Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the amount of contained metal ounces or pounds (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method). Costs are allocated to a stockpile based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore, including applicable overhead, depreciation, depletion and amortization relating to mining operations, and removed at each stockpile's average cost per recoverable unit.

In-process inventory represents material that is currently in the process of being converted to a saleable product. Conversion processes vary depending on the nature of the ore and the specific processing facility, but include mill in-circuit, flotation, and carbon-in-leach. In-process material is measured based on assays of the material fed into the process and the projected recoveries of the respective processing plants. In-process inventory is valued at the lower of the average cost of the material fed into the process attributable to the source material coming from the mine and stockpile plus the in-process conversion costs, including applicable amortization relating to the process facilities incurred to that point in the process, or net realizable value.

Finished goods inventory includes doré and concentrates at our operations, doré in transit to refiners or at refiners waiting to be processed, and bullion in our accounts at refineries.

F. Restricted Cash — Restricted cash and investments primarily represent investments in money market funds, certificates of deposit, and bonds of U.S. government agencies and are restricted primarily for reclamation funding or surety bonds. Restricted cash balances are carried at fair value. Non-current restricted cash and investments is reported in a separate line on the consolidated balance sheets and totaled \$1.1 million at December 31, 2020 and \$1.0 million at December 31, 2019.

G. Properties, Plants and Equipment — Costs are capitalized when it has been determined an ore body can be economically developed. The development stage begins at new projects when our management and/or board of directors makes the decision to bring a mine into commercial production, and ends when the production stage, or exploitation of reserves, begins. Expenditures incurred during the development and production stages for new assets, new facilities, alterations to existing facilities that extend the useful lives of those facilities, and major mine development expenditures are capitalized, including primary development costs such as costs of building access ways, shaft sinking, lateral development, drift development, ramps and infrastructure developments. Costs to improve, alter, or rehabilitate primary development assets which appreciably extend the life, increase capacity, or improve the efficiency or safety of such assets are also capitalized.

The costs of removing overburden and waste materials to access the ore body at an open-pit mine prior to the production stage are referred to as “pre-stripping costs.” Pre-stripping costs are capitalized during the development stage. Where multiple open pits exist at an operation utilizing common facilities, pre-stripping costs are capitalized at each pit. The production stage of a mine commences when salable materials, beyond a de minimis amount, are produced. Stripping costs incurred during the production stage are treated as variable production costs included as a component of inventory, to be recognized in cost of sales and other direct production costs in the same period as the revenue from the sale of inventory.

Costs for exploration, pre-development, secondary development at operating mines, including drilling costs related to those activities (discussed further below), and maintenance and repairs on capitalized properties, plants and equipment are charged to operations as incurred. Exploration costs include those relating to activities carried out (a) in search of previously unidentified mineral deposits, (b) at undeveloped concessions, or (c) at operating mines already containing proven and probable reserves, where a determination remains pending as to whether new target deposits outside of the existing reserve areas can be economically developed. Pre-development activities involve costs incurred in the exploration stage that may ultimately benefit production, such as underground ramp development, which are expensed due to the lack of evidence of economic development, which is necessary to demonstrate future recoverability of these expenses. At an underground mine, secondary development costs are incurred for preparation of an ore body for production in a specific ore block, stope or work area, providing a relatively short-lived benefit only to the mine area they relate to, and not to the ore body as a whole. Primary development costs benefit long-term production, multiple mine areas, or the ore body as a whole, and are therefore capitalized.

Drilling, development and related costs are either classified as exploration, pre-development or secondary development, as defined above, and charged to operations as incurred, or capitalized, based on the following criteria:

- whether the costs are incurred to further define mineralization at and adjacent to existing reserve areas or intended to assist with mine planning within a reserve area;
- whether the drilling or development costs relate to an ore body that has been determined to be commercially mineable, and a decision has been made to put the ore body into commercial production; and
- whether, at the time the cost is incurred: (a) the expenditure embodies a probable future benefit that involves a capacity, singly or in combination with other assets, to contribute directly or indirectly to future net cash inflows, (b) we can obtain the benefit and control others’ access to it, and (c) the transaction or event giving rise to our right to or control of the benefit has already occurred.

If all of these criteria are met, drilling, development and related costs are capitalized. Drilling and development costs not meeting all of these criteria are expensed as incurred. The following factors are considered in determining whether or not the criteria listed above have been met, and capitalization of drilling and development costs is appropriate:

- completion of a favorable economic study and mine plan for the ore body targeted;
- authorization of development of the ore body by management and/or the board of directors; and
- there is a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues and/or contractual requirements necessary for us to have the right to or control of the future benefit from the targeted ore body have been met.

Drilling and related costs of approximately \$4.4 million, \$14.4 million, and \$11.6 million for the years ended December 31, 2020, 2019 and 2018, respectively, met our criteria for capitalization listed above at our properties that are in the production stage.

When assets are retired or sold, the costs and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in current period net income (loss). Idle facilities placed on standby are carried at the lower of net carrying value or estimated fair value. The net carrying values of idle facilities on standby are written down to salvage value upon reaching the end of their economic life. Therefore, with the exception of depreciation recorded on mobile equipment used in ongoing exploration and reclamation efforts at such properties, we do not record depreciation on idle facilities when they are not in operation.

Included in properties, plants, equipment and mineral interests on our consolidated financial statements are mineral interests, which are tangible assets that include acquired undeveloped mineral interests and royalty interests. Undeveloped mineral interests include: (i) mineralized material and other resources which are measured, indicated or inferred with insufficient drill spacing or quality to qualify as proven and probable reserves; and (ii) inferred material not immediately adjacent to existing proven and probable reserves but accessible within the immediate mine infrastructure. Residual values for undeveloped mineral interests represent the expected fair value of the interests at the time we plan to convert, develop, further explore or dispose of the interests and are evaluated at least annually.

We capitalize portions of interest costs incurred on our debt as a part of the cost of constructing or acquiring certain qualifying assets. The amount of interest capitalized represents the portion of interest cost incurred during the construction or acquisition periods that theoretically could have been avoided if expenditures for the qualifying assets had not been made, limited to the total interest cost actually incurred during the period. Qualifying assets include discrete projects constructed by us or by a third party for our use which required a period of time to prepare the assets for their intended use. Interest capitalization takes place when capital expenditures for qualifying assets have been incurred, activities to prepare the qualifying asset for its intended use are underway, and interest cost is being incurred.

H. Depreciation, Depletion and Amortization — Capitalized costs are depreciated or depleted using the straight-line method or unit-of-production method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities or the useful life of the individual assets. Productive lives range from 3 to 17 years, but do not exceed the useful life of the individual asset. Determination of expected useful lives for amortization calculations are made on a property-by-property or asset-by-asset basis at least annually. Our estimates for reserves, mineralized material, and other resources are a key component in determining our units of production depreciation rates, with net book value of many assets depreciated over remaining estimated reserves. Reserves are estimates made by our professional technical personnel of the amount of metals that they believe could be economically and legally extracted or produced at the time of the reserve determination (discussed in *J. Proven and Probable Ore Reserves* below). Our estimates of proven and probable ore reserves, mineralized material, and other resources may change, possibly in the near term, resulting in changes to depreciation, depletion and amortization rates in future reporting periods.

Undeveloped mineral interests and value beyond proven and probable reserves are not amortized until such time as there are proven and probable reserves or the related mineralized material is converted to proven and probable reserves. At that time, the basis of the mineral interest is amortized on a units-of-production basis. Pursuant to our policy on impairment of long-lived assets (discussed further below), if it is determined that an undeveloped mineral interest cannot be economically converted to proven and probable reserves and its carrying value exceeds its estimated undiscounted future cash flows, the basis of the mineral interest is reduced to its fair value and an impairment loss is recorded to expense in the period in which it is determined to be impaired.

I. Impairment of Long-lived Assets — Management reviews and evaluates the net carrying value of all facilities, including idle facilities, for impairment upon the occurrence of events or changes in circumstances that indicate that the related carrying amounts may not be recoverable. We perform the test for recoverability of each property based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment, and the value associated with property interests.

Although management has made what it believes to be a reasonable estimate of factors based on current conditions and information, assumptions underlying future cash flows, which includes the estimated value of mineral interests, are subject to significant risks and uncertainties. Estimates of undiscounted future cash flows are dependent upon, among other factors, estimates of: (i) metals to be recovered from proven and probable ore reserves and identified mineralization and other resources beyond proven and probable reserves, (ii) future production and capital costs, (iii) estimated metals prices (considering current and historical prices, forward pricing curves and related factors) over the estimated remaining mine life and (iv) market values of mineral interests. It is possible that changes could occur in the near term that could adversely affect our estimate of future cash flows to be generated from our operating properties. If estimated undiscounted cash flows are less than the carrying value of a property, an impairment loss is recognized for the difference between the carrying value and fair value of the property.

J. Proven and Probable Ore Reserves — At least annually, management reviews the reserves used to estimate the quantities and grades of ore at our mines which we believe can be recovered and sold economically. Management's calculations of proven and probable ore reserves are based on financial, engineering and geological estimates, including future metals prices and operating costs, and an assessment of our ability to obtain the permits required to mine and process the material. From time to time, management obtains external audits or reviews of reserves.

Reserve estimates will change as existing reserves are depleted through production, as additional reserves are proven and added to the estimates and as market prices of metals, production or capital costs, smelter terms, the grade or tonnage of the deposit, throughput, dilution of the ore or recovery rates change.

K. Leases — Contractual arrangements are assessed at inception to determine if they represent or contain a lease. Right-of-use ("ROU") assets related to operating leases are separately reported in the Consolidated Balance Sheets. ROU assets related to finance leases are included in Properties, plants, equipment and mineral interests, net. Separate current and non-current liabilities for operating and finance leases are reported on the Consolidated Balance Sheets.

Operating and finance lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the lease term. Leases acquired in a business combination are also measured based on the present value of the remaining lease payments, as if the acquired lease were a new lease at the acquisition date. When the rate implicit to the lease cannot be readily determined, we utilize our incremental borrowing rate in determining the present value of the future lease payments. The incremental borrowing rate is derived from information available at the lease commencement date and represents the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The ROU asset includes any lease payments made and lease incentives received prior to the commencement date. Operating lease ROU assets also include any cumulative prepaid or accrued rent when the lease payments are uneven throughout the lease term. The ROU assets and lease liabilities may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

We adopted the guidance under ASU No. 2016-02 Leases (Topic 842) effective January 1, 2019, and recognized a liability and right-of-use asset of \$22.4 million as of that date for our identified operating leases. We elected the transition option to apply the new guidance as of that effective date without adjusting comparative periods presented. In the adoption of ASU No. 2016-02, we elected to not assess leases with terms less than twelve months in length. We also elected practical expedients which permitted us to forgo reassessing the following upon adoption: (i) whether any expired or existing contracts are or contain leases, (ii) the classification of leases as operating or capital under the previous accounting guidance, and (iii) treatment of initial indirect costs for any existing leases. In addition, we elected to not reassess whether land easements represent leases, as we did not treat them as leases under the previous guidance.

L. Pension Plans and Other Post-retirement Benefits — Accounting principles regarding employers' accounting for defined benefit pension and other post-retirement plans, among other things, require us to:

- recognize the funded or underfunded status of our defined benefit plans in our consolidated financial statements; and
- recognize as a component of other comprehensive income (loss) the actuarial gains and losses and prior service costs and credits that arise during the period but are not immediately recognized as components of net periodic benefit cost.

See *Note 9* for more information on the valuation of the underfunded status of our defined benefit pension plans.

M. Income and Production Taxes — We provide for federal, state and foreign income taxes currently payable, as well as those deferred, due to timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Federal, state and foreign tax benefits are recorded as a reduction of income taxes, when applicable. We record deferred tax liabilities and assets for expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of those assets and liabilities, as well as operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

We evaluate uncertain tax positions in a two-step process, whereby (i) it is determined whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (ii) for those tax positions that meet the more-likely-than-not recognition threshold, the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the related tax authority would be recognized.

We classify mine license taxes incurred in the states of Alaska and Idaho as other direct production costs reported in our gross profits. Net proceeds taxes incurred in Nevada, mining duties in Mexico, and resource taxes incurred in Quebec, Canada are classified as income taxes.

For additional information, see *Note 6 — Income Taxes*.

N. Reclamation and Remediation Costs (Asset Retirement Obligations) — At our operating properties, we record a liability for the present value of our estimated environmental remediation costs, and the related asset created with it, in the period in which the liability is incurred. The liability is accreted and the asset is depreciated over the life of the related assets. Adjustments for changes resulting from the passage of time and changes to either the timing or amount of the original present value estimate underlying the obligation are made in the period incurred.

At our non-operating properties, we accrue costs associated with environmental remediation obligations when it is probable that such costs will be incurred and they are reasonably estimable. Accruals for estimated losses from environmental remediation obligations have historically been recognized no later than completion of the remediation feasibility study for such facility and are charged to current earnings under provision for closed operations and environmental matters. Costs of future expenditures for environmental remediation are not discounted to their present value unless subject to a contractually obligated fixed payment schedule. Such costs are based on management's current estimate of amounts to be incurred when the remediation work is performed, within current laws and regulations.

Future closure, reclamation and environmental-related expenditures are difficult to estimate in many circumstances, due to the early stage nature of investigations, uncertainties associated with defining the nature and extent of environmental contamination, the application of laws and regulations by regulatory authorities, and changes in reclamation or remediation technology. We periodically review accrued liabilities for such reclamation and remediation costs as evidence becomes available indicating that our liabilities have potentially changed. Changes in estimates at our non-operating properties are reflected in current period net income (loss).

O. Revenue Recognition and Trade Accounts Receivable — Sales of all metals products sold directly to customers, including by-product metals, are recorded as

revenues and accounts receivable upon 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, the transaction price is known, 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 unrefined doré and carbon material, 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 or carbon containing the agreed-upon metal quantities to the customer. 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 at estimated forward prices for the anticipated month of settlement. Due to the time elapsed from shipment to the customer and the final settlement with the customer, we must estimate the prices at which sales of our concentrates will be settled. Previously recorded sales and accounts receivable are adjusted to estimated settlement metals prices until final settlement by the customer. As discussed in *P. Risk Management Contracts* below, we seek to mitigate this exposure by using financially-settled forward contracts for some of the metals contained in our concentrate shipments.

Refining, selling and shipping costs related to sales of doré, metals from doré, and carbon are recorded to cost of sales as incurred. Sales and accounts receivable for concentrate shipments are recorded net of charges by the customers for treatment, refining, smelting losses, and other charges negotiated by us with the customers. 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 costs per ton of concentrate, and price escalators which allow the customers to participate in the increase of lead and zinc prices above a negotiated baseline.

See *Note 12* for more information on our sales of products.

P. Foreign Currency — The functional currency for our operations located in the U.S., Mexico and Canada was the U.S. dollar (“USD”) for all periods presented. Accordingly, for the Casa Berardi unit in Canada and the San Sebastian unit in Mexico, we have translated our monetary assets and liabilities at the period-end exchange rate, and non-monetary assets and liabilities at historical rates, with income and expenses translated at the average exchange rate for the current period. All translation gains and losses have been included in the current period net income (loss). Expenses incurred at our foreign operations and denominated in CAD and MXN expose us to exchange rate fluctuations between those currencies and the USD. As discussed in *P. Risk Management Contracts* below, we seek to mitigate this exposure by using financially-settled forward contracts to sell CAD and MXN.

We recognized total net foreign exchange losses of \$4.6 million and \$8.2 million, and a net gain of \$10.3 million, for the years ended December 31, 2020, 2019 and 2018, respectively.

Q. Risk Management Contracts — We use derivative financial instruments as part of an overall risk-management strategy as a means of managing exposure to changes in metals prices and exchange rate fluctuations between the USD and CAD and MXN. We do not hold or issue derivative financial instruments for speculative trading purposes. We measure derivative contracts as assets or liabilities based on their fair value. Amounts recognized for the fair value of derivative asset and liability positions with the same counterparty and which would be settled on a net basis are offset against each other on our consolidated balance sheets. Gains or losses resulting from changes in the fair value of derivatives in each period are recorded either in current earnings or other comprehensive income (“OCI”), depending on the use of the derivative, whether it qualifies for hedge accounting and whether that hedge is effective. Amounts deferred in OCI are reclassified to sales of products (for metals price-related contracts) or cost of sales (for foreign currency-related contracts). Ineffective portions of any change in fair value of a derivative are recorded in current period other operating income (expense). For derivatives qualifying as hedges, when the hedged items are sold, extinguished or terminated, or it is determined the hedged transactions are no longer likely to occur, gains or losses on the derivatives are reclassified from OCI to current earnings. As of December 31, 2020 and 2019, our foreign currency-related forward contracts qualified for hedge accounting, with unrealized gains and loss related to the effective portion of the contracts included in OCI. Our metals price-related forward and put option contracts did not qualify for hedge accounting as of December 31, 2020 and 2019, and all unrealized gains and losses are therefore reported in earnings.

See *Note 11* for additional information on our foreign exchange and metal derivative contracts as of December 31, 2020.

R. Stock Based Compensation — The fair values of equity instruments granted to employees that have vesting periods are expensed over the vesting periods on a straight-line basis. The fair values of instruments having no vesting period are expensed when granted. Stock-based compensation expense is recorded among general and administrative expenses, exploration and cost of sales and other direct production costs.

For additional information on our restricted stock unit compensation, see *Note 10*.

S. Basic and Diluted Income (Loss) Per Common Share — We calculate basic (loss) earnings per share on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is calculated using the weighted average number of shares of common stock outstanding during the period plus the effect of potential dilutive common shares during the period using the treasury stock and if-converted methods.

Potential dilutive shares of common stock include outstanding unvested restricted stock awards, performance-based share awards, stock units, warrants and convertible preferred stock for periods in which we have reported net income. For periods in which we report net losses, potential dilutive shares of common stock are excluded, as their conversion and exercise would be anti-dilutive. See *Note 14* for additional information.

T. Comprehensive Income (Loss) — In addition to net income (loss), comprehensive income (loss) includes certain changes in equity during a period, such as adjustments to minimum pension liabilities, adjustments to recognize the over-funded or under-funded status of our defined benefit pension plans, the change in fair value of derivative contracts designated as hedge transactions, and cumulative unrecognized changes in the fair value of available for sale debt investments, net of tax, if applicable.

U. Research and development — Costs related to activities meeting the definition of research and development are generally recorded to expense. However, costs for materials, equipment, and facilities that are acquired or constructed for research and development activities that have alternative future uses are capitalized. Research and development expense for the years ended December 31, 2019 and 2018 included contractor fees. We did not report research and development expense for the year ended December 31, 2020.

V. New Accounting Pronouncements — Accounting Standards Updates Adopted

In June 2016, the FASB issued ASU No. 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The update changes how entities will record credit losses from an “incurred loss” approach to an “expected loss” approach. The update was adopted as of January 1, 2020, and its adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The update removes, modifies and makes additions to certain disclosure requirements with respect to fair value measurements. The update was adopted as of January 1, 2020, and its adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14 Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans. The update removes several disclosure requirements, adds two new disclosure requirements, and clarifies other disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. The update is effective for fiscal years ending after December 15, 2020, with early adoption permitted. The update was adopted as of December 31, 2020, and its adoption did not have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04 Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The update provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The update is effective as of March 12, 2020 through December 31, 2022. Adoption of the update has not had a material impact on our consolidated financial statements.

Accounting Standards Updates to Become Effective in Future Periods

In December 2019, the FASB issued ASU No. 2019-12 Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. The update contains a number of provisions intended to simplify the accounting for income taxes. The update is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. We are evaluating the impact of this update on our consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06 Debt - Debt with Conversion and Other Options (Subtopic

470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity. The update is to address issues identified as a result of the complexity associated with applying generally accepted accounting principles for certain financial instruments with characteristics of liabilities and equity. The update is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years and with early adoption permitted. We are evaluating the impact of this update on our consolidated financial statements.

NOTE 3. INVESTMENTS

At December 31, 2020 and 2019, the fair value of our non-current investments was \$15.1 million and \$6.2 million, respectively. Our non-current investments consist of marketable equity securities which are carried at fair value. The cost basis of our non-current investments was approximately \$9.9 million and \$9.8 million at December 31, 2020 and 2019, respectively. We acquired marketable equity securities having a cost basis of \$2.2 million in 2020. We acquired marketable equity securities having a cost basis of \$2.7 million, including \$2.3 million in securities received for the sale of our interest in an exploration project, in 2019. In December 2020, we reclassified from non-current investments to other current assets \$4.2 million for the value of marketable equity securities that were exchanged for cash and common shares of other companies in January 2021. During 2020 and 2019, we recognized \$10.3 million in net unrealized gains and \$2.4 million in net unrealized losses, respectively, in current earnings.

NOTE 4: PROPERTIES, PLANTS, EQUIPMENT AND MINERAL INTERESTS, AND LEASE COMMITMENTS

Properties, Plants, Equipment and Mineral Interests

Our major components of properties, plants, equipment, and mineral interests are (in thousands):

	December 31,	
	2020	2019
Mining properties, including asset retirement obligations	\$ 818,819	\$ 762,355
Development costs	526,714	503,111
Plants and equipment	1,129,200	1,056,512
Land	32,983	32,909
Mineral interests	969,589	1,018,380
Construction in progress	347,099	360,827
	<u>3,824,404</u>	<u>3,734,094</u>
Less accumulated depreciation, depletion and amortization	1,479,185	1,310,396
Net carrying value	<u>\$ 2,345,219</u>	<u>\$ 2,423,698</u>

During 2020, we incurred total capital expenditures of approximately \$91.0 million. This excludes non-cash items for equipment acquired under finance leases and adjustments for asset retirement obligations. The expenditures included \$25.7 million at the Lucky Friday unit, \$19.7 million at the Greens Creek unit, \$40.9 million at the Casa Berardi unit, \$0.5 million at the San Sebastian unit, and \$4.0 million at the Nevada Operations unit.

Mineral interests include amounts for value beyond proven and probable reserves (“VBPP”) related to mines and exploration or pre-development interests acquired by us which are not depleted until the mineralized material they relate to is converted to proven and probable reserves. As of December 31, 2020, mineral interests included VBPP assets of \$321.1 million, \$382.2 million and \$132.6 million, respectively, at our Casa Berardi, Nevada Operations and Greens Creek units, along with various other properties.

A review of our Nevada operations, including the relevant carrying value of our long-term assets there, was conducted during the second quarter of 2019 to address poor operational performance since acquisition. The review led to a plan to limit near-term mining at Fire Creek and temporarily suspend production and development of the Hatter Graben project adjacent to Hollister and resulted in lower subsequent production and capitalized development costs. Production at the Midas mine and Aurora mill was also suspended in late 2019. Suspension-related costs totaling \$13.5 million in 2020, including non-cash depreciation expense of \$5.6 million, at Hollister, Midas and Aurora are reported in a separate line item on our consolidated statements of operations and excluded from cost of sales and other direct production costs and depreciation, depletion and amortization.

There were no subsequent events or changes in circumstances during the latter half of 2019 or 2020 that indicated the carrying value of our long-term assets in Nevada were not recoverable as of December 31, 2020. We have entered into a third-party ore processing arrangement for a bulk sample of refractory ore. Mining of the bulk sample material commenced in the second quarter of 2020, with costs for mining the material totaling \$7.7 million, along with \$11.5 million for costs related to mining non-refractory ore, included in stockpiled ore inventory as of December 31, 2020. The bulk test demonstrated that larger scale, more productive mining methods could be applied successfully to this material. The bulk test refractory ore is being processed by a third party through a tolling agreement. While the processing is not yet complete, the recovery information to date is following the grade-recovery curve established through bench testing. Metal prices increased significantly since the tolling agreement was signed, and it is no longer attractive for the third party to displace their own feed to toll. Discussions are underway with another processor. The carrying value of our properties, plants, equipment and mineral interests in Nevada as of December 31, 2020 was \$474.3 million.

Finance and Capital Leases

We periodically enter into lease agreements, primarily for equipment at our operating units, which we have determined to be finance leases under accounting guidance that became effective on January 1, 2019, and capital leases prior to that date. As of December 31, 2020 and 2019, we have recorded \$74.0 million and \$64.9 million, respectively, for the gross amount of assets acquired under the finance and capital leases and \$51.7 million and \$44.3 million, respectively, in accumulated depreciation on those assets, classified as plants and equipment in *Properties, plants, equipment and mineral interests*. See Note 7 for information on future obligations related to our finance and capital leases.

NOTE 5: ENVIRONMENTAL AND RECLAMATION ACTIVITIES

The liabilities accrued for our reclamation and closure costs at December 31, 2020 and 2019 were as follows (in thousands):

	2020	2019
Operating properties:		
Greens Creek	\$ 42,716	\$ 44,695
Lucky Friday	12,818	10,473
Casa Berardi	11,730	4,510
San Sebastian	6,882	7,399
Nevada Operations	26,062	24,754
Non-operating properties:		
Troy mine	5,340	6,069
Johnny M	6,065	6,065
Republic	1,500	1,500
All other sites	2,935	2,909
Total	116,048	108,374
Reclamation and closure costs, current	(5,582)	(4,581)
Reclamation and closure costs, long-term	\$ 110,466	\$ 103,793

The activity in our accrued reclamation and closure cost liability for the years ended December 31, 2020, 2019 and 2018 was as follows (in thousands):

Balance at January 1, 2018	\$ 86,045
Accruals for estimated costs	250
Accretion expense	5,309
Revision of estimated cash flows due to changes in reclamation plans	1,280
Liability addition due to acquisition of the Nevada Operations unit	19,571
Payment of reclamation obligations	(4,066)
Balance at December 31, 2018	108,389
Accruals for estimated costs	472
Accretion expense	7,122
Revision of estimated cash flows due to changes in reclamation plans	(4,522)
Payment of reclamation obligations	(3,087)
Balance at December 31, 2019	108,374
Accretion expense	5,912
Revision of estimated cash flows due to changes in reclamation plans	2,543
Payment of reclamation obligations	(781)
Balance at December 31, 2020	\$ 116,048

Asset Retirement Obligations

Below is a reconciliation as of December 31, 2020 and 2019 (in thousands) of the asset retirement obligations ("ARO") relating to our operating properties, which are included in our total accrued reclamation and closure costs of \$116.0 million and \$108.4 million, respectively, discussed above. The estimated reclamation and closure costs were discounted using credit adjusted, risk-free interest rates ranging from 5.75% to 14.5% from the time we incurred the obligation to the time we expect to pay the retirement obligation.

	2020	2019
Balance January 1	\$ 91,831	\$ 89,417
Changes in obligations due to changes in reclamation plans	2,543	(4,522)
Accretion expense	5,912	7,122
Payment of reclamation obligations	(78)	(186)
Balance at December 31	\$ 100,208	\$ 91,831

In the fourth quarter of 2020, we updated the ARO at Casa Berardi to reflect a revised plan for reclamation and closure of the mine at the end of its life having estimated undiscounted costs of approximately CAD\$29.1 million, an increase from the CAD\$15.7 million in the previous plan, resulting in an increase in the ARO asset and liability of \$6.7 million.

In the fourth quarter of 2020, we updated the ARO at Lucky Friday to reflect a revised plan for reclamation and closure of the mine at the end of its life having estimated undiscounted costs of approximately \$36.9 million, an increase from the \$34.3 million in the previous plan, resulting in an increase in the ARO asset and liability of \$1.5 million.

In the fourth quarter of 2020, we updated the ARO at San Sebastian to reflect performance of some reclamation work prior to when it was previously scheduled, resulting in a decrease in undiscounted costs of \$0.6 million and decrease in the ARO asset and liability of \$0.6 million.

In the second quarter of 2020, we revised the ARO at Greens Creek to reflect a revised plan for reclamation and closure of the mine at the end of its life having estimated undiscounted costs of approximately \$107.7 million, a decrease from the \$114.9 million in the previous plan, resulting in a decrease in the ARO asset and liability of \$5.1 million.

The AROs related to the changes described above were discounted using a credit adjusted, risk-free interest rate of between 2.75% and 7.5% and inflation rates ranging from 2% to 4%.

NOTE 6: INCOME TAXES

Major components of our income tax (provision) benefit for the years ended December 31, 2020, 2019 and 2018 are as follows (in thousands):

	2020	2019	2018
Current:			
Domestic	\$ (868)	\$ (701)	\$ (454)
Foreign	(6,355)	(7,289)	(4,382)
Total current income tax provision	(7,223)	(7,990)	(4,836)
Deferred:			
Domestic	4,392	15,243	7,147
Foreign	2,696	16,848	4,390
Total deferred income tax benefit	7,088	32,091	11,537
Total income tax (provision) benefit	<u>\$ (135)</u>	<u>\$ 24,101</u>	<u>\$ 6,701</u>

Domestic and foreign components of (loss) income before income taxes for the years ended December 31, 2020, 2019 and 2018 are as follows (in thousands):

	2020	2019	2018
Domestic	\$ (2,104)	\$ (49,874)	\$ (44,513)
Foreign	(14,551)	(73,784)	11,249
Total	<u>\$ (16,655)</u>	<u>\$ (123,658)</u>	<u>\$ (33,264)</u>

The annual tax (provision) benefit is different from the amount that would be provided by applying the statutory federal income tax rate to our pretax (loss) income. The reasons for the difference are (in thousands):

	2020		2019		2018	
Computed "statutory" benefit (provision)	\$ 3,498	21%	\$ 25,968	21%	\$ 6,986	21%
Percentage depletion	5,327	32	3,030	2	3,158	10
Change in valuation allowance	786	5	686	1	(2,304)	(7)
State taxes, net of federal tax benefit	(1,164)	(7)	2,648	2	(849)	(3)
Foreign currency remeasurement of monetary assets and liabilities	(4,824)	(29)	(8,629)	(7)	6,747	20
Rate differential on foreign earnings	991	6	3,947	3	(469)	(1)
Compensation	(458)	(3)	(1,056)	(1)	(970)	(3)
Foreign withholding taxes	—	—	—	—	278	1
Mining and other taxes	(3,572)	(22)	(1,242)	(1)	(3,501)	(11)
Other	(719)	(4)	(1,251)	(1)	(2,375)	(7)
Total (provision) benefit	<u>\$ (135)</u>	<u>(1)%</u>	<u>\$ 24,101</u>	<u>19%</u>	<u>\$ 6,701</u>	<u>20%</u>

At December 31, 2020 and 2019, the net deferred tax liability was approximately \$129.6 million and \$134.7 million, respectively. The individual components of our net deferred tax assets and liabilities are reflected in the table below (in thousands).

	December 31,	
	2020	2019
Deferred tax assets:		
Accrued reclamation costs	\$ 32,938	\$ 30,038
Deferred exploration	11,623	13,762
Foreign net operating losses	13,303	12,013
Domestic net operating losses	198,438	175,024
Pension and benefit obligation	12,341	13,866
Foreign exchange loss	19,808	21,719
Foreign tax credit carryforward	3,358	4,149
Miscellaneous	18,385	30,871
Total deferred tax assets	310,194	301,442
Valuation allowance	(77,210)	(86,634)
Total deferred tax assets	232,984	214,808
Deferred tax liabilities:		
Miscellaneous	(2,551)	(904)
Properties, plants and equipment	(359,996)	(348,649)
Total deferred tax liabilities	(362,547)	(349,553)
Net deferred tax liability	<u>\$ (129,563)</u>	<u>\$ (134,745)</u>

As discussed in Note 16, we acquired Klondex in July 2018. With this acquisition, we acquired a U.S. consolidated tax group (the "Nevada U.S. Group") that did not join the existing consolidated U.S. tax group of Hecla Mining Company and subsidiaries ("Hecla U.S."). Under acquisition accounting, we recorded a net deferred tax liability of \$59.5 million. In 2020, 2019 and 2018, we recorded deferred tax benefits of \$4.4 million, \$15.2 million and \$6.3 million, respectively, in the Nevada U.S. Group. Net operating losses acquired as of the acquisition date are subject to limitation under Internal Revenue Code Section 382. However, the annual limitation is not expected to have a material impact on our ability to utilize the losses.

We evaluated the positive and negative evidence available to determine the amount of valuation allowance required on our deferred tax assets. At December 31, 2020 and 2019, the balances of our valuation allowances were approximately \$77 million and \$87 million, respectively, primarily related to net operating losses. Due to the changes to tax

laws under the Tax Cuts and Jobs Act enacted in December 2017 ("TCJ Act"), at December 31, 2017 we determined it is more likely than not that we will not realize our net deferred tax assets in our Hecla U.S. consolidated group. Accordingly, we applied a valuation allowance which remains in place on those net deferred tax assets at December 31, 2020. A portion of the valuation allowance relating to exploration and other deferred tax assets in Mexico was released in 2017, as we determined that it was more likely than not that the benefit would be realized as a result of operating activities at San Sebastian. As of December 31, 2020, a \$72.5 million valuation allowance remains in U.S. jurisdictions, \$2.6 million in Canadian jurisdictions and \$2.1 million in Mexican jurisdictions. The changes in the valuation allowance for the years ended December 31, 2020, 2019 and 2018, are as follows (in thousands):

	2020	2019	2018
Balance at beginning of year	\$ (86,634)	\$ (94,981)	\$ (78,684)
Valuation allowance on deferred tax assets acquired with the Klondex acquisition	—	5,905	(11,470)
Decrease related to non-recognition of deferred tax assets due to uncertainty of recovery and (increase) related to non-utilization of net operating loss carryforwards	786	686	(5,700)
Decrease related to utilization and expiration of deferred tax assets, other	8,638	1,756	873
Balance at end of year	<u>\$ (77,210)</u>	<u>\$ (86,634)</u>	<u>\$ (94,981)</u>

As of December 31, 2020, for U.S. income tax purposes, we have federal and state net operating loss carryforwards of \$788.2 million and \$477.9 million, respectively. U.S. net operating loss carryforwards for periods arising before December 31, 2017 have a 20-year expiration period, the earliest of which could expire in 2021. U.S. net operating loss carryforwards of \$292.9 million arising in 2018 and future periods have an indefinite carryforward period. We have foreign and provincial net operating loss carryforwards of approximately \$53.5 million each, which expire between 2031 and 2040. Our utilization of U.S. net operating loss carryforwards may be subject to annual limitations if there is a change in control as defined under Internal Revenue Code Section 382. As of December 31, 2020, no change in control has occurred in the Hecla U.S. group. Net operating losses acquired with the Nevada U.S. Group are subject to limitation under Internal Revenue Code Section 382. However, the annual limitation is not expected to have a material impact on our ability to utilize the losses.

We file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. We are no longer subject to income tax examinations by U.S. federal and state tax authorities for years prior to 2001, or examinations by foreign tax authorities for years prior to 2015. We are currently under examination in certain local tax jurisdictions. However, we do not anticipate any material adjustments.

We had no unrecognized tax benefits as of December 31, 2020 or 2019. Due to the net operating loss carryover provision, coupled with the lack of any unrecognized tax benefits, we have not provided for any interest or penalties associated with any unrecognized tax benefits. If interest and penalties were to be assessed, our policy is to charge interest to interest expense, and penalties to other operating expense. It is not anticipated that there will be any significant changes to unrecognized tax benefits within the next 12 months.

NOTE 7: DEBT, CREDIT FACILITY AND LEASES

Debt Summary

Our debt as of December 31, 2020 consisted of our 7.25% Senior Notes due February 15, 2028 ("Senior Notes") and our Series 2020-A Senior Notes due July 9, 2025 (the "IQ Notes"). Our debt as of December 31, 2019 consisted of our previously-outstanding 6.875% Senior Notes that were due in 2021 and had a principal balance of \$506.5 million ("2021 Notes"). These debt arrangements are discussed further below. The following tables summarize our long-term debt balances as of December 31, 2020 and 2019 (in thousands):

	December 31, 2020		
	Senior Notes	IQ Notes	Total
Principal	\$ 475,000	\$ 37,886	\$ 512,886
Unamortized discount/premium and issuance costs	(6,462)	818	(5,644)
Long-term debt balance	<u>\$ 468,538</u>	<u>\$ 38,704</u>	<u>\$ 507,242</u>

	December 31, 2019	
	2021 Notes	
Principal	\$ 506,500	
Unamortized discount and issuance costs	(1,771)	
Long-term debt balance	<u>\$ 504,729</u>	

The following table summarizes the scheduled annual future payments, including interest, for the Senior Notes and IQ Notes as of December 31, 2020 (in thousands). The amounts for the IQ Notes are stated in USD based on the USD/CAD exchange rate as of December 31, 2020.

	Senior Notes	IQ Notes
2021	\$ 34,438	\$ 2,468
2022	34,438	2,468
2023	34,438	2,468
2024	34,438	2,468
2025	34,438	39,173
2026	34,438	—
2027	34,438	—
2028	479,301	—
Total	<u>\$ 720,367</u>	<u>\$ 49,045</u>

Senior Notes

On February 19, 2020, we completed an offering of \$475 million in aggregate principal amount of our Senior Notes under our shelf registration statement previously filed with the SEC. The Senior Notes are governed by the Indenture, dated as of February 19, 2020, as amended, among Hecla Mining Company ("Hecla") and certain of our

subsidiaries and The Bank of New York Mellon Trust Company, N.A., as trustee. On March 19, 2020, the net proceeds from the offering of the Senior Notes (\$469.5 million) were used, together with cash on hand, to redeem all of our previously-outstanding 2021 Notes.

The Senior Notes are recorded net of a 1.16% initial purchaser discount totaling \$5.5 million. The Senior Notes bear interest at a rate of 7.25% per year from the date of 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 February 15 and August 15 of each year, commencing August 15, 2020. During 2020, 2019 and 2018, interest expense on the statement of operations and comprehensive income (loss) related to the Senior Notes and 2021 Notes and amortization of the initial purchaser discount and fees related to the issuance of the Senior Notes and 2021 Notes totaled \$40.2 million, \$36.3 million and \$36.3 million, respectively. Interest expense for 2020 included amounts recorded for (i) interest recognized on both the Senior Notes and 2021 Notes for an overlapping period of approximately one month, as the Senior Notes were issued on February 19, 2020 and the 2021 Notes were redeemed on March 19, 2020, and (ii) \$1.7 million in unamortized initial purchaser discount on the 2021 Notes upon redemption.

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 will be redeemable in whole or in part, at any time and from time to time on or after February 15, 2023, 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. After February 15, 2023, we may redeem some or all of the Senior Notes at a redemption price of 100% of the principal amount, plus accrued interest, if any, to the redemption date, at the following redemption prices (expressed as a percentage of the principal amount): (i) 105.438% for the twelve-month period beginning after February 15, 2023, (ii) 103.625% for the twelve-month period beginning after February 15, 2024, (iii) 101.813% for the twelve-month period beginning after February 15, 2025, and (iv) 100.000% after February 15, 2026. We may redeem up to 35% of the Senior Notes before February 15, 2023 with the net cash proceeds of certain equity offerings.

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.

Investissement Québec Notes

On July 9, 2020, we entered into a note purchase agreement pursuant to which we issued CAD\$50 million (approximately USD\$36.8 million at the time of the transaction) in aggregate principal amount of our IQ Notes to Investissement Québec, a financing arm of the Québec government. Because the IQ notes are denominated in CAD, the reported USD-equivalent principal balance will change with movements in the exchange rate. The IQ Notes were issued at a premium of 103.65%, or CAD\$1.8 million, implying an effective annual yield of 5.74% and an aggregate principal amount to be repaid of CAD\$48.2 million. The IQ Notes were issued in four equal installments of CAD\$12.5 million on July 9, August 9, September 9 and October 9, 2020, with the first installment issued net of CAD\$0.6 million in fees. The IQ Notes bear interest on amounts outstanding at a rate of 6.515% per year, payable on January 9 and July 9 of each year, commencing January 9, 2021. The IQ Notes are senior and unsecured and are pari passu in all material respects with the Senior Notes, including with respect to guarantees of the IQ Notes by certain of our subsidiaries. The net proceeds from the IQ Notes are available for general corporate purposes, including open market purchases of a portion of the Senior Notes and to pay for capital expenditures at our Casa Berardi unit. Under the note purchase agreement for the IQ Notes and subject to a force majeure event, we are required to invest in the aggregate CAD\$100 million at the Casa Berardi unit and other exploration and development projects in Quebec over the four-year period commencing on July 9, 2020. During 2020, interest expense related to the IQ Notes, including premium and origination fees, totaled \$0.9 million.

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 Investissement Québec. The RQ Notes bore interest at a rate of 4.68% per year, payable on May 1 and November 1 of each year, commencing May 1, 2018. The net proceeds from the RQ Notes were required to be used for development and expansion of our Casa Berardi mine. In December 2019, we prepaid the obligation related to the RQ Notes through issuance of approximately 10.7 million shares of our common stock having a total value of approximately CAD\$43.8 million (approximately USD\$33.5 million). During 2019 and 2018, interest expense related to the RQ Notes, including discount and origination fees, totaled \$4.2 million and \$1.1 million, respectively. Interest expense for 2019 includes \$2.9 million related to the prepayment of the RQ Notes.

Credit Facility

In July 2018, we entered into a \$250 million senior secured revolving credit facility which replaced our previous \$100 million credit facility. The facility has a term ending on February 7, 2023. The credit facility is collateralized by all of our personal property, including our cash and investment accounts and the equity interests in our domestic subsidiaries and the Canadian subsidiaries that own the Casa Berardi mine. The credit facility is also secured by substantially all of the real and personal property of our subsidiaries holding the rights to our Greens Creek mine, the Casa Berardi mine and our Nevada operations, including mortgages on such mines and pledges of our joint venture interests holding 100% ownership of the Greens Creek mine, all of our rights and interests in the joint venture agreement relating to the Greens Creek mine, and all of our rights and interests in the assets of the Greens Creek joint venture. Below is information on the interest rates, standby fee, and financial covenant terms under our current credit facility in place as of December 31, 2020:

Interest rates:

Spread over the London Interbank Offered Rate	2.25 – 4.00%
Spread over alternative base rate	1.25 – 3.00%
Standby fee per annum on undrawn amounts	0.5625 – 1.00%

Covenant financial ratios:

Senior leverage ratio (debt secured by liens/EBITDA)	not more than 2.50:1
Leverage ratio (total debt less unencumbered cash/EBITDA)	not more than 4.00:1
Interest coverage ratio (EBITDA/interest expense)	not 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 4.00% of the amount of the letters of credit 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 \$20.3 million in letters of credit outstanding as of December 31, 2020.

We believe we were in compliance with all covenants under the credit facility agreement as of December 31, 2020. We drew and repaid \$210.0 million on the facility during 2020, with no amount outstanding as of December 31, 2020.

Finance and Capital Leases

We have entered into various lease agreements, primarily for equipment at our operating units, which we have determined to be finance leases under accounting guidance that became effective on January 1, 2019, and capital leases prior to that date. At December 31, 2020, the total liability associated with the finance leases, including certain purchase option amounts, was \$15.8 million, with \$6.5 million of the liability classified as current and \$9.3 million classified as non-current. At December 31, 2019, the total liability balance associated with capital leases was \$12.6 million, with \$5.4 million of the liability classified as current and \$7.2 million classified as non-current. The assets related to these leases are recorded in properties, plants, equipment and mineral interests, net, on our consolidated balance sheets and totaled \$22.3 million as of December 31, 2020 and \$20.6 million as of December 31, 2019, net of accumulated depreciation. Expense during 2020, 2019 and 2018 related to finance and capital leases included \$7.4 million, \$5.9 million and \$5.3 million, respectively, for amortization of the related assets, and \$0.6 million, \$0.7 million and \$0.7 million, respectively, for interest expense. The total obligation for future minimum finance lease payments was \$16.8 million at December 31, 2020, with \$1.1 million attributed to interest. Our finance leases as of December 31, 2020 had a weighted average remaining term of approximately 2 years and a weighted average discount rate of approximately 6.7%.

At December 31, 2020, the annual maturities of finance lease commitments, including interest, were (in thousands):

<u>Twelve-month period ending December 31,</u>	
2021	\$ 7,053
2022	4,801
2023	3,116
2024	<u>1,849</u>
Total	16,819
Less: imputed interest	(1,054)
Net finance lease obligation	<u>\$ 15,765</u>

Operating Leases

We have entered into various lease agreements, primarily for equipment, buildings and other facilities, and land at our operating units and corporate offices, which we have determined to be operating leases. Some of the operating leases allow for extension of the lease beyond the current term at our option. We have considered the likelihood and estimated duration of the extension options in determining the lease term for measurement of the liability and right-of-use asset. For our operating leases as of December 31, 2020, we have assumed a discount rate of 6.5%. At December 31, 2020, the total liability balance associated with the operating leases was \$10.6 million, with \$3.0 million of the liability classified as current and the remaining \$7.6 million classified as non-current. The right-of-use assets for our operating leases are recorded as a non-current asset on our consolidated balance sheets and totaled \$10.6 million as of December 31, 2020. During 2020 and 2019, operating lease expense, and cash paid for operating leases included in net cash provided by operating activities, totaled \$7.2 million and \$7.5 million, respectively. The total obligation for future minimum operating lease payments, including assumed extensions beyond the current lease terms, was \$12.6 million at December 31, 2020. The weighted-average remaining lease term for our operating leases as of December 31, 2020 was approximately 5.4 years.

At December 31, 2020, the annual maturities of undiscounted operating lease payments, including assumed extensions beyond the current lease terms, were (in thousands):

<u>Twelve-month period ending December 31,</u>	
2020	\$ 3,811
2021	2,870
2022	2,521
2023	555
2024	526
More than 5 years	<u>2,339</u>
Total	12,622
Effect of discounting	(1,980)
Operating lease liability	<u>\$ 10,642</u>

NOTE 8: COMMITMENTS, CONTINGENCIES, AND OBLIGATIONS

General

We follow GAAP 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.

Lucky Friday Water Permit Matters

In December 2013, the Environmental Protection Agency ("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 further action, if any, the agency may take.

Johnny M Mine Area near San Mateo, McKinley County and San Mateo Creek Basin, 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 Mine 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 the EPA approve on-site disposal, which is estimated to cost at least \$6.1 million, on the basis that it is the most appropriate response action under CERCLA. In January 2021, the EPA contacted Hecla Limited to begin negotiations on a new consent order to design and implement the response action recommended in the EE/CA as a CERCLA removal action. Based on the foregoing, we believe it is probable that Hecla Limited will incur a liability for the CERCLA removal action. In the fourth quarter of 2014, we accrued \$5.6 million, and in October 2019 we increased that amount to \$6.1 million, with the increase representing estimated costs to begin design and implementation of the remedy in 2020. It is possible that Hecla Limited's liability will be more than \$6.1 million, and any increase in liability could 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. In addition to Johnny M, Hecla Limited's predecessor was involved at other mining sites within the SMCB. The EPA appears to have deferred consideration of listing the SMCB site on CERCLA's National Priorities List ("Superfund") by removing the site from its emphasis list, and is working with various potentially responsible parties ("PRPs") at the site in order to study and potentially address perceived groundwater issues within the SMCB. The EE/CA discussed above relates primarily to contaminated rock and soil at the Johnny M site, not groundwater and not elsewhere within the SMCB site. It is possible that Hecla Limited's liability at the Johnny M Site, and for any other mine site within the SMCB at which Hecla Limited's predecessor may have operated, will be greater than our current accrual of \$6.1 million due to the increased scope of required remediation.

In July 2018, the EPA informed Hecla Limited that it and several other PRPs may be liable for cleanup of the SMCB site or for costs incurred by the EPA in cleaning up the site. The EPA stated it has incurred approximately \$9.6 million in response costs to date. 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, including the relative contributions of contamination by the various PRPs.

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, and several other PRPs, 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 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, including the relative contributions of contamination by various other PRPs.

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. Hecla Limited submitted a response in April 2017. 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.

In August 2018, the EPA informed Hecla Limited that it and several other PRPs may be liable for cleanup of the site or for costs incurred by the EPA in cleaning up the site. The EPA did not include an amount of its alleged response costs to date. 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 past or anticipated future costs at the site and the relative contributions of contamination by various other PRPs.

Claim for Indemnification Against CoCa Mines, Inc.

In 1991, Hecla Limited acquired CoCa Mines, Inc. ("CoCa") and its subsidiary Creede Resources, Inc. ("CRI"). CoCa and CRI previously operated in the State of Colorado, but presently have limited assets and operations. Between 2014 and 2019, a PRP alleged that CoCa and CRI are required by a 1989 agreement to indemnify it for certain environmental costs and liabilities it may incur with respect to the Nelson Tunnel/Commodore Waste Rock Pile Superfund site in Creede, Colorado. In 2016, without admitting any liability, Hecla Limited, CoCa and CRI entered into a Consent Decree with the United States and the State of Colorado settling any regulatory liability they may have had at the site. On October 30, 2019, the PRP filed a lawsuit in Mineral County, Colorado alleging, among other things, that CoCa and CRI are in breach of contract for failure to indemnify the PRP for its liability to the U.S. under CERCLA with respect to the site. In addition, the lawsuit names Hecla Limited as a defendant in its role as the shareholder of CoCa. The PRP seeks in excess of \$5 million in damages, including attorneys' fees and costs. The lawsuit will be vigorously defended and we believe strong defenses exist against all claims made therein and, as noted above, both CoCa and CRI have limited assets with which to satisfy any claim.

Litigation Related to Klondex Acquisition

On September 11, 2018, a lawsuit was filed in the Ontario (Canada) Superior Court of Justice by Waterton Nevada Splitter LLC against Hecla Mining Company, our subsidiary Klondex Mines Unlimited Liability Company and Havilah Mining Corporation, an entity that was formed to own the Canadian assets of Klondex that we did not acquire as part of the Klondex acquisition, and of which we own approximately 13%. The lawsuit alleges that Hecla and Havilah are in breach of contract in connection with the issuance to Waterton of warrants to purchase Hecla common stock and Havilah common shares to replace warrants to purchase Klondex common shares that Waterton owned prior to the July 2018 acquisition. The lawsuit claims Hecla and Havilah issued warrants to Waterton valued at \$3.7 million but that Waterton was entitled to warrants valued at \$8.9 million. We believe the lawsuit is without merit and will vigorously defend it.

On May 24, 2019, a purported Hecla stockholder filed a putative class action lawsuit in U.S. District Court for the Southern District of New York against Hecla and certain of our executive officers, one of whom is also a director. The complaint, purportedly brought on behalf of all purchasers of Hecla common stock from March 19, 2018 through and including May 8, 2019, asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and seeks, among other things, damages and costs and expenses. Specifically, the complaint alleges that Hecla, under the authority and control of the individual defendants, made certain material false

and misleading statements and omitted certain material information regarding Hecla's Nevada Operations unit. The complaint alleges that these misstatements and omissions artificially inflated the market price of Hecla common stock during the class period, thus purportedly harming investors. A second suit was filed on June 19, 2019, alleging virtually identical claims. We cannot predict the outcome of these lawsuits or estimate damages if plaintiffs were to prevail. We believe that these claims are without merit and intend to defend them vigorously.

Debt

See Note 7 for information on the commitments related to our debt arrangements as of December 31, 2020.

Other Commitments

Our contractual obligations as of December 31, 2020 included approximately \$0.1 million for various costs. In addition, our open purchase orders at December 31, 2020 included approximately \$4.2 million, \$0.7 million, \$2.0 million and \$0.5 million for various capital and non-capital items at the Lucky Friday, Casa Berardi, Greens Creek and Nevada Operations units, respectively. We also have total commitments of approximately \$16.8 million relating to scheduled payments on finance leases, including interest, primarily for equipment at our Greens Creek, Lucky Friday, Casa Berardi and Nevada Operations units, and total commitments of approximately \$12.6 million relating to payments on operating leases (see Note 7 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 December 31, 2020, we had surety bonds totaling \$183.0 million and letters of credit totaling \$20.3 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 9: EMPLOYEE BENEFIT PLANS

Pensions and Other Post-retirement Plans

We sponsor defined benefit pension plans covering substantially all U.S. employees. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ended December 31, 2020, and the funded status as of December 31, 2020 and December 31, 2019 (in thousands):

	Pension Benefits	
	2020	2019
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 172,909	\$ 144,638
Service cost	5,334	4,401
Interest cost	5,618	6,482
Change due to mortality change	(1,521)	(2,130)
Change due to discount rate change	17,040	25,806
Actuarial return (loss)	121	(395)
Benefits paid	(6,547)	(5,893)
Benefit obligation at end of year	192,954	172,909
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	116,067	96,329
Actual return on plan assets	14,801	21,536
Employer contributions	23,731	4,095
Benefits paid	(6,547)	(5,893)
Fair value of plan assets at end of year	148,052	116,067
Underfunded status at end of year	\$ (44,902)	\$ (56,842)

The following table provides the amounts recognized in the consolidated balance sheets as of December 31, 2020 and December 31, 2019 (in thousands):

	Pension Benefits	
	2020	2019
Current liabilities:		
Accrued benefit liability	\$ (758)	\$ (622)
Non-current pension liability:		
Accrued benefit liability	(44,144)	(56,219)
Accumulated other comprehensive loss	53,085	49,525
Net amount recognized	\$ 8,183	\$ (7,316)

The benefit obligation and prepaid benefit costs were calculated by applying the following weighted average assumptions:

	Pension Benefits	
	2020	2019
Discount rate: net periodic pension cost	3.32%	4.59%
Discount rate: projected benefit obligation	2.64%	3.32%
Expected rate of return on plan assets	6.45%	6.37%
Rate of compensation increase: net periodic pension cost	2.00%	2.00%
Rate of compensation increase: projected benefit obligation	2.00%	2.00%

The above assumptions were calculated based on information as of December 31, 2020 and December 31, 2019, the measurement dates for the plans. The discount rate is based on the yield curve for investment-grade corporate bonds as published by the U.S. Treasury Department. The expected rate of return on plan assets is based upon consideration of the plan's current asset mix, historical long-term return rates and the plan's historical performance. Our current assumption for the rate on plan assets is 6.4%. The vested benefit obligation is determined based on the actuarial present value of benefits to which employees are currently entitled, based on employees' expected date of separation or retirement.

Net periodic pension cost for the plans consisted of the following in 2020, 2019, and 2018 (in thousands):

	Pension Benefits		
	2020	2019	2018
Service cost	\$ 5,334	\$ 4,401	\$ 5,009
Interest cost	5,618	6,482	5,508
Expected return on plan assets	(7,489)	(5,982)	(6,536)
Amortization of prior service benefit	117	61	61
Amortization of net gain from earlier periods	4,652	4,389	3,726
Net periodic pension cost	<u>\$ 8,232</u>	<u>\$ 9,351</u>	<u>\$ 7,768</u>

The service cost component of net periodic pension cost is included in the same line items of our consolidated financial statements as other employee compensation costs. The net expense of \$2.9 million, \$5.0 million and \$2.8 million for 2020, 2019, and 2018, respectively, related to all other components of net periodic pension cost is included in other (expense) income on our consolidated statements of operations and comprehensive (loss) income.

The allocations of investments at December 31, 2020 and December 31, 2019, the measurement dates of the plan, by asset category in the Hecla Mining Company Retirement Plan and the Lucky Friday Pension Plan are as follows:

	Hecla		Lucky Friday	
	2020	2019	2020	2019
Cash	—%	6%	—%	6%
Large cap U.S. equities	17%	14%	16%	14%
Small cap U.S. equities	8%	7%	9%	7%
Non-U.S. equities	26%	22%	26%	22%
Fixed income	21%	19%	21%	19%
Real estate	11%	14%	12%	15%
Absolute return hedge funds	5%	5%	4%	5%
Company stock	12%	13%	12%	12%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

"Company stock" asset category in the table above includes our common stock in the amounts of \$17.2 million and \$14.7 million at December 31, 2020 and December 31, 2019, respectively, in total for both plans.

Each plan's statement of investment policy delineates the responsibilities of the board, the retirement/pension committee, the investment manager(s), and investment adviser/consultant, and provides guidelines on investment management. Investment objectives are established for each of the asset categories included in the pension plans with comparisons of performance against appropriate benchmarks. Each plan's policy calls for investments to be supervised by qualified investment managers. The investment managers are monitored on an ongoing basis by our outside consultant, with formal reporting to us and the consultant performed each quarter. The policy sets forth the following allocation of assets:

	Target	Maximum
Large cap U.S. equities	17%	20%
Small cap U.S. equities	8%	10%
Non-U.S. equities	25%	30%
Fixed income	23%	28%
Real estate	15%	18%
Absolute return	5%	7%
Company stock/Real return	7%	13%

Each plan's statement of investment policy and objectives aspires to achieve the assumed long term rate of return on plan assets established by the plan's actuary plus one percent.

Accounting guidance has established a hierarchy of assets measured at fair value on a recurring basis. The three levels included in the hierarchy are:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: significant other observable inputs
- Level 3: significant unobservable inputs

The fair values by asset category in each plan, along with their hierarchy levels, are as follows as of December 31, 2020 (in thousands):

	Hecla				Lucky Friday			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investments measured at fair value								
Interest-bearing cash	\$ 367	\$ —	\$ —	\$ 367	\$ 111	\$ —	\$ —	\$ 111
Common stock	13,947	—	—	13,947	3,203	—	—	3,203
Mutual funds	69,994	—	—	69,994	15,786	—	—	15,786
Total investments in the fair value hierarchy	84,308	—	—	84,308	19,100	—	—	19,100
Investments measured at net asset value								
Real estate funds				12,708				3,428
Hedge funds				5,823				1,215
Common collective funds				17,545				3,925
Total investments measured at net asset value				36,076				8,568
Total fair value	\$ 84,308	\$ —	\$ —	\$ 120,384	\$ 19,100	\$ —	\$ —	\$ 27,668

The fair values by asset category in each plan, along with their hierarchy levels, were as follows as of December 31, 2019 (in thousands):

	Hecla				Lucky Friday			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investments measured at fair value								
Interest-bearing cash	\$ 5,709	\$ —	\$ —	\$ 5,709	\$ 1,441	\$ —	\$ —	\$ 1,441
Common stock	11,835	—	—	11,835	2,827	—	—	2,827
Mutual funds	46,317	—	—	46,317	10,999	—	—	10,999
Total investments in the fair value hierarchy	63,861	—	—	63,861	15,267	—	—	15,267
Investments measured at net asset value								
Real estate funds				12,659				3,445
Hedge funds				4,336				1,161
Common collective funds				12,255				3,083
Total investments measured at net asset value	—	—	—	29,250	—	—	—	7,689
Total fair value	\$ 63,861	\$ —	\$ —	\$ 93,111	\$ 15,267	\$ —	\$ —	\$ 22,956

Generally, investments are valued based on information provided by fund managers to each plan's trustee as reviewed by management and its investment advisers. Mutual funds and equities are valued based on available exchange data. Commingled equity funds consist of publicly-traded investments.

Fair value for real estate funds, hedge funds and common collective equity funds is measured using the net asset value per share (or its equivalent) practical expedient ("NAV"), and has not been categorized in the fair value hierarchy. There are no unfunded commitments related to these investments. There are no restrictions on redemptions of these funds as of December 31, 2020, except as limited by the redemption terms discussed below. The following summarizes information on the asset classes measured using NAV:

	Investment strategy	Redemption terms
Real estate funds	Invest in real estate properties among the four major property types (office, industrial, retail and multi-family)	Allowed quarterly with notice of between 45 and 60 days
Hedge funds	Invest in a variety of asset classes which aim to diversify sources of returns	Allowed quarterly with notice of 90 days
Common collective funds	Invest in U.S. large cap or small/medium cap public equities in actively traded managed equity portfolios	Allowed daily or with notice of 30 days

The following are estimates of future benefit payments, which reflect expected future service as appropriate, related to our pension plans (in thousands):

Year Ending December 31,	Pension Plans
2021	\$ 8,314
2022	8,199
2023	8,420
2024	8,661
2025	9,419
Years 2026-2030	47,269

During 2020, we contributed \$16.0 million in shares of our common stock, and contributed \$6.0 million in cash, to our defined benefit plans. In January 2021, we contributed \$16.8 million in shares of our common stock to our supplemental executive retirement plan. We do not expect to be required to contribute to our defined benefit plans in 2021, but we may choose to do so. We expect to contribute an additional approximately \$0.8 million to our supplemental executive retirement plan during 2021.

The following table indicates whether our pension plans had accumulated benefit obligations (“ABO”) in excess of plan assets, or plan assets exceeded ABO (amounts are in thousands).

	December 31, 2020		December 31, 2019	
	ABO Exceeds	Plan Assets	ABO Exceeds	Plan Assets
	Plan Assets	Exceed ABO	Plan Assets	Exceed ABO
Projected benefit obligation	\$ 192,954	\$ —	\$ 172,908	\$ —
Accumulated benefit obligation	189,931	—	168,239	—
Fair value of plan assets	48,051	—	116,067	—

For the pension plans, the following amounts are included in “Accumulated other comprehensive loss, net” on our balance sheet as of December 31, 2020, that have not yet been recognized as components of net periodic benefit cost (in thousands):

	Pension Benefits
Unamortized net (gain)/loss	\$ 51,660
Unamortized prior service cost	1,425

Non-U.S. employees are not eligible to participate in the defined benefit pension plans that we maintain for U.S. employees. Canadian employees participate in Canada’s public retirement income system, which includes the following components: (i) the Canada (or Quebec) Pension Plan, which is an employee and employer contributory, earnings-related social insurance program, and (ii) the Old Age Security program. Mexican employees participate in Mexico’s public retirement income system, which is based on contributions the employee, employer and the government submit to the retirement savings system. The system is administered through savings accounts managed by private fund managers selected by the participant.

Capital Accumulation Plans

Our Capital Accumulation Plan (“Hecla 401(k) Plan”) is available to all U.S. salaried and certain hourly employees and applies immediately upon employment. Employees may contribute from 1% to 50% of their annual compensation to the plan (subject to statutory limits). We make a matching contribution in the form of cash or stock of 100% of an employee’s contribution up to 6% of the employee’s earnings. Our matching contributions were approximately \$4.6 million in 2020, \$3.9 million in 2019, and \$3.7 million in 2018. Payment of matching contributions to the Hecla 401(k) Plan is allowed to be made in Hecla common stock on a quarterly basis, which was done for 2020, 2019, and 2018.

We also maintain a 401(k) plan that is available to all hourly employees at the Lucky Friday unit after completion of six months of service. Employees may contribute from 2% to 50% of their compensation to the plan (subject to statutory limits). The matching contribution is 55% of an employee’s contribution up to, but not exceeding, 5% of the employee’s earnings. Our contributions were approximately \$10,000 in 2020, \$10,000 in 2019, and \$4,000 in 2018.

NOTE 10: STOCKHOLDERS’ EQUITY

Common Stock

We are authorized to issue 750,000,000 shares of common stock, \$0.25 par value per share, of which 538,487,415 shares of common stock were issued and 6,821,044 shares issued and held in treasury, for a net of 531,666,371 shares outstanding as of December 31, 2020. All of our currently outstanding shares of common stock are listed on the New York Stock Exchange under the symbol “HL.”

Subject to the rights of the holders of any outstanding shares of preferred stock, each share of common stock is entitled to: (i) one vote on all matters presented to the stockholders, with no cumulative voting rights; (ii) receive such dividends as may be declared by the board of directors out of funds legally available therefor; and (iii) in the event of our liquidation or dissolution, share ratably in any distribution of our assets.

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. In September 2020, we amended the dividend policy to (1) reduce the minimum quarterly realized silver price threshold for the first component above from \$30 per ounce to \$25 per ounce, and (2) increased the minimum annual dividend from \$0.01 per share to \$0.015 per share. 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, as amended:

Quarterly average realized silver price per ounce	Quarterly dividend per share	Annual dividend per share
\$ 25	\$ 0.005	\$ 0.02
\$ 30	\$ 0.01	\$ 0.04
\$ 35	\$ 0.02	\$ 0.08
\$ 40	\$ 0.03	\$ 0.12
\$ 45	\$ 0.04	\$ 0.16
\$ 50	\$ 0.05	\$ 0.20
\$ 55	\$ 0.06	\$ 0.24
\$ 60	\$ 0.07	\$ 0.28

The following table summarizes the quarterly common stock dividends declared by our board of directors for the years ended December 31, 2018, 2019 and 2020:

<u>Declaration date</u>	(A)	(B)	(A+B)	<u>Total dividend amount (in millions)</u>	<u>Month of payment</u>
	<u>Silver-price-linked component per share</u>	<u>Minimum annual component per share</u>	<u>Total dividend per share</u>		
February 14, 2018	\$ —	\$ 0.0025	\$ 0.0025	\$ 1.0	March 2018
May 9, 2018	\$ —	\$ 0.0025	\$ 0.0025	\$ 1.0	June 2018
August 8, 2018	\$ —	\$ 0.0025	\$ 0.0025	\$ 1.2	September 2018
November 6, 2018	\$ —	\$ 0.0025	\$ 0.0025	\$ 1.2	December 2018
February 20, 2019	\$ —	\$ 0.0025	\$ 0.0025	\$ 1.2	March 2019
May 7, 2019	\$ —	\$ 0.0025	\$ 0.0025	\$ 1.2	June 2019
August 5, 2019	\$ —	\$ 0.0025	\$ 0.0025	\$ 1.2	September 2019
November 6, 2019	\$ —	\$ 0.0025	\$ 0.0025	\$ 1.3	December 2019
February 21, 2020	\$ —	\$ 0.0025	\$ 0.0025	\$ 1.3	March 2020
May 6, 2020	\$ —	\$ 0.0025	\$ 0.0025	\$ 1.3	June 2020
August 5, 2020	\$ —	\$ 0.0025	\$ 0.0025	\$ 1.3	September 2020
November 6, 2020	\$ 0.005	\$ 0.00375	\$ 0.00875	\$ 4.6	December 2020

In the third and fourth quarters of 2020, the realized silver price was \$25.32 and \$25.16, respectively, above the minimum thresholds applicable to each of those quarters according to the amended policy. As a result, our board of directors declared a dividend for the silver-price-linked component for the third and fourth quarters of 2020. For all other periods in 2018, 2019 and 2020, because the average realized silver prices were below the minimum threshold, according to the policy no silver-price-linked component was declared or paid. Prior to 2011, no dividends had been declared on our common stock since 1990. 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, as amended, we could 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. As of December 31, 2020, we had sold a total of 28,583,845 shares through the program for total net proceeds of \$73.5 million, net of commissions of approximately \$1.5 million, including 21,410,231 shares sold in the fourth quarter of 2019 for total proceeds of \$49.0 million, net of commissions of approximately \$1.0 million. The shares were registered under the Securities Act of 1933, as amended, pursuant to our shelf registration statement on Form S-3.

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. As of December 31, 2020, a total of 934,100 shares have been repurchased under the program, at an average price of \$3.99 per share, leaving approximately 19.1 million shares that may yet be purchased under the program. The closing price of our common stock at February 16, 2021, was \$6.13 per share. No shares were purchased under the program during 2020.

Preferred Stock

Our certificate of incorporation authorizes us to issue 5,000,000 shares of preferred stock, par value \$0.25 per share. The preferred stock is issuable in series with such voting rights, if any, designations, powers, preferences and other rights and such qualifications, limitations and restrictions as may be determined by our board of directors. The board may fix the number of shares constituting each series and increase or decrease the number of shares of any series. As of December 31, 2020, 157,816 shares of Series B preferred stock were outstanding. Our Series B preferred stock is listed on the New York Stock Exchange under the symbol "HL PB."

Ranking

The Series B preferred stock ranks senior to our common stock and any shares of Series A junior participating preferred stock (none of which have ever been issued) with respect to payment of dividends, and amounts due upon liquidation, dissolution or winding up.

While any shares of Series B preferred stock are outstanding, we may not authorize the creation or issuance of any class or series of stock that ranks senior to the Series B preferred stock as to dividends or amounts due upon liquidation, dissolution or winding up without the consent of the holders of 66 2/3% of the outstanding shares of Series B preferred stock and any other series of preferred stock ranking on a parity with the Series B preferred stock as to dividends and amounts due upon liquidation, dissolution or winding up, voting as a single class without regard to series.

Dividends

Series B preferred stockholders are entitled to receive, when, as and if declared by the board of directors out of our assets legally available therefor, cumulative cash dividends at the rate per annum of \$3.50 per share of Series B preferred stock. Dividends on the Series B preferred stock are payable quarterly in arrears on October 1, January 1, April 1 and July 1 of each year (and, in the case of any undeclared and unpaid dividends, at such additional times and for such interim periods, if any, as determined by the board of directors), at such annual rate. Dividends are cumulative from the date of the original issuance of the Series B preferred stock, whether or not in any dividend period or periods we have assets legally available for the payment of such dividends. Accumulations of dividends on shares of Series B preferred stock do not bear interest.

All quarterly dividends on our Series B preferred stock for 2018, 2019 and 2020 were declared and paid in cash.

Redemption

The Series B preferred stock is redeemable at our option, in whole or in part, at \$50 per share, plus all dividends undeclared and unpaid on the Series B preferred stock up to the date fixed for redemption.

Liquidation Preference

The Series B preferred stockholders are entitled to receive, in the event that we are liquidated, dissolved or wound up, whether voluntary or involuntary, \$50 per share of Series B preferred stock plus an amount per share equal to all dividends undeclared and unpaid thereon to the date of final distribution to such holders (the "Liquidation Preference"), and no more. Until the Series B preferred stockholders have been paid the Liquidation Preference in full, no payment will be made to any holder of Junior Stock upon our liquidation, dissolution or winding up. The term "Junior Stock" means our common stock and any other class of our capital stock issued and outstanding that ranks junior as to the payment of dividends or amounts payable upon liquidation, dissolution and winding up to the Series B preferred stock. As of December 31, 2020 and 2019, our Series B preferred stock had a Liquidation Preference of \$7.9 million.

Voting Rights

Except in certain circumstances and as otherwise from time to time required by applicable law, the Series B preferred stockholders have no voting rights and their consent is not required for taking any corporate action. When and if the Series B preferred stockholders are entitled to vote, each holder will be entitled to one vote per share.

Conversion

Each share of Series B preferred stock is convertible, in whole or in part at the option of the holders thereof, into shares of common stock at a conversion price of \$15.55 per share of common stock (equivalent to a conversion rate of 3.2154 shares of common stock for each share of Series B preferred stock). The right to convert shares of Series B preferred stock called for redemption will terminate at the close of business on the day preceding a redemption date (unless we default in payment of the redemption price).

Stock Award Plans

We use stock-based compensation plans to aid us in attracting, retaining and motivating our employees, as well as to provide incentives more directly linked to increases in stockholder value. These plans provide for the grant of options to purchase shares of our common stock, the issuance of restricted stock units, performance-based shares and other equity-based awards.

Stock-based compensation expense amounts recognized for the years ended December 31, 2020, 2019 and 2018 were approximately \$6.5 million, \$5.7 million, and \$6.3 million, respectively. Over the next twelve months, we expect to recognize approximately \$3.5 million in additional compensation expense as outstanding restricted stock units and performance-based shares vest.

Stock Incentive Plan

During the second quarter of 2010, our stockholders voted to approve the adoption of our 2010 Stock Incentive Plan and to reserve up to 20,000,000 shares of common stock for issuance under the plan. In the second quarter of 2019, our stockholders voted to approve an amendment to the plan to restore the number of shares of common stock available for issuance under the 2010 plan to the original 20,000,000 shares (along with other changes). The board of directors has broad authority under the 2010 plan to fix the terms and conditions of individual agreements with participants, including the duration of the award and any vesting requirements. As of December 31, 2020, there were 12,443,518 shares available for future grant under the 2010 plan.

Directors' Stock Plan

In 2017, we adopted the amended and restated Hecla Mining Company Stock Plan for Non-Employee Directors (the "Directors' Stock Plan"), which may be terminated by our board of directors at any time. Each non-employee director is credited each year with that number of shares determined by dividing \$120,000 by the average closing price for our common stock on the New York Stock Exchange for the prior calendar year. A minimum of 25% of the shares credited each year is held in trust for the benefit of each director until delivered to the director. Each director may elect, prior to the first day of the applicable year, to have a greater percentage contributed to the trust for that year. Delivery of the shares from the trust occurs upon the earliest of: (1) death or disability; (2) retirement; (3) a cessation of the director's service for any other reason; (4) a change in control; or (5) at the election of the director at any time, provided, however, that shares must be held in the trust for at least two years prior to delivery. During 2020, 2019, and 2018, 391,244, 252,819, and 161,630 shares, respectively, were credited to the non-employee directors. During 2020, 2019 and 2018, \$1.5 million, \$0.5 million, and \$0.6 million, respectively, was charged to general and administrative expense associated with the shares issued to the non-employee directors. At December 31, 2020, there were 2,476,644 shares available for grant in the future under the plan.

Restricted Stock Units

Unvested restricted stock units granted by the board of directors to employees are summarized as follows:

	Shares	Weighted Average Grant Date Fair Value per Share
Unvested, January 1, 2020	3,997,168	\$ 2.46
Granted (unvested)	1,688,111	\$ 3.03
Canceled	(70,236)	\$ 2.08
Distributed (vested)	(1,678,909)	\$ 2.83
Unvested, December 31, 2020	<u>3,936,134</u>	<u>\$ 2.55</u>

The 3,936,134 unvested units at December 31, 2020 are scheduled to vest as follows:

1,988,079	in June 2021
1,428,145	in June 2022
519,910	in June 2023

Unvested units will be forfeited by participants upon termination of employment in advance of vesting, with the exception of termination due to retirement if certain criteria are met. Since the earliest grant date of unvested units (which was 2017), we have recognized approximately \$5.1 million in compensation expense, including approximately \$3.6 million recognized in 2020, and expect to record an additional \$4.9 million in compensation expense over the remaining vesting period related to these units. The latest vesting date for unvested units as of December 31, 2020 is June 2023.

Performance-Based Shares

We periodically grant performance-based share awards to certain executive employees. The value of the awards (if any) is based on the ranking of the market performance of our common stock relative to the performance of the common stock of a group of peer companies over a three-year measurement period. The number of shares to be issued (if any) is based on the value of the awards divided by the share price at grant date. The compensation cost is measured using a Monte Carlo simulation to estimate their value at grant date, and the expense related to the performance-based awards (if any) will be recognized on a straight-line basis over the thirty months following that date of the award. Since the earliest grant date of unvested units (which was 2019), we have recognized approximately \$39,000 in compensation expense, with all of that amount recognized in 2020, and expect to record an additional \$0.1 million in compensation expense over the remaining vesting period related to these awards. The latest vesting date for unvested units as of December 31, 2020 is December 31, 2022.

In connection with the vesting of restricted stock units, performance-based shares and other stock grants, employees have in the past, at their election and when permitted by us, chosen to satisfy their tax withholding obligations through net share settlement, pursuant to which we withhold the number of shares necessary to satisfy such withholding obligations and pay the obligations in cash. Pursuant to such net settlements, in 2020, we withheld 1,183,773 shares valued at approximately \$2.7 million, or approximately \$2.32 per share. In 2019, we withheld 1,060,480 shares valued at approximately \$2.2 million, or approximately \$2.10 per share. These shares become treasury shares unless we cancel them.

Warrants

As discussed in *Note 16*, we issued 4,136,000 warrants to purchase one share of our common stock to holders of warrants to purchase Klondex common stock under the terms of the Klondex acquisition, and all of the warrants were outstanding as of December 31, 2020. Warrants to purchase 2,068,000 shares of common stock have an exercise price of \$8.02 and expire in April 2032. Warrants to purchase 2,068,000 shares of common stock have an exercise price of \$1.57 and expire in February 2029.

Common stock contributed to the Hecla Charitable Foundation

In June 2020, we gifted 650,000 shares of our common stock, valued at \$2.0 million at the time of the gift, to the Hecla Charitable Foundation (the "Foundation"), and recognized expense for that amount in the second quarter of 2020. The common stock was gifted from treasury shares held having a weighted average cost basis of \$3.41 per share, for a total cost basis of \$2.2 million for the shares contributed. The Foundation is a 501(c)(3) entity and was established in 2007 to provide grants and disburse funds for educational and charitable purposes to qualifying organizations in order to promote the social, environmental and economic sustainability and development of the communities where we have operations and activities.

NOTE 11: DERIVATIVE INSTRUMENTS

Foreign Currency

Our wholly-owned subsidiaries owning the Casa Berardi and San Sebastian mines are USD-functional entities which routinely incur expenses denominated in CAD and MXN, respectively, 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 similar program with respect to MXN, which was not in use as of December 31, 2020. The programs utilize forward contracts to buy CAD and MXN, and each contract is designated as a cash flow hedge. As of December 31, 2020, we had 143 forward contracts outstanding to buy a total of CAD\$293.8 million having a notional amount of US\$223.0 million. The CAD contracts are related to forecasted cash operating costs at Casa Berardi forecasted to be incurred from 2021 through 2024 and have USD-to-CAD exchange rates ranging between 1.2702 and 1.3785. There were no outstanding contracts for MXN as of December 31, 2020. Our risk management policy allows for up to 75% of our planned cost exposure for five years into the future to be covered under such programs, and for potential additional programs to manage other foreign currency-related exposure areas. These instruments do, however, expose us to (i) credit risk in the form of non-performance by counterparties for contracts in which the contract exchange rate exceeds the spot exchange rate of a currency and (ii) exchange rate risk to the extent that the spot exchange rate exceeds the contract exchange rate for amounts of our operating costs covered under contract positions.

As of December 31, 2020 and 2019, we recorded the following balances for the fair value of the contracts (in millions):

Balance sheet line item:	December 31,	
	2020	2019
Other current assets	\$ 3.5	\$ 0.6
Other non-current assets	4.2	0.6
Current derivatives liability	—	0.4
Other non-current assets	—	1.0

Net unrealized gains of approximately \$7.6 million related to the effective portion of the hedges were included in accumulated other comprehensive loss as of December 31, 2020. 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 \$3.1 million in net unrealized gains included in accumulated other comprehensive loss as of December 31, 2020 would be reclassified to current earnings in the next twelve months. Net realized losses of approximately \$2.7 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 year ended December 31, 2020. No net unrealized gains or losses 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 year ended December 31, 2020.

Metals Prices

We may at times 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 covered under such programs that would establish a ceiling for prices to be realized on future sales. 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. The following tables summarize the quantities of metals committed under forward sales

contracts at December 31, 2020 and 2019:

	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)
December 31, 2020								
Contracts on provisional sales								
2021 settlements	1,282	4	23,314	4,905	\$ 25.00	\$ 1,858	\$ 1.19	\$ 0.90
Contracts on forecasted sales								
2021 settlements	—	—	41,557	30,876	N/A	N/A	\$ 1.17	\$ 0.88
2022 settlements	—	—	18,519	—	N/A	N/A	\$ 1.28	N/A
	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)
December 31, 2019								
Contracts on provisional sales								
2020 settlements	2,556	10	21,550	5,159	\$ 17.20	\$ 1,481	\$ 1.04	\$ 0.88
Contracts on forecasted sales								
2020 settlements	—	—	441	11,740	N/A	N/A	\$ 1.13	\$ 0.98

In June 2019, we began using put option contracts to manage the exposure of our forecasted future gold and silver sales to potential declines in market prices for those metals. These put contracts give us the option, but not the obligation, to realize established prices on quantities of silver and gold to be sold in the future. The put contracts establish the minimum ("floor") prices we would expect to be able to realize, without limiting our ability to realize higher prices when market prices exceed the put exercise prices at the time the metals are sold. As of December 31, 2020, we had put contracts that provide average floor prices of \$16.50 per ounce for silver and \$1,650 per ounce for gold for a total of 1.1 million silver ounces and 12,992 gold ounces.

These forward and put option contracts are not designated as hedges and are marked-to-market through earnings each period.

At December 31, 2020 and 2019, we recorded the following balances for the fair value of the forward and put option contracts held at that time (in millions):

Balance sheet line item:	December 31, 2020			December 31, 2019		
	Contracts in an asset position	Contracts in a liability position	Net asset (liability)	Contracts in an asset position	Contracts in a liability position	Net asset (liability)
Other current assets	\$ 0.2	\$ (0.2)	\$ —	\$ —	\$ —	\$ —
Other non-current assets	0.5	(0.1)	0.4	—	—	—
Current derivatives liability	0.1	(11.8)	(11.7)	2.1	(7.9)	(5.8)

We recognized a \$16.4 million net loss during 2020 on the contracts utilized to manage exposure to changes in prices of metals in our concentrate shipments, which is included in sales of products. The net loss recognized on the contracts offsets gains 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 \$22.1 million net loss during 2020 on the contracts utilized to manage exposure to changes in prices for forecasted future sales. The net loss on these contracts is included as a separate line item under other income (expense), as they relate to forecasted future sales, as opposed to sales that have already taken place but are subject to final pricing as discussed in the preceding paragraph. The net loss for 2020 is the result of increasing silver, gold, zinc and lead prices. During the third quarters of 2019 and 2018, we settled, prior to their maturity date, contracts in a gain position for cash proceeds to us of approximately \$6.7 million and \$32.8 million, respectively, with no such early settlements in 2020. These programs, when utilized and the contracts are not settled prior to their maturity, are designed to mitigate the impact of potential future declines in silver, gold, lead and zinc prices from the price levels established in the contracts (see average price information above). When those prices increase compared to the contracts, we incur losses on the contracts.

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 contract. As of December 31, 2020, we have not posted any collateral related to these contracts. The fair value of derivatives in a net liability position related to these arrangements was \$12.2 million as of December 31, 2020, and includes accrued interest but excludes any adjustment for nonperformance risk. If we were in breach of any of these provisions at December 31, 2020, we could have been required to settle our obligations under the agreements at their termination value of \$12.2 million.

NOTE 12: BUSINESS SEGMENTS, SALES OF PRODUCTS AND SIGNIFICANT CUSTOMERS

We discover, acquire and develop mines and other mineral interests and produce and market concentrates, containing silver, gold (in the case of Greens Creek), lead and zinc, (ii) carbon material containing silver and gold, and (iii) doré containing silver and gold. We are currently organized and managed in five segments, which represent our operating units: the Greens Creek unit, the Lucky Friday unit, the Casa Berardi unit, the San Sebastian unit, and the Nevada Operations unit.

General corporate activities not associated with operating units and their various exploration activities, as well as 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 tables below present information about our reportable segments as of and for the years ended December 31, 2020, 2019 and 2018 (in thousands).

	2020	2019	2018
Net sales to unaffiliated customers:			
Greens Creek	\$ 327,820	\$ 299,722	\$ 265,650
Lucky Friday	63,025	16,621	9,750
Casa Berardi	209,224	192,944	210,339
San Sebastian	32,906	56,210	50,224
Nevada Operations	58,898	107,769	31,174
Total sales to unaffiliated customers	<u>\$ 691,873</u>	<u>\$ 673,266</u>	<u>\$ 567,137</u>
Income (loss) from operations:			
Greens Creek	\$ 108,230	\$ 84,868	\$ 70,293
Lucky Friday	(1,711)	(12,520)	(20,199)
Casa Berardi	1,359	(33,499)	881
San Sebastian	2,793	569	(14)
Nevada Operations	(6,674)	(49,224)	(26,715)
Other	(52,416)	(47,303)	(63,372)
Total (loss) income from operations	<u>\$ 51,581</u>	<u>\$ (57,109)</u>	<u>\$ (39,126)</u>
Capital additions (including non-cash additions):			
Greens Creek	\$ 23,665	\$ 35,829	\$ 43,631
Lucky Friday	27,284	7,861	14,236
Casa Berardi	47,576	33,906	39,816
San Sebastian	(47)	3,906	8,492
Nevada Operations	4,003	42,154	35,721
Other	38	73	4,555
Total capital additions	<u>\$ 102,519</u>	<u>\$ 123,729</u>	<u>\$ 146,451</u>
Depreciation, depletion and amortization:			
Greens Creek	\$ 49,692	\$ 47,587	\$ 46,511
Lucky Friday	11,473	1,175	1,012
Casa Berardi	69,572	73,960	71,302
San Sebastian	3,548	9,772	4,602
Nevada Operations	22,845	67,024	10,617
Total depreciation, depletion and amortization	<u>\$ 157,130</u>	<u>\$ 199,518</u>	<u>\$ 134,044</u>
Other significant non-cash items:			
Greens Creek	\$ 3,103	\$ 2,868	\$ 3,325
Lucky Friday	881	996	618
Casa Berardi	(1,741)	5,203	696
San Sebastian	456	492	419
Nevada Operations	2,039	2,911	8,758
Other	6,426	(6,595)	(23,358)
Total other significant non-cash items	<u>\$ 11,164</u>	<u>\$ 5,875</u>	<u>\$ (9,542)</u>
Identifiable assets:			
Greens Creek	\$ 610,360	\$ 639,047	\$ 637,386
Lucky Friday	520,463	440,615	437,499
Casa Berardi	694,522	703,511	754,248
San Sebastian	42,617	48,294	44,152
Nevada Operations	513,309	528,466	581,194
Other	286,453	277,375	249,465
Total identifiable assets	<u>\$ 2,667,724</u>	<u>\$ 2,637,308</u>	<u>\$ 2,703,944</u>

The following are our long-lived assets by geographic area as of December 31, 2020 and 2019 (in thousands):

	2020	2019
United States	\$ 1,701,307	\$ 1,748,406
Canada	635,788	660,859
Mexico	8,124	14,433
Total long-lived assets	<u>\$ 2,345,219</u>	<u>\$ 2,423,698</u>

Our products consist of metal concentrates and carbon material, which we sell to custom smelters, metal traders and third-party processors, and unrefined bullion bars (doré), which may be sold as doré or further refined before sale to precious metal 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, which we currently have at our Casa Berardi and San Sebastian units, the performance obligation is met, the transaction price is known, 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 unrefined 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 sales of carbon materials, which we have at our Nevada Operations unit commencing in 2020 (with sales of unrefined doré there in previous periods), transfer of control takes place, the performance obligation is met, the transaction price is known, and revenue is recognized generally at the time of arrival at the customer's facility.

For concentrate sales, which we currently have at our Greens Creek and Lucky Friday units, 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 and the performance obligation has been met for those shipments. We have determined control is met, title is transferred and the performance obligation is met 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 also required in identifying what our performance obligations for our concentrate sales are. 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.

The consideration we receive for our concentrate sales fluctuates due to changes in metals prices between the time of shipment and final settlement with the customer. 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 December 31, 2020, metals contained in concentrate sales and exposed to future price changes totaled 1.7 million ounces of silver, 4,516 ounces of gold, 26.4 million pounds of zinc, and 9.1 million pounds of lead. However, as discussed in *Note 11*, we seek to mitigate the risk of 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, third-party processors and metal traders. The percentage of sales contributed by each segment is reflected in the following table:

	Year Ended December 31,		
	2020	2019	2018
Greens Creek	47.4%	44.5%	46.7%
Lucky Friday	9.1%	2.5%	1.8%
Casa Berardi	30.2%	28.7%	37.1%
San Sebastian	4.8%	8.3%	8.9%
Nevada Operations	8.5%	16.0%	5.5%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Sales of products by metal for the years ended December 31, 2020, 2019 and 2018 were as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Silver	\$ 260,227	\$ 192,235	\$ 144,609
Gold	356,166	388,602	313,076
Lead	48,776	35,777	33,829
Zinc	95,065	89,656	99,800
Less: Smelter and refining charges	(68,361)	(33,004)	(24,177)
Sales of products	<u>\$ 691,873</u>	<u>\$ 673,266</u>	<u>\$ 567,137</u>

The following is sales information by geographic area based on the location of smelters and metal traders (for concentrate shipments) and the location of parent companies (for doré sales to metal traders) for the years ended December 31, 2020, 2019 and 2018 (in thousands):

	Year Ended December 31,		
	2020	2019	2018
United States	\$ 292,704	\$ 53,612	\$ 48,437
Canada	145,670	379,095	322,402
Japan	39,418	48,841	42,885
Netherlands	(923)	38,420	—
Korea	165,302	154,581	145,263
China	66,082	—	66
Total, excluding gains/losses on forward contracts	<u>\$ 708,253</u>	<u>\$ 674,549</u>	<u>\$ 559,053</u>

Sales by significant product type for the years ended December 31, 2020, 2019 and 2018 were as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Doré and metals from doré	\$ 266,536	\$ 340,912	\$ 306,328
Carbon	60,302	37,645	5,239
Lead concentrate	281,050	200,456	148,880
Zinc concentrate	76,481	74,160	80,938
Bulk concentrate	23,884	21,376	17,668
Total, excluding gains/losses on forward contracts	\$ 708,253	\$ 674,549	\$ 559,053

Sales of products for 2020, 2019 and 2018, included a net loss of \$16.4 million, a net loss of \$1.3 million, and a net gain of \$8.1 million, respectively, on derivative contracts for silver, gold, lead and zinc contained in our sales. See *Note 11* for more information.

Sales from continuing operations to significant metals customers as a percentage of total sales were as follows for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
CIBC	32.7%	23.1%	29.7%
Teck Metals Ltd.	16.1%	8.2%	8.4%
Ocean Partners	13.9%	5.7%	2.5%
Korea Zinc	13.3%	17.4%	17.8%
Scotia	2.9%	24.0%	15.3%

Our trade accounts receivable balance related to contracts with customers was \$27.9 million at December 31, 2020 and \$12.0 million at December 31, 2019, 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. Payment for carbon sales is received within a relatively short period of time after the performance obligation is satisfied. The amount of 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 accounting standards. Therefore, we have not recognized an asset for such costs as of December 31, 2020 or December 31, 2019.

NOTE 13: FAIR VALUE MEASUREMENT

Accounting guidance has established a hierarchy for inputs used to measure assets and liabilities at fair value on a recurring basis. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels included in the hierarchy are:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: significant other observable inputs; and
- Level 3: significant unobservable inputs.

The table below sets forth our assets and liabilities (in thousands) 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. See *Note 9* for information on the fair values of our defined benefit pension plan assets.

	Balance at December 31, 2020	Balance at December 31, 2019	Input Hierarchy Level
Assets:			
Cash and cash equivalents:			
Money market funds and other bank deposits	\$ 129,830	\$ 62,452	Level 1
Current and non-current investments:			
Equity securities – mining industry	19,389	6,207	Level 1
Trade accounts receivable:			
Receivables from provisional concentrate sales	27,864	11,952	Level 2
Derivative contracts - other current assets and other non-current assets:			
Metal forward and put option contracts	381	—	Level 2
Foreign exchange contracts	7,647	1,184	Level 2
Restricted cash balances:			
Certificates of deposit and other deposits	1,053	1,025	Level 1
Total assets	\$ 186,164	\$ 82,820	
Liabilities			
Derivative contracts - current derivative liabilities and other non-current liabilities:			
Metal forward and put option contracts	\$ 11,737	\$ 5,777	Level 2
Foreign exchange contracts	19	1,437	Level 2
Total liabilities	\$ 11,756	\$ 7,214	

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 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 investments 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, metals sold from doré, and carbon material 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 arrival at the customer 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 metals prices between shipment and final settlement result in changes to revenues previously recorded upon shipment. The embedded derivative contained in our concentrate sales is 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 the 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 and put option contracts to manage the exposure to changes in prices of silver, gold, 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 forward 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. The fair value of each put option contract is measured using the Black-Scholes pricing model, with inputs for the period-end metal price and assumed metal price volatility and discount rate.

Our Senior Notes, which were recorded at their carrying value of \$468.5 million, net of unamortized initial purchaser discount and issuance costs at December 31, 2020, had a fair value of \$519.1 million at December 31, 2020. Quoted prices, which we consider to be Level 1 inputs, are utilized to estimate fair values of the Senior Notes. See *Note 7* for more information.

NOTE 14: LOSS PER COMMON SHARE

We calculate basic loss per share using, as the denominator, the weighted average number of common shares outstanding during the period. Diluted loss per share uses, as its denominator, the weighted average number of common shares outstanding during the period plus the effect of potential dilutive common shares during the period using the treasury stock method for options, warrants, and restricted stock units, and if-converted method for convertible preferred shares.

Potential dilutive common shares include outstanding restricted stock unit awards, stock units, warrants and convertible preferred stock for periods in which we have reported net income. For periods in which we reported net losses, potential dilutive common shares are excluded, as their conversion and exercise would not reduce earnings per share. Under the if-converted method, preferred shares would not dilute earnings per share in any of the periods presented.

The following table represents net loss per common share – basic and diluted (in thousands, except loss per share):

	Year ended December 31,		
	2020	2019	2018
Numerator			
Net loss	\$ (16,790)	\$ (99,557)	\$ (26,563)
Preferred stock dividends	(552)	(552)	(552)
Net loss applicable to common shares	<u>\$ (17,342)</u>	<u>\$ (100,109)</u>	<u>\$ (27,115)</u>
Denominator			
Basic weighted average common shares	527,329	490,449	433,419
Dilutive stock options, restricted stock units, and warrants	—	—	—
Diluted weighted average common shares	<u>527,329</u>	<u>490,449</u>	<u>433,419</u>
Basic loss per common share	\$ (0.03)	\$ (0.20)	\$ (0.06)
Diluted loss per common share	\$ (0.03)	\$ (0.20)	\$ (0.06)

For the years ended December 31, 2020, 2019 and 2018, all outstanding restricted stock units, warrants and deferred shares were excluded from the computation of diluted loss per share, as our reported net losses for that period would cause their conversion and exercise to have no effect on the calculation of loss per share.

NOTE 15: ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table lists the beginning balance, yearly activity and ending balance of each component of "Accumulated other comprehensive loss, net" (in thousands):

	Unrealized Gains (Losses) On Securities	Changes in fair value of derivative contracts designated as hedge transactions	Adjustments For Pension Plans	Total Accumulated Other Comprehensive Loss, Net
Balance January 1, 2018	\$ 3,719	\$ 5,030	\$ (32,122)	\$ (23,373)
Change in accounting	(1,289)	—	—	(1,289)
2018 change	(2,443)	(13,814)	(1,550)	(17,807)
Balance December 31, 2018	(13)	(8,784)	(33,672)	(42,469)
2019 change	—	8,436	(3,277)	5,159
Balance December 31, 2019	(13)	(348)	(36,949)	(37,310)
2020 change	—	7,980	(3,559)	4,421
Balance December 31, 2020	\$ (13)	\$ 7,632	\$ (40,508)	\$ (32,889)

The \$1.3 million change in accounting in unrealized gains (losses) on securities for 2018 represents a reclassification from accumulated other comprehensive loss to retained deficit of unrealized gains, net of tax effect, recognized prior to January 1, 2018 upon adoption of ASU No. 2016-01. The amounts above are net of the income tax effect of such balances and activity as summarized in the following table (in thousands):

	Income Tax Effect of:			
	Unrealized Gains (Losses) On Securities	Changes in fair value of derivative contracts designated as hedge transactions	Adjustments For Pension Plans	Total Accumulated Other Comprehensive Loss, Net
Balance January 1, 2018	\$ 1,791	\$ —	\$ 10,120	\$ 11,911
2018 change	(1,791)	—	2,455	664
Balance December 31, 2018	—	—	12,575	12,575
2019 change	—	—	—	—
Balance December 31, 2019	—	—	12,575	12,575
2020 change	—	—	—	—
Balance December 31, 2020	\$ —	\$ —	\$ 12,575	\$ 12,575

See Note 3 for more information on our marketable securities, Note 9 for more information on our employee benefit plans, and Note 11 for more information on our derivative instruments.

NOTE 16: ACQUISITIONS**Acquisition of Klondex**

On July 20, 2018, we acquired all of the issued and outstanding common shares of Klondex for consideration valued at \$2.27 per Klondex share (the "Arrangement"). The acquisition resulted in our 100% ownership of three land packages in northern Nevada totaling approximately 110 square miles and containing operating or previously-operating mines with a history of high-grade gold production, along with various other gold properties and two mills. The acquisition has increased our annual gold production, and it has the potential to do so in the future. Under the terms of the Arrangement, each holder of Klondex common shares had the option to receive either (i) \$2.47 in cash per Klondex share (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 \$153.2 million and a maximum number of Hecla shares issued of 75,276,176. Klondex shareholders also received shares of a newly formed company which holds the Canadian assets previously owned by Klondex (Havilah Mining Corporation ("Havilah")). Klondex had 180,499,319 issued and outstanding common shares prior to consummation of the Arrangement. An additional 1,549,626 Klondex common shares were issued immediately prior to consummation of the Arrangement related to conversion of in-the-money Klondex options and certain outstanding restricted share units, resulting in a total of 182,048,945 issued and outstanding Klondex common shares at the time of consummation of the Arrangement. In connection with the Arrangement, we also issued an aggregate of 4,136,000 warrants to purchase one share of our common stock ("Hecla Warrants") to holders of warrants to purchase Klondex common shares. Of the Hecla Warrants, 2,068,000 have an exercise price of \$8.02 and expire in April 2032, and 2,068,000 have an exercise price of \$1.57 and expire in February 2029. In addition, we settled share-based payment awards held by Klondex directors and employees for cash of \$2.0 million. Consideration for the Arrangement was cash of \$161.7 million, 75,276,176 shares of our common stock valued at \$242.4 million, and issuance of the Hecla Warrants valued at \$9.8 million, for total consideration of \$413.9 million. The Hecla Warrants were valued using the Black-Scholes model and based on the exercise price and term of the warrants, the price of our common stock at the time of issuance of the warrants, and assumptions for the discount rate and volatility and dividend rate of our common stock. The cash consideration includes \$7.0 million for our subscription for common shares of Havilah and \$1.5 million for settlement of certain equity compensation instruments.

The following summarizes the allocation of purchase price to the fair value of assets acquired and liabilities assumed as of the date of acquisition (in thousands):

Consideration:	
Cash payments	\$ 161,704
Hecla stock issued (75,276,176 shares at \$3.22 per share)	242,389
Hecla warrants issued	9,830
Total consideration	<u>\$ 413,923</u>
Fair value of net assets acquired:	
Assets:	
Cash	\$ 12,874
Accounts receivable	3,453
Inventory – supplies	6,565
Inventory – finished goods, in-process material and stockpiled ore	10,075
Other current assets	2,583
Properties, plants, equipment and mineral interests	510,015
Non-current investments	1,596
Non-current restricted cash and investments	9,504
Total assets	<u>556,665</u>
Liabilities:	
Accounts payable and accrued liabilities	17,799
Accrued payroll and related benefits	8,245
Accrued taxes	421
Lease liability	2,080
Debt	35,086
Asset retirement obligation	19,571
Deferred tax liability	59,540
Total liabilities	<u>142,742</u>
Net assets	<u>\$ 413,923</u>

The allocation of purchase price above was finalized in the second quarter of 2019, with adjustments made in 2019 to the previously-reported preliminary allocation to decrease (i) total consideration, (ii) inventory - finished goods, in-process material and stockpiled ore, (iii) properties, plants, equipment and mineral interests, (iv) accrued payroll and related benefits and (v) deferred tax liability by \$0.3 million, \$0.2 million, \$11.5 million, \$2.1 million and \$9.8 million, respectively, and increase accounts payable and accrued liabilities by \$0.5 million.

The unaudited pro forma financial information below represents the combined results of our operations as if the acquisition had occurred at the beginning of the periods presented. The unaudited pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have occurred if the acquisition had taken place at the beginning of the periods presented, nor is it indicative of future operating results.

<u>(in thousands, except per share amounts)</u>	<u>(unaudited)</u> <u>Year Ended</u> <u>December 31,</u> <u>2018</u>
Sales	\$ 680,261
Net (loss) income	(19,574)
(Loss) income applicable to common shareholders	(20,126)
Basic and diluted (loss) income per common share	(0.04)

The pro forma financial information includes adjustments to eliminate amounts related to the Canadian assets previously owned by Klondex, which were transferred to Havilah and not acquired by us, and costs related to the acquisition.

TEN-YEAR FINANCIAL REVIEW

(Amounts for the year ended December 31, 2020-2011, dollars in thousands, except per share and per ounce amounts)

	2020	2019
Operating Results:		
Sales of products	\$ 691,873	\$ 673,266
Gross profit (loss)	143,703	23,399
Net income (loss)	(16,790)	(123,658)
Series B Preferred stock dividends	(552)	(552)
Total preferred stock dividends	(552)	(552)
Common stock dividends	8,600	4,914
Net income (loss) applicable to common shareholders	(17,342)	(100,109)
Basic income (loss) per common share	(0.03)	(0.20)
Exploration and pre-development expenses	18,295	19,069
Balance Sheet:		
Current assets	\$ 284,681	\$ 179,124
Total assets	2,667,724	2,637,308
Working capital (deficit)	134,896	62,150
Long-term debt and capital leases	516,516	515,547
Common stock	134,629	132,292
Preferred stock	39	39
Total shareholders' equity	1,702,340	1,692,423
Cash & Cash Flow:		
Net cash provided by (used in) operating activities	\$ 180,793	\$ 120,866
Net cash provided by (used in) investing and financing activities	(112,280)	(86,678)
Cash and cash equivalents at end of year	129,830	62,452
Common Share Data:		
Number of shares outstanding at end of year	531,056	522,896
Weighted average number of shares outstanding for the year – basic	527,329	490,449
High per-share price during the year (closing)	\$ 6.65	\$ 3.40
Low per-share price during the year (closing)	\$ 1.61	\$ 1.26
Operational Data:		
Silver production (oz.)	13,542,957	12,605,234
Gold production (oz.)	208,962	272,873
Lead production (tons)	34,127	24,210
Zinc production (tons)	63,112	58,857
Cash cost, after by-product credits, per silver ounce	\$ 5.70	\$ 2.93
Cash cost, after by-product credits, per gold ounce	\$ 1,045	\$ 1,066
Average London PM Fix gold price per ounce	\$ 1,770	\$ 1,392
Average London PM Fix silver price per ounce	\$ 20.51	\$ 16.20
Other Data:		
Market capitalization	3,441,243	1,767,388
Financial Ratios:		
Current ratio	1.90:1	1.53:1
Total liabilities to equity	0.6:1	0.6:1
Book value per common share	\$ 3.19	\$ 3.22

(1) Cash cost, after by-product credits, per silver and gold ounce represents a non-U.S. Generally Accepted Accounting Principles (GAAP) measurement. A reconciliation of cash costs, after by-product credits per ounce, to cost of sales and other direct production costs and depreciation, depletion, and amortization (the most comparable GAAP measure) can be found in the Reconciliation of Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) to Cost of Sales and Other Direct Production Costs and Depreciation, Depletion, and Amortization (GAAP) section in the Company's Form 10-K, on pages 49 through 54. Various accidents and other events resulted in temporary suspensions of production at the Lucky Friday unit during 2011 and throughout 2012. Care-and-maintenance, mine rehabilitation, investigation, and other costs incurred during the suspension periods not related to production have been excluded from cash costs.

TEN-YEAR FINANCIAL REVIEW (CONTINUED)

(Amounts for the year ended December 31, 2020-2011, dollars in thousands, except per share and per ounce amounts)

2018	2017	2016	2015	2014	2013	2012	2011
\$ 567,137	\$ 577,775	\$ 645,957	\$ 443,567	\$ 500,781	\$ 382,589	\$ 321,143	\$ 477,634
79,099	152,449	184,001	31,803	84,239	65,935	143,516	264,995
(26,863)	(28,520)	61,569	(94,738)	16,306	(25,470)	14,954	151,164
(552)	(552)	(552)	(552)	(552)	(552)	(552)	(552)
(552)	(552)	(552)	(552)	(552)	(552)	(552)	(552)
4,393	3,976	3,867	3,739	3,547	5,991	17,121	5,592
(27,115)	(29,072)	61,017	(95,290)	15,754	(26,022)	14,402	150,612
(0.06)	(0.07)	0.16	(0.25)	0.04	(0.08)	0.05	0.54
40,582	28,958	17,857	21,958	19,667	37,650	49,738	31,405
\$ 164,150	\$ 321,236	\$ 291,190	\$ 269,533	\$ 316,359	\$ 343,635	\$ 282,898	\$ 362,744
2,703,944	2,345,158	2,355,795	2,213,359	2,260,578	2,231,780	1,378,290	1,396,090
27,956	209,106	164,965	142,173	225,354	192,217	187,911	255,428
540,670	508,422	506,817	509,040	512,129	505,058	11,935	6,265
121,956	100,926	99,806	95,219	92,382	85,896	71,499	71,420
39	39	39	39	39	39	39	39
1,690,963	1,461,277	1,462,240	1,329,299	1,395,117	1,326,080	1,137,951	1,140,113
\$ 94,221	\$ 115,878	\$ 225,328	\$ 106,445	\$ 83,124	\$ 26,644	\$ 69,019	\$ 69,889
(251,431)	(101,811)	(209,485)	(155,749)	(81,851)	(548)	(144,495)	(79,819)
27,389	186,107	169,777	155,209	209,665	212,175	190,984	266,463
482,604	399,176	395,287	378,113	367,377	342,663	285,210	285,290
433,419	397,394	386,416	373,954	353,442	318,679	285,375	280,956
\$ 4.49	\$ 6.72	\$ 7.24	\$ 3.48	\$ 3.61	\$ 6.11	\$ 6.94	\$ 11.24
\$ 2.22	\$ 3.46	\$ 1.52	\$ 1.81	\$ 2.04	\$ 2.66	\$ 3.70	\$ 5.03
10,369,503	12,484,844	17,177,317	11,591,603	11,090,506	8,919,728	6,394,235	9,483,676
262,103	232,684	233,929	189,327	186,997	119,989	55,496	56,818
20,091	22,733	42,472	39,965	40,255	30,374	21,074	39,150
56,023	55,107	68,516	70,073	67,969	61,406	64,249	73,355
\$ 1.07	\$ -0.01	\$ 3.10	\$ 5.85	\$ 4.81	\$ 6.84	\$ 2.70	\$ 1.15
\$ 871	\$ 820	\$ 764	\$ 772	\$ 826	\$ 951	\$ -	\$ -
\$ 1,269	\$ 1,257	\$ 1,248	\$ 1,160	\$ 1,266	\$ 1,411	\$ 1,669	\$ 1,569
\$ 15.71	\$ 17.05	\$ 17.10	\$ 15.70	\$ 19.08	\$ 23.83	\$ 31.15	\$ 35.11
1,138,945	1,584,729	2,071,304	714,634	1,024,982	1,055,403	1,662,773	1,492,066
1.21:1	2.86:1	2.12:1	2.12:1	3.48:1	2.27:1	2.98:1	3.38:1
0.6:1	0.6:1	0.7:1	0.7:1	0.6:1	0.7:1	0.2:1	0.2:1
\$ 3.49	\$ 3.64	\$ 3.68	\$ 3.49	\$ 3.78	\$ 3.85	\$ 3.96	\$ 3.97

MINERAL RESERVES AND RESOURCES

(As of December 31, 2020 unless otherwise noted)

Proven Reserves ⁽¹⁾

Asset	Tons (000)	Silver (oz/ton)	Gold (oz/ton)	Lead (%)	Zinc (%)	Copper (%)	Silver (000 oz)	Gold (000 oz)	Lead (Tons)	Zinc (Tons)	Copper (Tons)
Greens Creek ⁽²⁾	3	21.8	0.10	3.7	7.8	—	70	0.3	120	250	—
Lucky Friday ⁽²⁾	4,393	14.2	—	8.8	4.1	—	62,290	—	386,210	180,060	—
Casa Berardi Open Pit ⁽³⁾	4,437	—	0.09	—	—	—	—	410	—	—	—
Casa Berardi Underground ⁽³⁾	1,038	—	0.15	—	—	—	—	158	—	—	—
Fire Creek ^(2,4)	62	0.5	0.48	—	—	—	28	30	—	—	—
Total	9,933						62,388	598	386,330	180,310	—

Probable Reserves

Asset	Tons (000)	Silver (oz/ton)	Gold (oz/ton)	Lead (%)	Zinc (%)	Copper (%)	Silver (000 oz)	Gold (000 oz)	Lead (Tons)	Zinc (Tons)	Copper (Tons)
Greens Creek ⁽²⁾	8,975	12.4	0.09	2.8	7.3	—	111,333	827	254,840	652,170	—
Lucky Friday ⁽²⁾	1,372	10.7	—	7.2	3.9	—	14,702	—	99,170	53,190	—
Casa Berardi Open Pit ⁽³⁾	9,763	—	0.08	—	—	—	—	744	—	—	—
Casa Berardi Underground ⁽³⁾	1,533	—	0.15	—	—	—	—	231	—	—	—
Fire Creek ^(2,4)	1	0.9	0.71	—	—	—	1	1	—	—	—
Total	21,643						126,036	1,802	354,010	705,360	—

Proven and Probable Reserves

Asset	Tons (000)	Silver (oz/ton)	Gold (oz/ton)	Lead (%)	Zinc (%)	Copper (%)	Silver (000 oz)	Gold (000 oz)	Lead (Tons)	Zinc (Tons)	Copper (Tons)
Greens Creek ⁽²⁾	8,978	12.4	0.09	2.8	7.3	—	111,404	828	254,960	652,420	—
Lucky Friday ⁽²⁾	5,764	13.4	—	8.4	4.0	—	76,992	—	485,380	233,250	—
Casa Berardi Open Pit ⁽³⁾	14,200	—	0.08	—	—	—	—	1,153	—	—	—
Casa Berardi Underground ⁽³⁾	2,571	—	0.15	—	—	—	—	389	—	—	—
Fire Creek ^(2,4)	63	0.5	0.48	—	—	—	29	31	—	—	—
Total	31,576						188,424	2,400	740,340	885,670	—

Measured Resources

Asset	Tons (000)	Silver (oz/ton)	Gold (oz/ton)	Lead (%)	Zinc (%)	Copper (%)	Silver (000 oz)	Gold (000 oz)	Lead (Tons)	Zinc (Tons)	Copper (Tons)
Greens Creek ⁽⁵⁾	297	12.9	0.11	3.1	10.3	—	3,837	33	9,310	30,500	—
Lucky Friday ^(5,6)	9,007	7.6	—	4.8	2.4	—	68,543	—	430,950	218,740	—
Casa Berardi Open Pit ⁽⁷⁾	824	—	0.09	—	—	—	—	71	—	—	—
Casa Berardi Underground ⁽⁷⁾	2,231	—	0.15	—	—	—	—	331	—	—	—
San Sebastian ^(5,8)	—	—	—	—	—	—	—	—	—	—	—
Fire Creek ^(5,9)	20	0.7	0.50	—	—	—	14	10	—	—	—
Hollister ^(5,10)	18	4.9	0.59	—	—	—	87	10	—	—	—
Midas ^(5,11)	2	7.6	0.68	—	—	—	14	1	—	—	—
Heva ⁽¹²⁾	—	—	—	—	—	—	—	—	—	—	—
Hosco ⁽¹²⁾	—	—	—	—	—	—	—	—	—	—	—
Rio Grande Silver ⁽¹³⁾	—	—	—	—	—	—	—	—	—	—	—
Star ⁽¹⁴⁾	—	—	—	—	—	—	—	—	—	—	—
Total	12,399						72,495	456	440,260	249,240	—

Indicated Resources

Asset	Tons (000)	Silver (oz/ton)	Gold (oz/ton)	Lead %	Zinc %	Copper %	Silver (000 oz)	Gold (000 oz)	Lead (Tons)	Zinc (Tons)	Copper (Tons)
Greens Creek ⁽⁵⁾	8,599	12.9	0.10	3.0	8.2	—	110,844	848	256,790	708,520	—
Lucky Friday ^(5,6)	2,275	7.8	—	5.3	2.2	—	17,844	—	120,390	50,970	—
Casa Berardi Open Pit ⁽⁷⁾	1,621	—	0.06	—	—	—	—	97	—	—	—
Casa Berardi Underground ⁽⁷⁾	5,424	—	0.14	—	—	—	—	750	—	—	—
San Sebastian ^(5,8)	2,541	5.9	0.06	1.9	2.9	1.2	14,985	149	22,420	34,100	14,650
Fire Creek ^(5,9)	114	1.0	0.45	—	—	—	114	51	—	—	—
Fire Creek Open Pit ⁽¹³⁾	—	—	—	—	—	—	—	—	—	—	—
Hollister ^(5,10)	70	1.9	0.58	—	—	—	130	40	—	—	—
Midas ^(5,11)	76	5.7	0.42	—	—	—	430	32	—	—	—
Heva ⁽¹²⁾	1,266	—	0.06	—	—	—	—	76	—	—	—
Hosco ⁽¹²⁾	29,287	—	0.04	—	—	—	—	1,202	—	—	—
Rio Grande Silver ⁽¹³⁾	516	14.8	—	2.1	1.1	—	7,620	—	10,760	5,820	—
Star ⁽¹⁴⁾	1,126	2.9	—	6.2	7.4	—	3,301	—	69,900	83,410	—
Total	52,913						155,266	3,245	480,260	882,820	14,650

Measured & Indicated Resources

Asset	Tons (000)	Silver (oz/ton)	Gold (oz/ton)	Lead %	Zinc %	Copper %	Silver (000 oz)	Gold (000 oz)	Lead (Tons)	Zinc (Tons)	Copper (Tons)
Greens Creek ⁽⁵⁾	8,895	12.9	0.10	3.0	8.3	—	114,681	881	266,110	739,020	—
Lucky Friday ^(5,6)	11,282	7.7	—	4.9	2.4	—	86,386	—	551,340	269,710	—
Casa Berardi Open Pit ⁽⁷⁾	2,445	—	0.07	—	—	—	—	168	—	—	—
Casa Berardi Underground ⁽⁷⁾	7,656	—	0.14	—	—	—	—	1,081	—	—	—
San Sebastian ^(5,8)	2,541	5.9	0.06	1.9	2.9	1.2	14,985	149	22,420	34,100	14,650
Fire Creek ^(5,9)	134	1.0	0.46	—	—	—	128	61	—	—	—
Fire Creek Open Pit ⁽¹³⁾	—	—	—	—	—	—	—	—	—	—	—
Hollister ^(5,10)	88	2.5	0.58	—	—	—	217	51	—	—	—
Midas ^(5,11)	78	5.7	0.43	—	—	—	444	33	—	—	—
Heva ⁽¹²⁾	1,266	—	0.06	—	—	—	—	76	—	—	—
Hosco ⁽¹²⁾	29,287	—	0.04	—	—	—	—	1,202	—	—	—
Rio Grande Silver ⁽¹³⁾	516	14.8	—	2.1	1.1	—	7,620	—	10,760	5,820	—
Star ⁽¹⁴⁾	1,126	2.9	—	6.2	7.4	—	3,301	—	69,900	83,410	—
Total	65,312						227,760	3,701	920,530	1,132,060	14,650

Inferred Resources

Asset	Tons (000)	Silver (oz/ton)	Gold (oz/ton)	Lead %	Zinc %	Copper %	Silver (000 oz)	Gold (000 oz)	Lead (Tons)	Zinc (Tons)	Copper (Tons)
Greens Creek ⁽⁵⁾	1,767	13.2	0.08	2.8	7.0	—	23,370	145	49,670	123,480	—
Lucky Friday ^(5,6)	3,069	8.3	—	6.3	2.7	—	25,359	—	192,200	83,350	—
Casa Berardi Open Pit ⁽⁷⁾	9,229	—	0.06	—	—	—	—	508	—	—	—
Casa Berardi Underground ⁽⁷⁾	2,447	—	0.18	—	—	—	—	445	—	—	—
San Sebastian ^(5,15)	2,923	5.9	0.05	1.6	2.3	0.9	17,188	133	6,070	8,830	3,330
Fire Creek ^(5,9)	765	0.5	0.51	—	—	—	394	392	—	—	—
Fire Creek Open Pit ⁽¹⁶⁾	74,584	0.1	0.03	—	—	—	5,232	2,178	—	—	—
Hollister ^(5,10)	642	3.0	0.42	—	—	—	1,916	273	—	—	—
Midas ^(5,11)	1,057	5.0	0.40	—	—	—	5,280	424	—	—	—
Heva ⁽¹²⁾	2,787	—	0.08	—	—	—	—	216	—	—	—
Hosco ⁽¹²⁾	17,726	—	0.04	—	—	—	—	663	—	—	—
Rio Grande Silver ⁽¹⁷⁾	3,078	10.7	0.01	1.3	1.1	—	33,097	36	40,990	34,980	—
Star ⁽¹⁴⁾	3,157	2.9	—	5.6	5.5	—	9,432	—	178,670	174,450	—
Monte Cristo ⁽¹⁸⁾	913	0.3	0.14	—	—	—	271	131	—	—	—
Rock Creek ⁽¹⁹⁾	100,086	1.5	—	—	—	0.7	148,736	—	—	—	658,680
Montanore ⁽²⁰⁾	112,185	1.6	—	—	—	0.7	183,346	—	—	—	759,420
Total	336,416						453,621	5,543	467,600	425,090	1,421,430

Note: All estimates are in-situ except for the proven reserves at Greens Creek and Fire Creek which are in surface stockpiles. Resources are exclusive of reserves.

(1) The term "reserve" means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "economically," as used in the definition of reserve, means that profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. The term "legally," as used in the definition of reserve, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, Hecla must have a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course and in a timeframe consistent with Hecla's current mine plans.

- (2) Mineral reserves are based on \$1300 gold, \$16.00 silver, \$0.90 lead, \$1.15 zinc, unless otherwise stated. The NSR cut-off grades are \$205/ton for Greens Creek, \$216.19 for the 30 Vein and \$230.98 for the Intermediate Veins at Lucky Friday.
- (3) Mineral reserves are based on \$1300 gold and a US\$/CAN\$ exchange rate of 1:1.35. Reserve diluted to an average of 18% or 23% depending on mining method. The average cut-off grades at Casa Berardi are 0.101 oz/ton gold (3.46 g/tonne) for underground mineral reserves and 0.025 oz/ton gold (0.85 g/tonne) for open pit mineral reserves.
- (4) Fire Creek mineral reserves are based on a cut-off grade of 0.482 gold equivalent oz/ton and incremental cut-off grade of 0.106 gold equivalent oz/ton. Unplanned dilution of 10% to 17% included depending on mining method.
- (5) Mineral resources are based on \$1500 gold, \$21 silver, \$1.15 lead, \$1.35 zinc and \$3.00 copper, unless otherwise stated. Cut-off grades are as above unless otherwise stated.
- (6) Measured and indicated resources from Gold Hunter and Lucky Friday vein systems are diluted and factored for expected mining recovery using NSR cut-off grades of \$170.18 for the 30 Vein, \$184.97 for the Intermediate Veins and \$207.15 for the Lucky Friday Vein.
- (7) Measured, indicated and inferred resources are based on \$1,500 gold and a US\$/CAN\$ exchange rate of 1:1.35. Underground resources are reported at a minimum mining width of 6.6 to 9.8 feet (2 m to 3 m). The average cut-off grades at Casa Berardi are 0.087 oz/ton gold (3.0 g/tonne) for underground mineral resources and 0.025 oz/ton gold (0.85 g/tonne) for open pit mineral resources.
- (8) Indicated resources reported at a minimum mining width of 5.9 feet (1.8 m) for Hugh Zone, Middle Vein, North Vein, and East Francine Vein and 4.9 feet (1.5 m) for Andrea Vein using a cut-off grade of \$90.72/ton (\$100/tonne).
San Sebastian lead, zinc and copper grades are for 1,187,000 tons of indicated resource within the Middle Vein and the Hugh Zone of the Francine Vein.
- (9) Fire Creek mineral resources are reported at a gold equivalent cut-off grade of 0.283 oz/ton. The minimum mining width is defined as four feet or the vein true thickness plus two feet, whichever is greater.
- (10) Hollister mineral resources, including the Hatter Graben are reported at a gold equivalent cut-off grade of 0.238 oz/ton. The minimum mining width is defined as four feet or the vein true thickness plus two feet, whichever is greater.
- (11) Midas mineral resources are reported at a gold equivalent cut-off grade of 0.237 oz/ton. The minimum mining width is defined as four feet or the vein true thickness plus two feet, whichever is greater.
- (12) Measured, indicated and inferred resources are based on \$1,500 gold The resources are in-situ without dilution and material loss at a cut-off grade of 0.01 oz/ton gold (0.33 g/tonne) for open pit and 0.088 oz/ton gold (3.0 g/tonne) for underground.
- (13) Indicated resources reported at a minimum mining width of 6.0 feet for Bulldog; resources based on \$26.5 Ag, \$0.85 Pb, and \$0.85 Zn and a cut-off grade of 6.0 silver equivalent oz/ton.
- (14) Indicated and Inferred resources reported using \$21 silver, \$0.95 lead, \$1.10 lead minimum mining width of 4.3 feet and a cut-off grade of \$100/ton.
- (15) Inferred resources reported at a minimum mining width of 5.9 feet (1.8 m) for Hugh Zone, Middle Vein, North Vein, and East Francine Vein and 4.9 feet (1.5 m) for Andrea Vein using a cut-off grade of \$90.72/ton (\$100/tonne).
San Sebastian lead, zinc and copper grades are for 385,000 tons of inferred resource within the Middle Vein and the Hugh Zone of the Francine Vein.
- (16) Inferred open-pit resources for Fire Creek calculated November 30, 2017 using gold and silver recoveries of 65% and 30% for oxide material and 60% and 25% for mixed oxide-sulfide material. Indicated Resources reclassified as Inferred for 2019.
Open pit resources are calculated at \$1400 gold and \$19.83 silver and cut-off grade of 0.01 Au Equivalent oz/ton and is inclusive of 10% mining dilution and 5% ore loss. Open pit mineral resources exclusive of underground mineral resources.
NI43-101 Technical Report for the Fire Creek Project, Lander County, Nevada; Effective Date March 31, 2018; prepared by Practical Mining LLC, Mark Odell, P.E. for Hecla Mining Company, June 28, 2018.
- (17) Inferred resources reported at a minimum mining width of 6.0 feet for Bulldog and a cut-off grade of 6.0 equivalent oz/ton silver and 5.0 feet for Equity and North Amethyst vein at a cut-off grade of \$50/ton and \$100/ton; based on \$1400 Au, \$26.5 Ag, \$0.85 Pb, and \$0.85 Zn.
- (18) Inferred resource reported at a minimum mining width of 5.0 feet; resources based on \$1400 Au, \$26.5 Ag using a 0.06 oz/ton gold cut-off grade.
- (19) Inferred resource at Rock Creek reported at a minimum thickness of 15 feet and a cut-off grade of \$24.50/ton NSR and adjusted given mining restrictions as defined by U.S. Forest Service, Kootenai National Forest in the June 2003 'Record of Decision, Rock Creek Project'.
- (20) Inferred resource at Montanore reported at a minimum thickness of 15 feet and a cut-off grade of \$24.50/ton NSR and adjusted given mining restrictions defined by U.S. Forest Service, Kootenai National Forest, Montana DEQ in December 2015 'Joint Final EIS, Montanore Project'.

* Totals may not represent the sum of parts due to rounding

RECONCILIATION OF NET (LOSS) INCOME (GAAP) TO ADJUSTED EBITDA (NON-GAAP)

Dollars in thousands (USD)	Twelve Months Ended				
	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20
Net (loss) income	\$ 69,547	\$ (28,520)	\$ (26,563)	\$ (99,557)	\$ (16,790)
Plus: Interest expense, net of amount capitalized	21,796	38,012	40,944	48,447	49,569
Plus/(Less): Income taxes	27,428	20,963	(6,701)	(24,101)	135
Plus: Depreciation, depletion and amortization	116,126	120,599	134,044	199,518	157,130
Plus: Acquisition costs	2,695	25	10,045	645	20
Plus: Ramp-up and suspension costs	—	21,301	20,693	12,051	24,911
Plus/(Less): Loss (gain) on disposition of properties, plants, equipment and mineral interests	(147)	(6,042)	(2,793)	4,643	572
Plus: Stock-based compensation	5,932	6,331	6,242	5,668	6,458
Plus: Provision for closed operations	4,813	4,508	6,090	6,914	6,189
Plus/(Less): Foreign exchange (gain) loss	2,926	9,680	(10,310)	8,236	4,605
Plus/(Less): Loss (gain) on derivative contracts	(4,423)	18,063	(7,936)	5,613	5,578
Plus/(Less): Provisional price (loss) gain	918	(742)	3,803	(597)	(8,008)
Plus/(Less): Unrealized loss (gain) on investments	177	247	2,816	2,389	(10,268)
Foundation grant	—	—	—	—	1,970
Plus/(Less): Other	(507)	(1,526)	941	3,506	2,256
Adjusted EBITDA	\$ 247,281	\$ 202,899	\$ 171,315	\$ 173,375	\$ 224,327

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

Statements made or information provided in this annual report 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 (i) estimates of the Company’s mineral resources and mineral reserves, projected conversion of resources into reserves, projected increases in mineralization and resources, and projected exploration and pre-development expenditures to be incurred in 2021; (ii) plans for exploration drilling at Greens Creek, Lucky Friday, Casa Berardi, Nevada operations, and San Sebastian; (iii) ability to improve the operating performance of the mines, to extend mine lives, and to increase cash generation; (iv) ability for Lucky Friday to double production in 2021 and to contribute to cash flow generation in 2021; (v) ability to achieve a lower all-injury frequency rate in 2021; (vi) ability to realize the potential of the Nevada properties; (vii) inevitability of seeing new highs in precious metals prices; (viii) expectations of higher share prices; and (ix) the resilience of Hecla to benefit from higher prices, whenever they may occur. 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, as well as metals prices and exchange rate assumptions noted at the end of the Mineral Reserves and Resources table.

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; including that mineral resources are not mineral reserves, they do not have demonstrated economic viability and there is no certainty that they can be upgraded to mineral reserves through continued exploration, and with respect to Hecla’s non-operating and exploration properties, that few properties that are explored are ultimately developed into producing mines. Refer to the Company’s Form 10-K 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.

CAUTIONARY STATEMENTS TO INVESTORS ON RESERVES AND RESOURCES

Reporting requirements in the United States for disclosure of mineral properties as of December 31, 2020 and earlier are governed by the SEC’s Securities Act Industry Guide 7, entitled “Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations” (Guide 7). Effective January 1, 2021, the SEC has issued new rules rescinding Guide 7. Mining companies are not required to comply with the new rules until the first fiscal year beginning on or after January 1, 2021. Thus, the Company will be required to comply with the new rules when filing its Form 10-K for the fiscal year ended December 31, 2021. The Company is also a “reporting issuer” under Canadian securities laws, which require estimates of mineral resources and reserves to be prepared in accordance with Canadian National Instrument 43-101 (NI 43-101). NI 43-101 requires all disclosure of estimates of potential mineral resources and reserves to be disclosed in accordance with its requirements. Such Canadian information is included herein to satisfy the Company’s “public disclosure” obligations under Regulation FD of the SEC and to provide U.S. holders with ready access to information publicly available in Canada.

Reporting requirements in the United States for disclosure of mineral properties under Guide 7 compared to the new SEC rules (Item 1300 of Regulation S-K under the Securities and Exchange Act of 1934) and the requirements in Canada under NI 43-101 standards are substantially different. This document contains a summary of certain estimates of the Company, not only of Proven and Probable reserves within the meaning of Guide 7, but also of mineral resource and mineral reserve estimates estimated in accordance with the new SEC rules and definitional standards of the Canadian Institute of Mining, Metallurgy and Petroleum referred to in NI 43-101. Under Guide 7, the term “reserve” means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term “economically”, as used in the definition of reserve, means that profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. The term “legally”, as used in the definition of reserve, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, Hecla must have a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course and in a timeframe consistent with Hecla’s current mine plans. The terms “Measured resources”, “Indicated resources,” and “Inferred resources” are mining terms as defined in accordance with the new SEC rules and NI 43-101. These terms are not defined under Guide 7 and prior to January 1, 2021, were not normally permitted to be used in reports and registration statements filed with the SEC in the United States, except where required to be disclosed by foreign law. The term “resource” does not equate to the term “reserve”. Under Guide 7, the material described herein as “Indicated resources” and “Measured resources” would be characterized as “mineralized material” and is permitted to be disclosed in tonnage and grade only, not ounces. The category of “inferred resources” is not recognized by Guide 7. Investors are cautioned not to assume that any part or all of the mineral deposits in such categories will ever be converted into Proven or Probable reserves. “Resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of such a “resource” will ever be upgraded to a higher category or will ever be economically extracted. Investors are cautioned not to assume that all or any part of a “resource” exists or is economically or legally mineable. Investors are also especially cautioned that the mere fact that such resources may be referred to in ounces of silver and/or gold, rather than in tons of mineralization and grades of silver and/or gold estimated per ton, is not an indication that such material will ever result in mined ore which is processed into commercial silver or gold.

QUALIFIED PERSON (QP) PURSUANT TO CANADIAN NATIONAL INSTRUMENT 43-101

Kurt D. Allen, MSc., CPG, Director – Exploration of Hecla Limited and Keith Blair, MSc., CPG, Chief Geologist of Hecla Limited, who serve as a Qualified Person under National Instrument 43-101 (“NI 43-101”), supervised the preparation of the scientific and technical information concerning Hecla’s mineral projects in this news release, including with respect to the newly acquired Nevada projects. Information regarding data verification, surveys and investigations, quality assurance program and quality control measures and a summary of analytical or testing procedures for the Greens Creek Mine are contained in a technical report titled “Technical Report for the Greens Creek Mine” effective date December 31, 2018, and for the Lucky Friday Mine are contained in a technical report titled “Technical Report for the Lucky Friday Mine Shoshone County, Idaho, USA” effective date April 2, 2014, for Casa Berardi are contained in a technical report titled “Technical Report on the mineral resource and mineral reserve estimate for Casa Berardi Mine, Northwestern Quebec, Canada” effective date December 31, 2018 (the “Casa Berardi Technical Report”), and for the San Sebastian Mine, Mexico, are contained in a technical report prepared for Hecla titled “Technical Report for the San Sebastian Ag-Au Property, Durango, Mexico” effective date September 8, 2015. Also included in these four technical reports is a description of the key assumptions, parameters and methods used to estimate mineral reserves and resources and a general discussion of the extent to which the estimates may be affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant factors. Information regarding data verification, surveys and investigations, quality assurance program and quality control measures and a summary of sample, analytical or testing procedures for the Fire Creek Mine are contained in a technical report prepared for Klondex Mines, dated March 31, 2018; the Hollister Mine dated May 31, 2017, amended August 9, 2017; and the Midas Mine dated August 31, 2014, amended April 2, 2015. Copies of these technical reports are available under Hecla’s and Klondex’s profiles on SEDAR at www.sedar.com.

Mr. Allen and Mr. Blair reviewed and verified information regarding drill sampling, data verification of all digitally collected data, drill surveys and specific gravity determinations relating to all the mines. The review encompassed quality assurance programs and quality control measures including analytical or testing practice, chain-of-custody procedures, sample storage procedures and included independent sample collection and analysis. This review found the information and procedures meet industry standards and are adequate for Mineral Resource and Mineral Reserve estimation and mine planning purposes.

**FOR HEALTH AND SAFETY REASONS
DUE TO THE ONGOING RESTRICTIONS
RELATED TO COVID-19, THIS YEAR OUR
ANNUAL MEETING WILL BE A VIRTUAL
MEETING AND CONDUCTED VIA LIVE
WEBCAST ON WEDNESDAY, MAY 19,
2021, AT 10 A.M. PDT.**

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REGULATORY FILINGS

The company's filings with the
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Commission can be accessed on
EDGAR at www.sec.gov, and on
SEDAR at www.sedar.com.

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