

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2022

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 number 1-8491

**HECLA MINING COMPANY**  
(Exact name of registrant as specified in its Charter)

Delaware  
State or Other Jurisdiction of  
Incorporation or Organization

6500 Mineral Drive, Suite 200  
Coeur d'Alene, Idaho  
Address of Principal Executive Offices

77-0664171  
I.R.S. Employer  
Identification No.

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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 ☒  
Non-accelerated filer ☐  
Emerging growth company ☐

Accelerated filer ☐  
Smaller reporting company ☐

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

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

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

Class	Shares Outstanding November 4, 2022
Common stock, par value \$0.25 per share	606,270,618

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Hecla Mining Company and Subsidiaries

Form 10 – Q

For the Quarter Ended September 30, 2022

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

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Part I – Financial Information

Item 1. Financial Statements

## Hecla Mining Company and Subsidiaries

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

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Sales	\$ 146,339	\$ 193,560	\$ 524,080	\$ 622,395
Cost of sales and other direct production costs	104,900	112,542	326,579	318,917
Depreciation, depletion and amortization	32,992	45,790	106,362	138,918
Total cost of sales	137,892	158,332	432,941	457,835
Gross profit	8,447	35,228	91,139	164,560
Other operating expenses:				
General and administrative	11,003	8,874	28,989	27,985
Exploration and pre-development	15,128	17,108	39,136	35,039
Care and maintenance costs	5,092	6,910	16,539	17,014
Provision for closed operations and environmental matters	1,781	7,564	4,154	12,297
Other operating expense	902	3,344	5,310	10,626
Total other operating expenses	33,906	43,800	94,128	102,961
(Loss) income from operations	(25,459)	(8,572)	(2,989)	61,599
Other income (expense):				
Interest expense	(10,874)	(10,469)	(31,785)	(31,484)
Fair value adjustments, net	(4,240)	9,287	(14,703)	(10,651)
Net foreign exchange gain	5,667	3,995	8,111	24
Other income (expense)	1,853	247	4,828	(192)
Total other (expense) income	(7,594)	3,060	(33,549)	(42,303)
(Loss) income before income and mining taxes	(33,053)	(5,512)	(36,538)	19,296
Income and mining tax benefit	9,527	4,533	3,642	3,924
Net (loss) income	(23,526)	(979)	(32,896)	23,220
Preferred stock dividends	(138)	(138)	(414)	(414)
(Loss) income applicable to common stockholders	\$ (23,664)	\$ (1,117)	\$ (33,310)	\$ 22,806
Comprehensive income (loss):				
Net (loss) income	\$ (23,526)	\$ (979)	\$ (32,896)	\$ 23,220
Change in fair value of derivative contracts designated as hedge transactions	(12,692)	(6,267)	19,491	(2,815)
Comprehensive (loss) income	\$ (36,218)	\$ (7,246)	\$ (13,405)	\$ 20,405
Basic (loss) income per common share after preferred dividends	\$ (0.04)	\$ —	\$ (0.06)	\$ 0.04
Diluted (loss) income per common share after preferred dividends	\$ (0.04)	\$ —	\$ (0.06)	\$ 0.04
Weighted average number of common shares outstanding – basic	554,531	536,966	544,000	535,542
Weighted average number of common shares outstanding – diluted	554,531	536,966	544,000	541,769
Cash dividends declared per common share	\$ 0.00625	\$ 0.01	\$ 0.0125	\$ 0.02

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

## Hecla Mining Company and Subsidiaries

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

	Nine Months Ended	
	September 30, 2022	September 30, 2021
<b>Operating activities:</b>		
Net (loss) income	\$ (32,896)	\$ 23,220
Non-cash elements included in net (loss) income:		
Depreciation, depletion and amortization	106,743	139,800
Write-down of inventory	2,159	6,524
Fair value adjustments, net	3,486	(7,978)
Provision for reclamation and closure costs	4,789	7,821
Stock compensation	4,298	4,774
Deferred income taxes	(17,828)	(17,886)
Foreign exchange (gain) loss	(8,353)	615
Other non-cash items, net	2,454	1,167
Change in assets and liabilities:		
Accounts receivable	34,788	(3,798)
Inventories	(19,472)	22,372
Other current and non-current assets	(3,420)	1,650
Accounts payable, accrued and other current liabilities	(21,708)	(14,689)
Accrued payroll and related benefits	1,679	(1,829)
Accrued taxes	(2,652)	2,730
Accrued reclamation and closure costs and other non-current liabilities	(297)	2,489
Cash provided by operating activities	53,770	166,982
<b>Investing activities:</b>		
Additions to properties, plants, equipment and mineral interests	(93,237)	(80,210)
Change in restricted cash	2,011	—
Proceeds from sale of investments	9,375	1,811
Proceeds from disposition of properties, plants and equipment	748	562
Purchases of investments	(30,540)	—
Acquisitions, net	8,952	—
Pre-acquisition advance to Alexco	(25,000)	—
Purchase of carbon credits	—	(200)
Net cash used in investing activities	(127,691)	(78,037)
<b>Financing activities:</b>		
Proceeds from sale of common stock, net	4,542	—
Acquisition of treasury stock	(3,677)	(4,525)
Dividends paid to common and preferred stockholders	(10,549)	(17,169)
Credit facility fees paid	(517)	(108)
Draw on revolving credit facility	25,000	—
Repayments of finance leases	(5,222)	(5,598)
Net cash provided by (used in) financing activities	9,577	(27,400)
Effect of exchange rates on cash	(804)	(471)
Net (decrease) increase in cash, cash equivalents and restricted cash	(65,148)	61,074
Cash, cash equivalents and restricted cash at beginning of period	211,063	130,883
Cash, cash equivalents and restricted cash at end of period	\$ 145,915	\$ 191,957
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 37,179	\$ 37,173
Cash paid for income and mining taxes, net	\$ 13,061	\$ 10,299
<b>Significant non-cash investing and financing activities:</b>		
Addition of finance lease obligations and right-of-use assets	\$ 9,692	\$ 4,006
Common stock issued to Alexco Resource Corp. shareholders	\$ 68,733	\$ —
Common stock issued to settle acquired silver stream	\$ 135,000	\$ —
Common stock issued to pension plans	\$ 5,570	\$ 22,250

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

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## Hecla Mining Company and Subsidiaries

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

	September 30, 2022	December 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 144,669	\$ 210,010
Accounts receivable:		
Trade	12,477	36,437
Other, net	12,846	8,149
Inventories:		
Concentrates, doré, and stockpiled ore	40,985	25,906
Materials and supplies	51,020	41,859
Derivatives assets	7,190	2,709
Other current assets	14,733	16,557
Total current assets	283,920	341,627
Investments	13,299	10,844
Restricted cash	1,246	1,053
Properties, plants, equipment and mineral interests, net	2,553,974	2,310,810
Operating lease right-of-use assets	11,632	12,435
Deferred income taxes	45,562	45,562
Derivatives assets	20,794	2,503
Other non-current assets	4,202	3,974
Total assets	<u>\$ 2,934,629</u>	<u>\$ 2,728,808</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 87,850	\$ 68,100
Accrued payroll and related benefits	26,385	28,714
Accrued taxes	7,344	12,306
Finance and operating leases	12,489	8,098
Accrued interest	5,184	14,454
Derivatives liabilities	5,774	19,353
Other current liabilities	5,765	99
Accrued reclamation and closure costs	10,594	9,259
Total current liabilities	161,385	160,383
Finance and operating leases	20,242	17,726
Accrued reclamation and closure costs	105,717	103,972
Long-term debt	530,745	508,095
Deferred tax liability	154,225	149,706
Derivatives liabilities	5,560	18,528
Other non-current liabilities	1,987	9,611
Total liabilities	<u>979,861</u>	<u>968,021</u>
Commitments and contingencies (Notes 4, 7, 8, and 10)		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, 5,000,000 shares authorized:		
Series B preferred stock, 25 cent par value, 157,776 shares issued and outstanding, liquidation preference – \$7,891	39	39
Common stock, 25 cent par value, 750,000,000 authorized shares; issued September 30, 2022 – 603,702,910 shares and December 31, 2021 – 545,534,760 shares	150,839	136,391
Capital surplus	2,241,649	2,034,485
Accumulated deficit	(397,096)	(353,651)
Accumulated other comprehensive income (loss)	(8,965)	(28,456)
Less treasury stock, at cost; September 30, 2022 – 8,132,553 shares and December 31, 2021 – 7,395,295 shares issued and held in treasury	(31,698)	(28,021)
Total stockholders' equity	<u>1,954,768</u>	<u>1,760,787</u>
Total liabilities and stockholders' equity	<u>\$ 2,934,629</u>	<u>\$ 2,728,808</u>

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

## Hecla Mining Company and Subsidiaries

Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)  
(Dollars are in thousands, except for share and per share amounts)

	Three Months Ended September 30, 2022						
	Series B Preferred Stock	Common Stock	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), net	Treasury Stock	Total
Balances, July 1, 2022	\$ 39	\$137,241	\$2,043,621	\$ (370,048)	\$ 3,727	\$(31,698)	\$1,782,882
Net loss	—	—	—	(23,526)	—	—	(23,526)
Common stock issued to Alexco Resource Corp. shareholders (17,992,875 shares)	—	4,498	64,235	—	—	—	68,733
Common stock issued to settle the acquired silver stream (34,800,990 shares)	—	8,700	126,300	—	—	—	135,000
Common stock issued for 401(k) match (422,860 shares)	—	106	1,472	—	—	—	1,578
Common stock issued under ATM program, net (1,176,861 shares)	—	294	4,248	—	—	—	4,542
Common stock dividends declared (0.0625 cents per common share)	—	—	—	(3,384)	—	—	(3,384)
Series B Preferred Stock dividends declared (87.5 cents per share)	—	—	—	(138)	—	—	(138)
Restricted stock units granted	—	—	1,773	—	—	—	1,773
Other comprehensive loss	—	—	—	—	(12,692)	—	(12,692)
Balances, September 30, 2022	\$ 39	\$150,839	\$2,241,649	\$ (397,096)	\$ (8,965)	\$(31,698)	\$1,954,768

	Three Months Ended September 30, 2021						
	Series B Preferred Stock	Common Stock	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), net	Treasury Stock	Total
Balances, July 1, 2021	\$ 39	\$136,065	\$2,024,645	\$ (354,866)	\$ (29,437)	\$(28,021)	\$1,748,425
Net loss	—	—	—	(979)	—	—	(979)
Restricted stock units granted	—	—	1,472	—	—	—	1,472
Common stock dividends declared (1.125 cents per common share)	—	—	—	(6,040)	—	—	(6,040)
Series B Preferred Stock dividends declared (87.5 cents per share)	—	—	—	(138)	—	—	(138)
Common stock issued for 401(k) match (141,000 shares)	—	35	1,017	—	—	—	1,052
Common stock issued to pension plans (1,000,000 shares)	—	250	5,200	—	—	—	5,450
Other comprehensive loss	—	—	—	—	(6,267)	—	(6,267)
Balances, September 30, 2021	\$ 39	\$136,350	\$2,032,334	\$ (362,023)	\$ (35,704)	\$(28,021)	\$1,742,975



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	Nine Months Ended September 30, 2022						
	Series B Preferred Stock	Common Stock	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), net	Treasury Stock	Total
Balances, January 1, 2022	\$ 39	\$136,391	\$2,034,485	\$ (353,651)	\$ (28,456)	\$ (28,021)	\$1,760,787
Net loss	—	—	—	(32,896)	—	—	(32,896)
Restricted stock units granted	—	—	3,881	—	—	—	3,881
Restricted stock units and performance stock units distributed (1,789,042 shares)	—	447	(447)	—	—	(3,677)	(3,677)
Common stock issued for 401(k) match (321,110 shares)	—	186	3,283	—	—	—	3,469
Common stock issued to directors (98,310 shares)	—	25	392	—	—	—	417
Common stock issued to pension plans (1,190,000 shares)	—	298	5,272	—	—	—	5,570
Common stock issued to Alexco Resource Corp. shareholders (17,992,875 shares)	—	4,498	64,235	—	—	—	68,733
Common stock issued to settle the acquired silver stream (34,800,990)	—	8,700	126,300	—	—	—	135,000
Common stock issued under ATM program, net (1,176,861 shares)	—	294	4,248	—	—	—	4,542
Common stock dividends declared (1.25 cents per common share)	—	—	—	(10,135)	—	—	(10,135)
Series B Preferred Stock dividends declared (\$2.625 per share)	—	—	—	(414)	—	—	(414)
Other comprehensive income	—	—	—	—	19,491	—	19,491
Balances, September 30, 2022	<u>\$ 39</u>	<u>\$150,839</u>	<u>\$2,241,649</u>	<u>\$ (397,096)</u>	<u>\$ (8,965)</u>	<u>\$ (31,698)</u>	<u>\$1,954,768</u>

	Nine Months Ended September 30, 2021						
	Series B Preferred Stock	Common Stock	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), net	Treasury Stock	Total
Balances, January 1, 2021	\$ 39	\$134,629	\$2,003,576	\$ (368,074)	\$ (32,889)	\$ (23,496)	\$1,713,785
Net income	—	—	—	23,220	—	—	23,220
Restricted stock units granted	—	—	2,930	—	—	—	2,930
Restricted stock units distributed (1,653,000 shares)	—	413	(413)	—	—	(4,525)	(4,525)
Common stock dividends declared (3.125 cents per common share)	—	—	—	(16,755)	—	—	(16,755)
Series B Preferred Stock dividends declared (\$2.625 per share)	—	—	—	(414)	—	—	(414)
Common stock issued for 401(k) match (524,000 shares)	—	131	3,324	—	—	—	3,455
Common stock issued to pension plans (4,500,000 shares)	—	1,125	21,125	—	—	—	22,250
Common stock issued to directors (207,000 shares)	—	52	1,792	—	—	—	1,844
Other comprehensive loss	—	—	—	—	(2,815)	—	(2,815)
Balances, September 30, 2021	<u>\$ 39</u>	<u>\$136,350</u>	<u>\$2,032,334</u>	<u>\$ (362,023)</u>	<u>\$ (35,704)</u>	<u>\$ (28,021)</u>	<u>\$1,742,975</u>

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

**Note 1. Basis of Preparation of Financial Statements**

The accompanying unaudited interim condensed consolidated financial statements of Hecla Mining Company and its subsidiaries (collectively, “Hecla,” “the Company,” “we,” “our,” or “us,” except where the context requires otherwise) have been prepared in accordance with the instructions to Form 10-Q and do not include all information and disclosures required annually by generally accepted accounting principles in the United States (“GAAP”). Therefore, this information should be read in conjunction with Hecla Mining Company’s consolidated financial statements and notes contained in our annual report on Form 10-K for the year ended December 31, 2021 (“2021 Form 10-K”). The consolidated December 31, 2021 balance sheet data was derived from our audited consolidated financial statements. The information furnished herein reflects all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods reported. All such adjustments are, in the opinion of management, of a normal recurring nature. Operating results for the three- and nine-month periods ended September 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

On September 7, 2022, the Company completed the acquisition of the remaining 90.1% of Alexco Resource Corp. (“Alexco”) for non-cash consideration of 17,992,875 shares of Company common stock valued at \$68.7 million. Total consideration for the acquisition, deemed to be an asset acquisition under GAAP, was \$81.5 million of which \$76.4 million was non cash including the fair value of the Company’s common stock issued and the fair value of the 9.9% Alexco investment held by the Company prior to the completion of the acquisition and previously accounted for as marketable equity securities of \$7.7 million. Acquisition costs also included transaction costs of \$5.1 million. The total consideration was allocated to the acquired assets and assumed liabilities based on their estimated fair values on the acquisition date, which primarily consisted of mineral interests of \$236.6 million, a related deferred tax liability of \$12.9 million, net liabilities of \$7.2 million, and a silver stream liability of \$135 million. Immediately following the closure of the acquisition, we settled the silver stream liability with the stream holder for 34,800,990 shares of Company common stock.

The 2019 novel strain of coronavirus (“COVID-19”) was characterized as a global pandemic by the World Health Organization on March 11, 2020. We continue to take precautionary measures to mitigate the impact of COVID-19, including implementing operational plans and practices. 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. We incurred \$0.4 million and \$3.1 million in COVID-19 mitigation costs during the nine months ended September 30, 2022 and 2021, respectively. 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 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 and the related impact on prices, demand, creditworthiness and other market conditions and governmental reactions, all of which are highly uncertain.

During the three months ended September 30, 2022, the Company recorded an out-of-period adjustment to correct an immaterial error related to the period ended June 30, 2022. This adjustment increased income taxes related to other comprehensive loss by \$12,649 for the three months ended September 30, 2022 to correct the previously recorded tax effect of changes in the fair value of derivative contracts designated as hedge transactions. This adjustment is non-cash, had no impact on net loss applicable to common shareholders and increased accumulated other comprehensive loss for the three months ended September 30, 2022 by \$12,649.

**Note 2. Business Segments and Sales of Products**

We discover, acquire and develop mines and other mineral interests and produce and market (i) concentrates, containing silver, gold, lead and zinc, (ii) carbon material containing silver and gold, and (iii) doré containing silver and gold. We are currently organized and managed in four segments: Greens Creek, Lucky Friday, Casa Berardi and Nevada Operations.

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

The following tables present information about our reportable segments for the three and nine months ended September 30, 2022 and 2021 (in thousands):

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales to unaffiliated customers:				
Greens Creek	\$ 60,875	\$ 84,806	\$239,688	\$296,978
Lucky Friday	28,460	29,783	102,380	98,550
Casa Berardi	56,939	56,065	181,679	185,098
Nevada Operations	—	22,906	268	41,593
Other	65	—	65	176
	<u>\$146,339</u>	<u>\$193,560</u>	<u>\$524,080</u>	<u>\$622,395</u>
Income (loss) from operations:				
Greens Creek	\$ 1,378	\$ 26,572	\$ 63,768	\$127,605
Lucky Friday	4,269	6,187	18,568	24,247
Casa Berardi	(5,226)	(6,233)	(8,497)	4,944
Nevada Operations	(8,917)	(12,077)	(30,879)	(35,558)
Other	(16,963)	(23,021)	(45,949)	(59,639)
	<u>\$ (25,459)</u>	<u>\$ (8,572)</u>	<u>\$ (2,989)</u>	<u>\$ 61,599</u>

The following table presents identifiable assets by reportable segment as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Identifiable assets:		
Greens Creek	\$ 594,811	\$ 589,944
Lucky Friday	534,114	516,545
Casa Berardi	692,833	701,868
Nevada Operations	467,532	468,985
Other	645,339	451,466
	<u>\$2,934,629</u>	<u>\$2,728,808</u>

Following the acquisition of Alexco (see *Note 1*), our sales for the three and nine month periods ended September 30, 2022 are comprised of metal sales as described below and \$65,000 of environmental services revenue.

Sales by metal for the three- and nine-month periods ended September 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Silver	\$ 45,924	\$ 61,890	\$182,306	\$232,414
Gold	69,289	94,984	228,475	282,471
Lead	16,033	18,082	56,912	56,198
Zinc	28,051	30,273	94,865	89,501
Less: Smelter and refining charges	(13,023)	(11,669)	(38,543)	(38,189)
	<u>\$146,274</u>	<u>\$193,560</u>	<u>\$524,015</u>	<u>\$622,395</u>

Sales included net gains of \$1.6 million and \$8.1 million for the three-and nine-month periods ended September 30, 2022, respectively, on financially-settled forward contracts for silver, gold, lead and zinc contained in our sales. Sales included net gains of \$5.0 million and \$4.5 million for the three-and nine-month periods ended September 30, 2021, respectively, on such contracts. See *Note 8* for more information.

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### **Note 3. Income and Mining Taxes**

Major components of our income and mining tax benefit (provision) for the three and nine months ended September 30, 2022 and 2021 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Current:				
Domestic	\$ 253	\$(2,176)	\$(2,296)	\$ (7,489)
Foreign	(1,085)	(1,578)	(4,172)	(4,690)
Total current income and mining tax provision	(832)	(3,754)	(6,468)	(12,179)
Deferred:				
Domestic	8,156	3,213	915	8,226
Foreign	2,203	5,074	9,195	7,877
Total deferred income and mining tax benefit	10,359	8,287	10,110	16,103
Total income and mining tax benefit (provision)	<u>\$ 9,527</u>	<u>\$ 4,533</u>	<u>\$ 3,642</u>	<u>\$ 3,924</u>

The income and mining tax benefit (provision) for the three and nine months ended September 30, 2022 and 2021 varies from the amounts that would have resulted from applying the statutory tax rates to pre-tax income due primarily to the impact of taxation in foreign jurisdictions and non-recognition of net operating losses and foreign exchange gains and losses in certain jurisdictions.

For the three-month and nine-month periods ended September 30, 2022, we used the annual effective tax rate method to calculate the tax provision, a change from the discrete method used for the three- and nine-month periods ended September 30, 2021, due to reversal of a valuation allowance in the fourth quarter of 2021. Valuation allowances on Nevada, Mexico and certain Canadian net operating losses were treated as discrete adjustments to the annual effective tax rate method calculation, partially causing the increase in the income tax rate for the three and nine months ended September 30, 2022, as compared to the three and nine months ended September 30, 2021.

### **Note 4. Employee Benefit Plans**

We sponsor three defined benefit pension plans covering substantially all U.S. employees. Net periodic pension cost for the plans consisted of the following for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Service cost	\$ 1,566	\$ 1,455	\$ 4,697	\$ 4,365
Interest cost	1,369	1,248	4,107	3,744
Expected return on plan assets	(3,363)	(2,313)	(10,089)	(6,939)
Amortization of prior service cost	128	99	384	297
Amortization of net loss	512	1,125	1,537	3,375
Net periodic pension cost	<u>\$ 212</u>	<u>\$ 1,614</u>	<u>\$ 636</u>	<u>\$ 4,842</u>

For the three- and nine-month periods ended September 30, 2022 and 2021, the service cost component of net periodic pension cost is included in the same line items of our condensed consolidated financial statements as other employee compensation costs. The net benefit related to all other components of net periodic pension cost of \$1.4 million and \$4.1 million, respectively, for the three- and nine-month periods ended September 30, 2022, and net expense of \$0.2 million and \$0.5 million for the three- and nine-month periods ended September 30, 2021, respectively, is included in other (expense) income on our condensed consolidated statements of operations and comprehensive income (loss).

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In May 2022 and October 2022, we contributed \$5.6 million and \$4.2 million, respectively, in shares of our common stock to two of our defined benefit plans. In January 2021 and September 2021, we contributed \$16.8 million and \$5.4 million, respectively, in shares of our common stock to three of our defined benefit plans. We do not expect to be required to make additional contributions to our defined benefit pension plans in 2022, but may elect to do so.

### **Note 5. (Loss) Income Per Common Share**

We calculate basic (loss) income per common share on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted income 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, deferred restricted 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.

The following table represents net (loss) income per common share – basic and diluted (in thousands, except income (loss) per share):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Numerator</b>				
Net (loss) income	\$ (23,526)	\$ (979)	\$ (32,896)	\$ 23,220
Preferred stock dividends	(138)	(138)	(414)	(414)
Net (loss) income applicable to common shares	<u>\$ (23,664)</u>	<u>\$ (1,117)</u>	<u>\$ (33,310)</u>	<u>\$ 22,806</u>
<b>Denominator</b>				
Basic weighted average common shares	554,531	536,966	544,000	535,542
Dilutive restricted stock units, warrants and deferred shares	—	—	—	6,227
Diluted weighted average common shares	<u>554,531</u>	<u>536,966</u>	<u>544,000</u>	<u>541,769</u>
<b>Basic (loss) income per common share</b>	<b>\$ (0.04)</b>	<b>\$ —</b>	<b>\$ (0.06)</b>	<b>\$ 0.04</b>
<b>Diluted (loss) income per common share</b>	<b>\$ (0.04)</b>	<b>\$ —</b>	<b>\$ (0.06)</b>	<b>\$ 0.04</b>

For the three month periods ended September 30, 2022 and 2021, respectively, and the nine month period ended September 30, 2022, 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 those periods would cause their conversion and exercise to have no effect on the calculation of loss per share. For the nine months ended September 30, 2021, the calculation of diluted income per common share included (i) 2,496,622 restricted stock units, (ii) 1,578,293 warrants to purchase one share of common stock and (iii) 2,152,578 deferred compensation stock units that were dilutive.

### **Note 6. Stockholders' Equity**

#### *At-The-Market Equity Distribution Agreement*

Pursuant to an equity distribution agreement dated February 18, 2021, we may offer and sell up to 60 million shares of our common stock from time to time to or through sales agents. Sales of the shares, if any, will be made by means of ordinary brokers transactions or as otherwise agreed between the Company and the agents as principals. Whether or not we engage in sales from time to time may depend on a variety of factors, including share price, our cash resources, customary black-out restrictions, and whether we have any material inside information. The agreement can be terminated by us at any time. Any sales of shares under the equity distribution agreement are registered under the Securities Act of 1933, as amended, pursuant to a shelf registration statement on Form S-3. As of September 30, 2022 we had sold 1,176,861 shares under the agreement for proceeds of \$4.5 million, net of commissions and fees of approximately \$0.1 million. All of the sales occurred during September 2022.

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### *Stock-based Compensation Plans*

The Company has stock incentive plans for executives, directors and eligible employees, comprised of performance shares and restricted stock. Stock-based compensation expense for restricted stock unit and performance-based grants (collectively “incentive compensation”) to employees and shares issued to non-employee directors totaled \$1.8 million and \$4.3 million for the three and nine months ended September 30, 2022, respectively, and \$1.5 million and \$4.8 million for the three and nine months ended September 30, 2021, respectively. At September 30, 2022, there was \$8.4 million of unrecognized stock-based compensation cost which is expected to be recognized over a weighted-average remaining vesting period of 1.8 years.

The following table summarizes the grants awarded during the nine months ended September 30, 2022:

Grant date	Award type	Number granted	Grant date fair value
June 21, 2022	Restricted stock	1,103,801	\$ 4.43
June 21, 2022	Performance based	322,799	\$ 3.78
June 28, 2022	Directors retainer	98,310	\$ 4.24
September 30, 2022	Restricted stock	121,826	\$ 3.94

In connection with the vesting of incentive compensation, employees have in the past, at their election and when permitted by us, chosen to satisfy their minimum tax withholding obligations through net share settlement, pursuant to which the Company withholds the number of shares necessary to satisfy such withholding obligations and pays the obligations in cash. As a result, in the first nine months of 2022, we withheld 737,258 shares valued at approximately \$3.7 million, or approximately \$4.99 per share. In the first nine months of 2021, we withheld 574,251 shares valued at approximately \$4.5 million, or approximately \$7.88 per share.

### *Common Stock Dividends*

The following table summarizes the dividends our Board of Directors have declared and we have paid during 2022 pursuant to our dividend policy:

Quarter	Realized Silver Price	Silver-linked component	Minimum component	Total dividend per share
First	\$24.68	\$0.0025	\$0.00375	\$0.00625
Second	\$20.68	\$0.0025	\$0.00375	\$0.00625

## **Note 7. Debt, Credit Facility and Leases**

Our debt as of September 30, 2022 and December 31, 2021 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”) and any drawn amounts on the New Credit Agreement, which is described separately below. The following tables summarize our long-term debt balances, excluding interest and borrowings under the New Credit Agreement, as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022		
	Senior Notes	IQ Notes	Total
Principal	\$ 475,000	\$35,194	\$510,194
Unamortized discount/premium and issuance costs	(4,868)	419	(4,449)
Long-term debt balance	<u>\$ 470,132</u>	<u>\$35,613</u>	<u>\$505,745</u>

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	December 31, 2021		
	Senior Notes	IQ Notes	Total
Principal	\$ 475,000	\$38,051	\$513,051
Unamortized discount/premium and issuance costs	(5,552)	596	(4,956)
Long-term debt balance	<u>\$ 469,448</u>	<u>\$38,647</u>	<u>\$508,095</u>

The following table summarizes the scheduled annual future payments, including interest, for our Senior Notes, IQ Notes, and finance and operating leases as of September 30, 2022 (in thousands). The amounts for the IQ Notes are stated in U.S. dollars (“USD”) based on the USD/Canadian dollar (“CAD”) exchange rate as of September 30, 2022.

Twelve-month period ending September 30,	Senior Notes	IQ Notes	Finance Leases	Operating Leases
2023	\$ 34,438	\$ 2,293	\$ 9,296	\$ 3,101
2024	34,438	2,293	7,206	1,565
2025	34,438	36,964	3,779	1,065
2026	34,438	—	1,980	1,060
2027	34,438	—	37	979
Thereafter	487,914	—	—	5,878
Total	<u>\$ 660,104</u>	<u>\$41,550</u>	<u>\$ 22,298</u>	<u>\$ 13,648</u>

### *Credit Facility*

#### *New \$150 million facility*

On July 21, 2022, we entered into a Credit Agreement (“New Credit Agreement”) with the various financial institutions (the “Lenders”), Bank of Montreal and Bank of America, N.A. as letters of credit issuers, and Bank of America, N.A., as administrative agent for the Lenders and as swingline lender, to replace our prior credit agreement. The New Credit Agreement is a \$150 million senior secured revolving facility, with an option to be increased in an aggregate amount not to exceed \$75 million. The revolving loans under the New Credit Agreement will have a maturity date of July 21, 2026. Proceeds of the revolving loans under the New Credit Agreement may be used for general corporate purposes. The interest rate on the outstanding loans under the New Credit Agreement is based on the Company’s net leverage ratio and is calculated at (i) Term Secured Overnight Financing Rate (“SOFR”) plus 2% to 3.5%; or (ii) Bank of America’s Base Rate plus 1% to 2.5% with Base Rate being the highest of (i) the Bank of America prime rate, (ii) the Federal Funds rate plus .50% or (iii) Term SOFR plus 1.00%. For each amount drawn, we elect whether we draw on a one, three or six month basis or annual basis for SOFR. If we elect to draw for greater than six months, we pay interest quarterly on the outstanding amount.

We are also required to pay a commitment fee of between 0.45% to 0.78750%, depending on our net leverage ratio. Letters of credit issued under the New Credit Agreement bear a fee between 2.00% and 3.50% based on our net leverage ratio, as well as a fronting fee to each issuing bank at an agreed upon rate per annum on the average daily dollar amount of our letter of credit exposure.

Hecla Mining Company and certain of our subsidiaries are the borrowers under the New Credit Agreement, while certain of our other subsidiaries are guarantors of the borrowers’ obligations under the New Credit Agreement. As further security, the credit facility is collateralized by a mortgage on the Greens Creek mine, the equity interests of subsidiaries that own the Greens Creek mine or are part of the Greens Creek Joint Venture and our subsidiary Hecla Admiralty Company (the “Greens Creek Group”), and by all of the Green Creek Group’s rights and interests in the Greens Creek Joint Venture Agreement, and in all assets of the joint venture and of any member of the Greens Creek Group.

At September 30, 2022, we had drawn \$25 million at an interest rate of 7.5% and had \$7.8 million in outstanding letters of credit under the New Credit Agreement. Letters of credit that are outstanding reduce availability under the New Credit Agreement.

We believe we were in compliance with all covenants under the New Credit Agreement as of September 30, 2022.

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### *Prior \$250 million facility*

In July 2018, we entered into a credit agreement (as amended, the “Prior Credit Agreement”) providing for a \$250 million senior secured revolving credit facility which had a term ending on February 7, 2023. As of December 31, 2021, no amounts were outstanding under the facility.

We were also able to obtain letters of credit under the facility, and for any such letters we were 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.

In connection with our entry into the New Credit Agreement, the Prior Credit Agreement was terminated on July 21, 2022. We believe we were in compliance with all covenants under the Prior Credit Agreement as of July 21, 2022.

## **Note 8. Derivative Instruments**

### *General*

Our current risk management policy provides that up to 75% of five years foreign currency, lead and zinc metals price and silver and gold price exposure may be covered under a derivatives program with certain other limitations. The silver and gold price program can only establish a floor (puts). We are not currently utilizing this silver and gold program. Our program also utilizes derivatives to manage price risk exposure created from when revenue is recognized from a shipment of concentrate until final settlement.

These instruments 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 the hedged commodity or foreign currency and (ii) price risk to the extent that the spot price exceeds the contract price for quantities of our production and/or forecasted costs covered under contract positions.

### *Foreign Currency*

Our wholly-owned subsidiaries owning the Casa Berardi operation as well as the recently acquired Keno Hill development property which Alexco owned are USD-functional entities which routinely incur expenses denominated in CAD. Such expenses expose us to exchange rate fluctuations between the USD and CAD. We have a program to manage our exposure to fluctuations in the USD exchange rate for these subsidiaries’ future operating and capital costs denominated in CAD. The program utilizes forward contracts to buy CAD, some of which are designated as cash flow hedges. As of September 30, 2022, we have 296 forward contracts outstanding to buy a total of CAD\$539.9 million having a notional amount of USD\$408.7 million. The CAD contracts that are related to forecasted cash operating costs at Casa Berardi to be incurred from 2022 through 2026 have a total notional value of CAD\$430.3 million and have CAD-to-USD exchange rates ranging between 1.2702 and 1.3714.

As of September 30, 2022 and December 31, 2021, we recorded the following balances for the fair value of the contracts (in millions):

Balance sheet line item:	September 30, 2022	December 31, 2021
Current derivatives assets	\$ 0.3	\$ 2.7
Non-current derivatives assets	0.3	2.5
Current derivatives liabilities	5.8	—
Non-current derivatives liabilities	5.6	—

Net unrealized losses of approximately \$10.8 million related to the effective portion of the hedges were included in accumulated other comprehensive income (loss) as of September 30, 2022. Unrealized gains and losses will be transferred from accumulated other comprehensive income (loss) to current earnings as the underlying operating expenses are recognized. We estimate approximately \$5.1 million in net unrealized losses included in accumulated other comprehensive income (loss) as of September 30, 2022 will be reclassified to current earnings in the next twelve months. Net realized gains of approximately \$0.2 million and \$2.0 million on contracts related to underlying expenses which have been recognized were transferred from accumulated other comprehensive income (loss) and included in cost of sales and other direct production costs for the three and nine months ended September 30, 2022, respectively. No net unrealized gains or losses related to ineffective hedges were included in current earnings for the nine months ended September 30, 2022. Net losses of approximately \$0.8 million and \$1.1 million for the three and nine months ended September 30, 2022, respectively, related to contracts not designated as hedges were included in fair value adjustments, net on our consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2022.



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### Metals Prices

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; and
- 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 September 30, 2022 and December 31, 2021:

September 30, 2022	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)
<b>Contracts on provisional sales</b>								
2022 settlements	2,235	1,840	18,739	14,991	\$ 19.54	\$ 1,760	\$ 1.30	\$ 0.96
<b>Contracts on forecasted sales</b>								
2022 settlements	2,235	1,840	8,763	1,984	N/A	N/A	\$ 1.32	\$ 0.97
2023 settlements	—	—	71,209	75,618	N/A	N/A	\$ 1.30	\$ 1.00
2024 settlements	—	—	78,760	31,526	N/A	N/A	\$ 1.34	\$ 1.00
2025 settlements	—	—	2,480	—	N/A	N/A	\$ 1.33	N/A

December 31, 2021	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)
<b>Contracts on provisional sales</b>								
2022 settlements	1,814	6	13,371	4,575	\$ 23.02	\$ 1,812	\$ 1.39	\$ 0.96
<b>Contracts on forecasted sales</b>								
2022 settlements	—	—	57,706	59,194	N/A	N/A	\$ 1.28	\$ 0.98
2023 settlements	—	—	76,280	71,650	N/A	N/A	\$ 1.29	\$ 1.00

Effective November 1, 2021, we designated the contracts for lead and zinc contained in our forecasted future shipments as hedges for accounting purposes, with gains and losses deferred to accumulated other comprehensive loss until the hedged product ships. Prior to November 1, 2021, these contracts had not been designated as hedges for hedge accounting and were therefore marked-to-market through earnings each period. The forward contracts for silver and gold contained in our concentrate shipments have not been designated as hedges and are marked-to-market through earnings each period.

We recorded the following balances for the fair value of the forward contracts as of September 30, 2022 and forward and put option contracts as of December 31, 2021 (in millions):

Balance sheet line item:	September 30, 2022			December 31, 2021		
	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)
Current derivatives assets	\$ 6.9	\$ —	\$ 6.9	\$ —	\$ —	\$ —
Non-current derivatives assets	\$ 20.5	\$ —	20.5	\$ —	\$ —	\$ —
Current derivatives liabilities	—	—	—	0.7	(20.1)	(19.4)
Non-current derivatives liabilities	—	—	—	0.4	(18.9)	(18.5)

Net unrealized gains of approximately \$28.3 million related to the effective portion of the contracts designated as hedges were included in accumulated other comprehensive income (loss) as of September 30, 2022, and are net of related deferred taxes. Unrealized gains and losses will be transferred from accumulated other comprehensive income (loss) to current

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earnings as the underlying operating sales are recognized. We estimate approximately \$6.0 million in net unrealized gains included in accumulated other comprehensive income (loss) as of September 30, 2022 would be reclassified to current earnings in the next twelve months. We recognized a net gain of \$1.6 million, including a \$4.2 million loss transferred from accumulated other comprehensive income (loss), during the three months ended September 30, 2022. For the nine months ended September 30, 2022, we recognized a net gain of \$8.1 million, including a \$8.1 million loss transferred from accumulated other comprehensive income (loss). These losses were recognized on the contracts utilized to manage exposure to prices of metals in our concentrate shipments, which is included in sales. The net losses and gains recognized on the contracts offset gains and losses related to price adjustments on our provisional concentrate sales due to changes to silver, gold, lead and zinc prices between the time of sale and final settlement.

We recognized a net gain of \$12.1 million and a net loss of \$4.7 million during the three and nine months ended September 30, 2021, respectively, on the contracts utilized to manage exposure to prices for forecasted future sales, which were not designated as hedges. The net gain or loss on these contracts are 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.

### *Credit-risk-related Contingent Features*

Certain of our derivative contracts contain cross default provisions which provide that a default under our New Credit Agreement would cause a default under the derivative contract. As of September 30, 2022, we have not posted any collateral related to these contracts. The fair value of derivatives in a net liability position related to these agreements was \$14.2 million as of September 30, 2022, which includes accrued interest but excludes any adjustment for nonperformance risk. If we were in breach of any of these provisions at September 30, 2022, we could have been required to settle our obligations under the agreements at their termination value of \$14.2 million.

### **Note 9. Fair Value Measurement**

Fair value adjustments, net is comprised of the following:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
(Loss) gain on derivative contracts	\$ 873	\$ 12,148	\$ (20)	\$ (4,692)
Unrealized loss on investments in equity securities	(5,110)	(2,861)	(14,749)	(7,117)
(Loss) gain on disposition or exchange of investments	(3)	—	66	1,158
Total fair value adjustments, net	<u><u>\$(4,240)</u></u>	<u><u>\$ 9,287</u></u>	<u><u>\$(14,703)</u></u>	<u><u>\$(10,651)</u></u>

Accounting guidance has established a hierarchy for inputs used to measure assets and liabilities 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; and

Level 3: significant unobservable inputs.

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

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Description	Balance at September 30, 2022	Balance at December 31, 2021	Input Hierarchy Level
<b>Assets:</b>			
Cash and cash equivalents:			
Money market funds and other bank deposits	\$ 144,669	\$ 210,010	Level 1
Current and non-current investments			
Equity securities	13,299	14,470	Level 1
Trade accounts receivable:			
Receivables from provisional concentrate sales	12,477	36,437	Level 2
Restricted cash balances:			
Certificates of deposit and other deposits	1,246	1,053	Level 1
Derivative contracts – current and non-current derivatives assets:			
Foreign exchange contracts	591	5,207	Level 2
Metal forward and put option contracts	27,393	—	Level 2
<b>Total assets</b>	<b>\$ 199,675</b>	<b>\$ 267,177</b>	
<b>Liabilities:</b>			
Derivative contracts – current derivatives liabilities and other non-current liabilities:			
Foreign exchange contracts	\$ 11,334	\$ 8	Level 2
Metal forward and put option contracts	—	37,873	Level 2
<b>Total liabilities</b>	<b>\$ 11,334</b>	<b>\$ 37,881</b>	

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

Trade accounts receivable from provisional concentrate sales are subject to final pricing and valued using quoted prices based on forward curves for the particular metals. The embedded derivative contained in our concentrate sales is adjusted to fair market value through earnings each period prior to final settlement.

We use financially-settled forward contracts to manage exposure to changes in the exchange rate between USD and CAD, and the impact on CAD-denominated operating and capital costs incurred at our Casa Berardi unit and the Keno Hill mine (see *Note 8* for more information). The fair value of each contract represents the present value of the difference between the forward exchange rate for the contract settlement period as of the measurement date and the contract settlement exchange rate.

We use financially-settled forward contracts to manage the exposure to changes in prices of silver, gold, zinc and lead contained in our concentrate shipments that have not reached final settlement. We also use financially-settled forward contracts to manage the exposure to changes in prices of silver, gold, zinc and lead contained in our forecasted future sales (see *Note 8* for more information). 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.

At September 30, 2022, our Senior Notes and IQ Notes were recorded at their carrying value of \$470.1 million and \$35.6 million, respectively, net of unamortized initial purchaser discount/premium and issuance costs. The estimated fair values of our Senior Notes and IQ Notes were \$442.2 million and \$32.7 million, respectively, at September 30, 2022. Quoted market prices, which we consider to be Level 1 inputs, are utilized to estimate fair values of the Senior Notes. Unobservable inputs which we consider to be Level 3, including an assumed current annual yield of 8.7%, are utilized to estimate the fair value of the IQ Notes. See *Note 7* for more information.

**Note 10. 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.

*Johnny M Mine Area near San Mateo, McKinley County and San Mateo Creek Basin, New Mexico*

In August 2012, Hecla Limited and the U.S. Environmental Protection Agency (the “EPA”) entered into a Settlement Agreement and Administrative Order on Consent for Removal Action (“Consent Order”) regarding the Johnny M Mine Area near San Mateo, McKinley County, New Mexico. Mining at the Johnny M Mine was conducted for a limited period of time by a predecessor of Hecla Limited, and the EPA had previously asserted that Hecla Limited may be responsible under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) for environmental remediation and past costs incurred by the EPA at the site. Under the Consent Order, 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. In December 2014, Hecla Limited submitted to the EPA the Engineering Evaluation and Cost Analysis (“EE/CA”) for the site which recommended on-site disposal of mine-related material. In January 2021, the parties began negotiating a new consent order to design and implement the on-site disposal response action recommended in the EE/CA. Based on the foregoing, we believe it is probable that Hecla Limited will incur a liability for the CERCLA removal action and we increased our accrual by \$2.9 million to \$9.0 million in the first quarter of 2021, primarily representing estimated costs to begin design and implementation of the remedy. It is possible that Hecla Limited’s liability will be more than \$9.0 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 \$9.0 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. On May 2, 2022, Hecla Limited received a letter from an attorney representing a PRP notifying Hecla Limited that three PRPs will seek cost recovery and contribution from Hecla Limited under CERCLA for certain investigatory work performed by the PRPs at the SMCB site. 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 for information regarding the Carpenter Snow Creek Superfund site located in Cascade County, Montana. The Carpenter Snow Creek site is located in a historical 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.

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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 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.

### *Greens Creek and Lucky Friday Environmental Issues*

On June 30, 2022, our Greens Creek mine received a Notice of Violation (“NOV”) from the EPA alleging that the mine treated, stored, and disposed of certain hazardous waste without a permit in violation of the Resource Conservation and Recovery Act (“RCRA”), relating to the alleged presence of lead outside the concentrate storage building and the alleged improper reuse/recycling of certain materials produced from the on-site laboratories. The NOV contained two other less significant alleged violations. We disagree with several of the EPA’s allegations on a factual and legal basis.

Currently, the EPA has not initiated any formal enforcement proceeding against our Greens Creek subsidiary. In civil judicial cases, EPA can seek statutory penalties up to \$81,540 per day per violation and, in administrative settlements, the EPA can seek administrative penalties of up to \$47,423 per day per violation plus the economic benefit of noncompliance. The EPA typically pursues administrative penalties and assesses lower penalties on a per day basis. At this time, we cannot reasonably assess the amount of penalties the EPA may seek, or predict the terms of any potential settlement with the EPA.

On July 12, 2022, our Lucky Friday mine received a NOV from the EPA alleging violations of the Clean Water Act (“CWA”) between 2018 and 2021 relating primarily to concentration levels of zinc and lead in the mine’s permitted water discharges. Currently, the EPA has not initiated any formal enforcement proceeding against our Lucky Friday subsidiary. In civil judicial cases, the EPA can seek statutory penalties up to \$59,973 per day per violation and, in administrative actions, EPA can seek administrative penalties up to \$23,989 per day per violation with a maximum administrative penalty of \$299,989 for all alleged violations. The EPA typically pursues administrative penalties. At this time, we cannot reasonably assess the amount of penalties the EPA may seek, or predict the terms of any potential settlement with the EPA.

### *Litigation Related to Klondex Acquisition*

On May 24, 2019, a purported Hecla stockholder filed a putative class action lawsuit in the 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. 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. Filings with the court regarding our motion to dismiss the lawsuit were completed in the first quarter of 2021. We cannot predict the outcome of this lawsuit or estimate damages if plaintiffs were to prevail. We believe that these claims are without merit and intend to defend them vigorously.

Related to this class action lawsuit, Hecla has been named as a nominal defendant in a shareholder derivative lawsuit which also names as defendants certain current and past (i) members of Hecla’s board of directors and (ii) officers of Hecla. The case was filed on May 4, 2022 in the Delaware Chancery Court. In general terms, the suit alleges breaches of fiduciary duties by the individual defendants, waste of corporate assets and unjust enrichment, and seeks damages, purportedly on behalf of Hecla.

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### *Debt*

See *Note 7* for information on the commitments related to our debt arrangements as of September 30, 2022.

### *Other Commitments*

Our contractual obligations as of September 30, 2022 included open purchase orders and commitments of approximately \$9.0 million, \$20.4 million, \$1.2 million, \$2.6 million and \$0.3 million for various capital and non-capital items at Greens Creek, Lucky Friday, Casa Berardi, Nevada Operations and Keno Hill, respectively. We also have total commitments of approximately \$22.3 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 \$13.6 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 September 30, 2022, we had surety bonds totaling \$193.8 million and letters of credit totaling \$7.8 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 11. Developments in Accounting Pronouncements**

### *Accounting Standards Updates Adopted*

In August 2020, the Financial Accounting Standards Board (“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 GAAP to 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 adopted the update as of January 1, 2022, which did not have a material impact on our consolidated financial statements or disclosures.

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In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update will generally result in an entity recognizing contract assets and contract liabilities at amounts consistent with those recorded by the acquiree immediately before the acquisition date rather than at fair value. The update is effective on a prospective basis for fiscal years beginning after December 15, 2022, with early adoption permitted. We adopted the new standard effective January 1, 2022, which did not have a material impact on our consolidated financial statements or disclosures.

### *Accounting Standards Updates to Become Effective in Future Periods*

In 2017, the United Kingdom's Financial Conduct Authority ("FCA") announced that after 2021 it would no longer compel banks to submit the rates required to calculate the London Interbank Offered Rate ("LIBOR"), which have been widely used as reference rates for various securities and financial contracts, including loans, debt and derivatives. This announcement indicated that the continuation of LIBOR on the current basis would not be guaranteed after 2021. Subsequently in March 2021, the FCA announced some USD LIBOR tenors (overnight, 1 month, 3 month, 6 month and 12 month) will continue to be published until June 30, 2023. Regulators in the U.S. and other jurisdictions have been working to replace these rates with alternative reference interest rates that are supported by transactions in liquid and observable markets, such as SOFR. Our New Credit Agreement references SOFR-based rates, compared to our prior credit facility which referenced LIBOR based- rates. Certain of our derivative instruments reference LIBOR-based rates and are in the process of being amended to eliminate the LIBOR-based rate references prior to January 1, 2023. We do not expect a significant impact to our financial results, financial position or cash flows from the transition from LIBOR to alternative reference interest rates, but we will continue to monitor the impact of this transition until it is completed.

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### Forward-Looking Statements

Certain statements contained in this Form 10-Q, including in Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk, are intended to be covered by the safe harbor provided for under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Our forward-looking statements include our current expectations and projections about future results, performance, results of litigation, prospects and opportunities, including reserves and other mineralization. We have tried to identify these forward-looking statements by using words such as "may," "will," "expect," "anticipate," "believe," "intend," "feel," "plan," "estimate," "project," "forecast" and similar expressions. These forward-looking statements are based on information currently available to us and are expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements.

These risks, uncertainties and other factors include, but are not limited to, those set forth under *Part I, Item 1A. – Risk Factors* in our 2021 Form 10-K, as updated in *Part II, Item 1.A. – Risk Factors* in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022. Given these risks and uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements. All subsequent written and oral forward-looking statements attributable to Hecla Mining Company or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as required by federal securities laws, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

In this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), "Hecla," "the Company," "we," "us" and "our" refer to Hecla Mining Company and its consolidated subsidiaries, except where the context requires otherwise. You should read this discussion in conjunction with our consolidated financial statements, the related MD&A and the discussion of our Business and Properties in our 2021 Form 10-K filed with the United States Securities and Exchange Commission (the "SEC"). The results of operations reported and summarized below are not necessarily indicative of future operating results (refer to "Forward-Looking Statements" above for further discussion). References to "Notes" are Notes included in our Notes to Condensed Consolidated Financial Statements (Unaudited). Throughout MD&A, all references to losses or income per share are on a diluted basis.

### Overview

Established in 1891, we believe we are the oldest operating precious metals mining company in the United States. We are the largest silver producer in the United States, producing over 40% of the U.S. silver production at our Greens Creek and Lucky Friday operations. We produce gold at our Casa Berardi operation in Quebec, Canada, and Greens Creek, and produced gold at our Nevada Operations segment prior to suspension of operations during 2021. We are developing the Keno Hill mine in the Yukon, Canada which we acquired on September 7, 2022, and which we believe could become Canada's largest silver producer. Based upon our operational footprint, we believe we have low political and economic risk compared to other mines located in other parts of the world. Our exploration interests are located in the United States, Canada and Mexico. Our operating and strategic framework is based on expanding our production and locating and developing new resource potential in a safe and responsible manner.

### Acquisition of Alexco

We completed the acquisition of Alexco on September 7, 2022, for consideration of \$81.5 million, which we have accounted for as an asset acquisition, and are continuing to advance the development of Keno Hill which we believe could become Canada's largest silver producer. See *Note 1 of Notes to Condensed Consolidated Financial Statements (unaudited)*



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regarding our acquisition of Alexco. Immediately following the acquisition of Alexco, we terminated the acquired silver stream on the Keno Hill property for \$135 million, through the issuance of 34,800,990 Hecla common shares to Wheaton Precious Metals, the silver stream holder.

### ***Third Quarter 2022 Highlights***

#### Operational:

- Produced 3.6 million ounces of silver and 44,747 ounces of gold. See *Consolidated Results of Operations* below for information on total cost of sales and cash costs and all in sustaining costs (“AISC”), after by-product credits, per silver and gold ounce for the three-month periods ended September 30, 2022 and 2021.
- Continued mitigation of the impacts of COVID-19 through refinement of our operational plans and procedures to protect our workforce, operations and communities while maintaining liquidity.

#### Financial:

- Reported sales of \$146.3 million.
- Made capital expenditures (excluding lease additions and other non-cash items) of approximately \$37.4 million, including \$7.0 million at Greens Creek, \$16.1 million at Lucky Friday, \$10.8 million at Casa Berardi.
- Returned \$3.5 million to our stockholders through payment of dividends.
- Spent \$15.1 million on exploration and pre-development activities.

### ***Year to date 2022 Highlights***

#### Operational:

- Produced 10.5 million ounces of silver and 132,108 ounces of gold. See *Consolidated Results of Operations* below for information on total cost of sales and cash costs and AISC, after by-product credits, per silver and gold ounce for the nine-month periods ended September 30, 2022 and 2021.
- Continued our trend of strong safety performance, as our All Injury Frequency Rate (“AIFR”) for the year to date was 1.3, 38% below the U.S. national average for MSHA’s “metal and nonmetal” category and 10% below our AIFR of 1.45 for the full year of 2021.
- Continued mitigation of the impacts of COVID-19 through refinement of our operational plans and procedures to protect our workforce, operations and communities while maintaining liquidity.

#### Financial:

- Reported sales of \$524.1 million.
- Generated \$53.8 million in net cash provided by operating activities. See the *Financial Liquidity and Capital Resources* section below for further discussion.
- Made capital expenditures (excluding lease additions and other non-cash items) of approximately \$93.2 million, including \$24.7 million at Greens Creek, \$37.3 million at Lucky Friday, \$26.7 million at Casa Berardi, \$3.8 million at Corporate and Other.
- Returned \$10.5 million to our stockholders through payment of dividends.
- Spent \$39.1 million on exploration and pre-development activities.

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

- executing value enhancing transactions, such as with the recently consummated Alexco acquisition;
- advancing the development of the Keno Hill mine with the anticipation of commencement of production before the end of 2023;
- rapidly responding to the threats from the COVID-19 pandemic to protect our workforce, operations and communities while maintaining liquidity;
- operating our properties safely, in an environmentally responsible and cost-effective manner;
- maintaining and investing in exploration and pre-development projects in the vicinities of eleven mining districts and projects we believe to be under-explored and under-invested: Greens Creek on Alaska’s Admiralty Island located near

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Juneau; North Idaho's Silver Valley in the historic Coeur d'Alene Mining District; the silver-producing district near Durango, Mexico; in the vicinity of our Casa Berardi mine and the Heva-Hosco project in the Abitibi region of northwestern Quebec, Canada; our projects located in two districts in Nevada; our 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 mines, which includes incurring costs for new technologies and equipment;
- expanding our proven and probable reserves, mineral resources and production capacity at our properties;
- conducting our business with financial stewardship to preserve our financial position in varying metals price and operational environments;
- advancing permitting of our Montana assets; and
- continuing to seek opportunities to acquire and invest in mining and exploration properties and companies.

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 seek to implement reasonable best practices with respect to mine safety and emergency preparedness. We respond to issues outlined in investigations and inspections by MSHA, the Commission of Labor Standards, Pay Equity and Occupational Health and Safety in Quebec, and the Mexico Ministry of Economy and Mining and continue to evaluate our safety practices. There can be no assurance that our practices will mitigate or eliminate all safety risks. 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* in our 2021 Form 10-K.

Since its outbreak in 2020, the COVID-19 pandemic continues to impact our operational practices and we continue to incur incremental costs and modify our operational plans to keep our workforce safe. In 2020, the pandemic adversely impacted our expected production of gold at Casa Berardi and exploration drilling at Greens Creek. We incurred \$0.4 million and \$3.1 million in COVID-19 mitigation costs during the nine months ended September 30, 2022 and 2021, respectively. 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 the rest of 2022. In our 2021 Form 10-K, see *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.

A number of key factors may impact the execution of our strategy, including regulatory issues, metals prices and inflationary pressures on input costs. Metals prices can be very volatile and are influenced by a number of factors beyond our control (except on a limited basis through the use of derivative contracts) including recent central bank actions to raise interest rates which have negatively impacted precious metals prices. See *Item 7. Critical Accounting Estimates* in our 2021 Form 10-K and above in *Note 8 of Notes to Condensed Consolidated Financial Statements (Unaudited)*. The average realized prices for all metals sold by us were lower in the three months ended September 30, 2022, than in the comparable period last year. The average realized prices for all metals sold by us were lower, except for zinc and gold, in the nine months ended September 30, 2022 than in the comparable period last year, as illustrated by the table in *Results of Operations* below. While we believe longer-term 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. We have also experienced significant cost inflation compared to 2021 across our operations, principally associated with higher energy prices, increased costs for other consumables such as reagents, explosives and steel, and labor and contractor costs.

Volatility in global financial markets and other factors can pose 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. To help mitigate this challenge, 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. In addition, we have in place a \$150 million revolving credit agreement, of which we had drawn \$25.0 million as of September 30, 2022, and an additional \$7.8 million was used as of September 30, 2022 for letters of credit, leaving approximately \$117.2 million available for borrowing.

Another challenge for us is the risk associated with environmental litigation and ongoing reclamation activities. As described in *Item 1A. Risk Factors* in our 2021 Form 10-K and above in *Note 10 of Notes to Condensed Consolidated Financial Statements (Unaudited)*, it is possible that our estimate of these liabilities (and our ability to estimate liabilities in general) may change in the future, affecting our strategic plans. We are involved in various environmental legal matters and the estimate of

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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.

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### Consolidated Results of Operations

Sales by metal for the three- and nine-month periods ended September 30, 2022 and 2021 were as follows:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Silver	\$ 45,924	\$ 61,890	\$182,306	\$232,414
Gold	69,289	94,984	228,475	282,471
Lead	16,033	18,082	56,912	56,198
Zinc	28,051	30,273	94,865	89,501
Less: smelter charges	(13,023)	(11,669)	(38,543)	(38,189)
Sales of products	<u>\$146,274</u>	<u>\$193,560</u>	<u>\$524,015</u>	<u>\$622,395</u>

Sales by metal for the three- and nine-month periods ended September 30, 2022 and 2021, and the approximate variances attributed to differences in metals prices, sales volumes and smelter terms, were as follows:

(in thousands)	Silver	Gold	Base metals	Less: smelter and refining charges	Total sales of products
<b>Three months ended September 30, 2021</b>	\$ 61,890	\$ 94,984	\$ 48,355	\$ (11,669)	\$ 193,560
Variances - 2022 versus 2021:					
Price	(13,459)	(3,125)	(3,637)	(1,475)	(21,696)
Volume	(2,134)	(22,570)	(634)	162	(25,176)
Smelter terms	(373)	—	—	(41)	(414)
<b>Three months ended September 30, 2022</b>	<u>\$ 45,924</u>	<u>\$ 69,289</u>	<u>\$ 44,084</u>	<u>\$ (13,023)</u>	<u>\$ 146,274</u>

(in thousands)	Silver	Gold	Base metals	Less: smelter and refining charges	Total sales of products
<b>Nine months ended September 30, 2021</b>	\$232,414	\$282,471	\$ 145,699	\$ (38,189)	\$ 622,395
Variances - 2022 versus 2021:					
Price	(37,682)	2,557	7,748	(3,381)	(30,758)
Volume	(12,335)	(56,468)	(1,670)	1,567	(68,906)
Smelter terms	(91)	(85)	—	1,460	1,284
<b>Nine months ended September 30, 2022</b>	<u>\$182,306</u>	<u>\$228,475</u>	<u>\$ 151,777</u>	<u>\$ (38,543)</u>	<u>\$ 524,015</u>

The fluctuations in sales for the third quarter and first nine months of 2022 compared to the same periods of 2021 were primarily due to the following two reasons:

- Lower average realized prices for all metals sold during the third quarter and first nine months of 2022, except for gold and zinc for which the average realized price was higher during the nine months ended September 30, 2022 all compared to the same periods of 2021. These price variances are illustrated in the following table:

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		Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021
Silver –	London PM Fix (\$/ounce)	\$ 19.22	\$ 24.36	\$21.94	\$25.78
	Realized price per ounce	\$ 18.30	\$ 23.97	\$21.25	\$25.75
Gold –	London PM Fix (\$/ounce)	\$ 1,728	\$ 1,789	\$1,825	\$1,801
	Realized price per ounce	\$ 1,713	\$ 1,792	\$1,817	\$1,794
Lead –	LME Final Cash Buyer (\$/pound)	\$ 0.90	\$ 1.06	\$ 0.98	\$ 0.98
	Realized price per pound	\$ 0.95	\$ 1.02	\$ 0.98	\$ 1.00
Zinc –	LME Final Cash Buyer (\$/pound)	\$ 1.48	\$ 1.36	\$ 1.65	\$ 1.31
	Realized price per pound	\$ 1.23	\$ 1.35	\$ 1.47	\$ 1.34

Average realized prices typically 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 the customers, we must estimate the prices at which sales of our metals will be settled. Previously recorded sales are adjusted to estimated settlement metals prices each period through final settlement. For the three- and nine-month periods ended September 30, 2022, we recorded net negative price adjustments to provisional settlements of \$6.6 million and \$21.5 million, respectively, compared to net positive price adjustments to provisional settlements of \$0.1 million and \$3.7 million, respectively, in the three and nine months ended September 31, 2021. The price adjustments related to silver, gold, zinc and lead contained in our concentrate shipments were partially offset by gains and losses on forward contracts for those metals. See *Note 8 of Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information. The gains and losses on these contracts are included in revenues and impact the realized prices for silver, gold, lead and zinc. Realized prices are calculated by dividing gross revenues for each metal (which include the price adjustments and gains and losses on the forward contracts discussed above) by the payable quantities of each metal included in concentrate, doré and carbon material shipped during the period.

- Lower quantities of all metals sold in the third quarter and first nine months of 2022 compared to 2021 (except for lead in the nine months and zinc in the three months ended September 30, 2022, respectively, due to higher production at Lucky Friday during the first nine months of 2022), primarily due to the decision to defer a silver concentrate shipment at Greens Creek to October 2022 to ensure adequate concentrate volumes for cost-effective shipping, and the non-recurrence of Nevada refractory ore processing at a third-party facility in 2021. See *The Greens Creek Segment*, *The Lucky Friday Segment*, *The Casa Berardi Segment* and *The Nevada Operations Segment* sections below for more information on metal production and sales volumes at each of our operating segments. Total metals production and sales volumes for each period are shown in the following table:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021
Silver -	Ounces produced	3,549,392	2,676,084	10,525,917	9,660,313
	Payable ounces sold	2,479,724	2,581,690	8,554,894	9,027,180
Gold -	Ounces produced	44,747	42,207	132,173	153,350
	Payable ounces sold	40,443	53,000	125,721	157,454
Lead -	Tons produced	11,600	9,904	35,794	32,148
	Payable tons sold	8,049	8,835	28,788	28,166
Zinc -	Tons produced	15,859	15,546	47,571	48,864
	Payable tons sold	11,523	11,174	32,328	33,344

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

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Sales, total cost of sales, gross profit, Cash Cost, After By-product Credits, per Ounce (“Cash Cost”) (non-GAAP) and All-In Sustaining Cost, After By-product Credits, per Ounce (“AISC”) (non-GAAP) at our operating units for the three- and nine -months ended September 30, 2022 and 2021 were as follows (in thousands, except for Cash Cost and AISC):

	Silver			Gold			
	Greens Creek	Lucky Friday	Other	Total Silver <sup>(2)</sup>	Casa Berardi	Nevada Operations	Total Gold
<b>Three Months Ended September 30, 2022:</b>							
Sales	\$ 60,875	\$ 28,460	\$ —	\$ 89,335	\$ 56,939	\$ —	\$ 56,939
Total cost of sales	(52,502)	(24,164)	—	(76,666)	(59,532)	(1,623)	(61,155)
Gross profit (loss)	\$ 8,373	\$ 4,296	\$ —	\$ 12,669	\$ (2,593)	\$ (1,623)	\$ (4,216)
Cash Cost per silver or gold ounce <sup>(1)</sup>	\$ 2.65	\$ 5.23	\$ —	\$ 3.43	\$ 1,349	\$ —	\$ 1,349
AISC per silver or gold ounce <sup>(1)</sup>	\$ 8.61	\$ 15.98	\$ —	\$ 14.20	\$ 1,738	\$ —	\$ 1,738
<b>Three Months Ended September 30, 2021:</b>							
Sales	\$ 84,806	\$ 29,783	\$ —	\$ 114,589	\$ 56,065	\$ 22,906	\$ 78,971
Total cost of sales	(55,193)	(23,591)	—	(78,784)	(58,164)	(21,384)	(79,548)
Gross profit (loss)	\$ 29,613	\$ 6,192	\$ —	\$ 35,805	\$ (2,099)	\$ 1,522	\$ (577)
Cash Cost per silver or gold ounce <sup>(1)</sup>	\$ 0.74	\$ 6.35	\$ —	\$ 2.49	\$ 1,175	\$ 1,038	\$ 1,163
AISC per silver or gold ounce <sup>(1)</sup>	\$ 5.94	\$ 16.79	\$ —	\$ 12.82	\$ 1,476	\$ 1,167	\$ 1,450
	Silver			Gold			
	Greens Creek	Lucky Friday	Other	Total Silver <sup>(2)</sup>	Casa Berardi	Nevada Operations	Total Gold
<b>Nine Months Ended September 30, 2022:</b>							
Sales	\$ 239,688	\$ 102,380	\$ —	\$ 342,068	\$ 181,679	\$ 268	\$ 181,947
Total cost of sales	(162,644)	(83,779)	—	(246,423)	(183,570)	(2,878)	(186,448)
Gross profit	\$ 77,044	\$ 18,601	\$ —	\$ 95,645	\$ (1,891)	\$ (2,610)	\$ (4,501)
Cash Cost per silver or gold ounce <sup>(1)</sup>	\$ (0.49)	\$ 4.77	\$ —	\$ 1.11	\$ 1,409	\$ —	\$ 1,409
AISC per silver or gold ounce <sup>(1)</sup>	\$ 4.69	\$ 12.86	\$ —	\$ 10.17	\$ 1,729	\$ —	\$ 1,729
<b>Nine Months Ended September 30, 2021:</b>							
Sales	\$ 296,978	\$ 98,550	\$ 176	\$ 395,704	\$ 185,098	\$ 41,593	\$ 226,691
Total cost of sales	(163,861)	(74,287)	(95)	(238,243)	(172,760)	(46,832)	(219,592)
Gross profit	\$ 133,117	\$ 24,263	\$ 81	\$ 157,461	\$ 12,338	\$ (5,239)	\$ 7,099
Cash Cost per silver or gold ounce <sup>(1)</sup>	\$ (1.03)	\$ 7.37	\$ —	\$ 1.26	\$ 1,127	\$ 1,124	\$ 1,127
AISC per silver or gold ounce <sup>(1)</sup>	\$ 2.40	\$ 15.00	\$ —	\$ 8.88	\$ 1,387	\$ 1,167	\$ 1,349

- (1) A reconciliation of these non-GAAP measures to total cost of sales, the most comparable GAAP measure, can be found below in *Reconciliation of Total Cost of Sales (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 calculation of AISC, After By-product Credits, Per Ounce for our consolidated silver properties includes corporate costs for general and administrative expense and sustaining exploration and capital costs.

While revenue from zinc, lead and gold by-products is significant, we believe that identification of silver as the primary product of Greens Creek and Lucky Friday 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;

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- we have historically presented these units as a primary silver producer, 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 and Lucky Friday deposits are massive sulfide deposits containing an unusually high proportion of silver; and
- in most of their working areas, Greens Creek and Lucky Friday utilize selective mining methods in which silver is the metal targeted for highest recovery.

Accordingly, we believe the identification of gold, lead and zinc as by-product credits at Greens Creek and Lucky Friday 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 for Greens Creek, Lucky Friday and San Sebastian 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.

We believe the identification of silver as a by-product credit is appropriate at Casa Berardi and 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 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 and 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.

For the third quarter we recorded loss applicable to common stockholders of \$23.7 million ((\$0.04) per basic common share) compared to \$1.1 million (\$Nil) per basic common share) in the third quarter of 2021. The variances in gross profit (loss) at our operating units as illustrated in the table above contributed to the results for the third quarter of 2022 compared to the same period in 2021. See *The Greens Creek Segment*, *The Lucky Friday Segment*, *The Casa Berardi Segment* and *The Nevada Operations Segment* sections below.

In addition to the impact of lower gross profit on loss applicable to common stockholders, the following were the other significant drivers of changes in loss applicable to common stockholders compared to the prior period in 2021:

- General and administrative costs increased by \$2.1 million primarily due to the impact of the Alexco acquisition closed on September 7, 2022 and compensation adjustments effective July 1, 2022.
- Fair value adjustments, net were losses of \$4.2 million versus a gain of \$9.3 million in 2021 primarily due to the accounting for our base metals contracts as accounting hedges effective November 1, 2021, which resulted in unrealized gains/losses on these contracts being deferred on the balance sheet, versus them being recognized in the statement of operations in the 2021 comparable quarter (see *Notes 8 and 9 of Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information).
- Exploration and pre-development decreased by \$2.0 million primarily due to lower expenditures at the Hatter Graben project in Nevada.
- Provision for closed operations and environmental matters decreased by \$5.8 million primarily due to the settlement in 2021 of a lawsuit for \$6.5 million related to a 1989 agreement entered into by our subsidiary, CoCa Mines, Inc. and its subsidiary, Creede Resources, Inc.
- Other operating expense decreased by \$2.4 million primarily due to the receipt of \$2.5 million in insurance proceeds related to a coverage lawsuit received during September 2022 and the completion of projects to identify and implement potential operational improvements at our operating sites.
- Net foreign exchange gains increased by \$1.7 million reflecting the continued depreciation of the CAD against the USD in 2022. The change is primarily related to the impact of changes in the CAD-to-USD exchange rate on the remeasurement of our net monetary liabilities in Quebec.

For the first nine months of 2022, we recorded loss applicable to common stockholders of \$33.3 million ((\$0.06) per basic common share) compared to income applicable to common stockholders of \$22.8 million (\$0.04 per basic common share) in the first nine months of 2021. The variances in gross profit (loss) at our operating units as illustrated in the table above contributed to the results for the first nine months of 2022 compared to the same period in 2021. See *The Greens Creek Segment*, *The Lucky Friday Segment*, *The Casa Berardi Segment* and *The Nevada Operations Segment* sections below.

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In addition to the impact of lower gross profit on loss applicable to common stockholders, the following were the other significant drivers of changes in loss applicable to common stockholders compared to the prior period in 2021:

- Exploration and pre-development expense increased by \$4.1 million reflecting increased exploration spending across the Company's exploration portfolio primarily at San Sebastian, Casa Berardi, Greens Creek and the Nevada Operations. Pre-development expense was for the development of a decline to the Hatter Graben area at the Hollister mine in Nevada.
- Fair value adjustments, net losses increased by \$4.1 million due to unrealized losses on our equity securities portfolio increasing by \$7.6 million offset by a lower loss of \$4.7 million on our derivative contracts primarily due to the accounting for our base metals contracts as accounting hedges effective November 1, 2021, which resulted in unrealized gains/losses on these contracts being deferred on the balance sheet, versus them being recognized in the income statement in 2021 the comparable quarter (see *Notes 8 and 9 of Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information).
- Net foreign exchange gains increased by \$8.1 million reflecting the continued depreciation of the CAD against the USD in 2022. The change is primarily related to the impact of changes in the CAD-to-USD exchange rate on the remeasurement of our net monetary liabilities in Quebec.
- Provision for closed operations and environmental matters decreased by \$8.1 million primarily due to the settlement in 2021 of a lawsuit for \$6.5 million related to a 1989 agreement entered into by our subsidiary, CoCa Mines, Inc. and its subsidiary, Creede Resources, Inc and an increase in the estimated costs accrual for the Johnny M. site in New Mexico of \$2.9 million in 2021 (see *Note 10 of Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information).
- Other operating expense decreased by \$5.3 million primarily due to the receipt of \$4.2 million in insurance proceeds related to a coverage lawsuit received during June and September 2022 and the completion of projects to identify and implement potential operation improvements at our operating sites.



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### Greens Creek

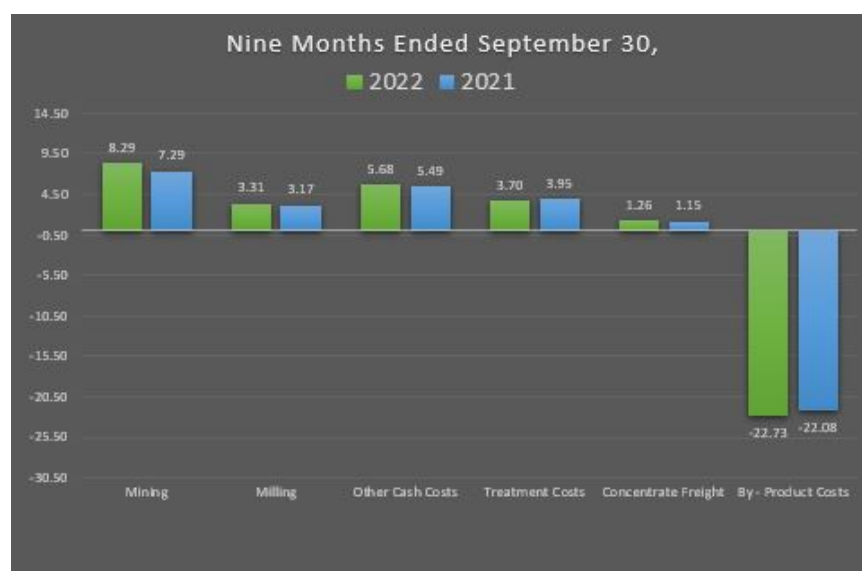
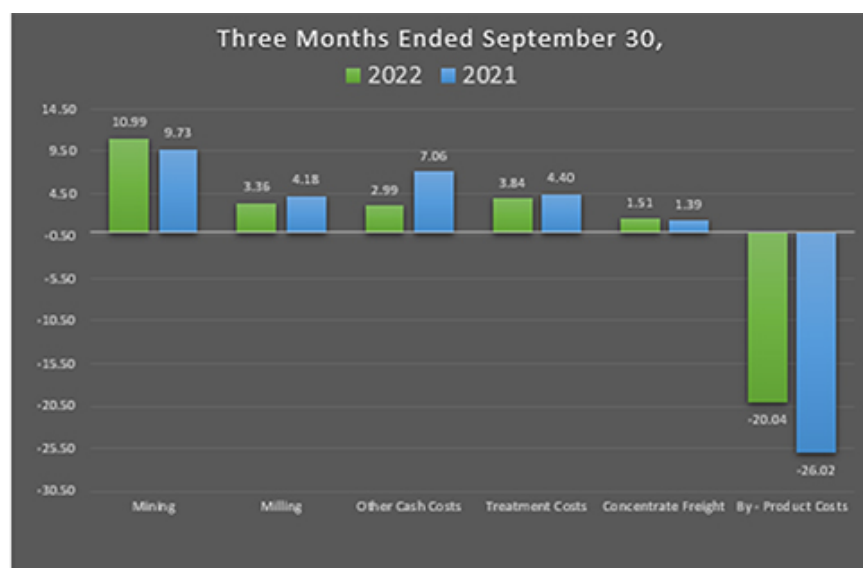
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<i>Dollars are in thousands (except per ounce and per ton amounts)</i>				
Sales	\$ 60,875	\$ 84,806	\$ 239,688	\$ 296,978
Cost of sales and other direct production costs	(42,197)	(42,096)	(127,290)	(121,451)
Depreciation, depletion and amortization	(10,305)	(13,097)	(35,354)	(42,410)
Total cost of sales	(52,502)	(55,193)	(162,644)	(163,861)
Gross profit	\$ 8,373	\$ 29,613	\$ 77,044	\$ 133,117
Tons of ore milled	229,975	211,142	651,220	620,153
Production:				
Silver (ounces)	2,468,280	1,837,270	7,308,660	6,980,587
Gold (ounces)	11,412	9,734	35,227	35,859
Zinc (tons)	12,580	13,227	38,470	41,191
Lead (tons)	4,428	4,591	14,495	15,142
Payable metal quantities sold:				
Silver (ounces)	1,663,909	1,774,421	5,702,301	6,493,528
Gold (ounces)	7,478	9,232	25,952	31,599
Zinc (tons)	9,138	9,472	25,725	27,783
Lead (tons)	2,755	3,834	10,069	12,098
Ore grades:				
Silver ounces per ton	13.63	11.14	13.83	13.84
Gold ounces per ton	0.07	0.07	0.07	0.08
Zinc percent	6.3%	7.1%	6.7%	7.4%
Lead percent	2.4%	2.7%	2.7%	3.0%
Total production cost per ton	\$ 185.34	\$ 181.60	\$ 191.58	\$ 178.29
Cash Cost, After By-product Credits, Per Silver Ounce <sup>(1)</sup>	\$ 2.65	\$ 0.74	\$ (0.49)	\$ (1.03)
AISC, After By-Product Credits, per Silver Ounce <sup>(1)</sup>	\$ 8.61	\$ 5.94	\$ 4.69	\$ 2.40
Capital additions	\$ 6,988	\$ 6,228	\$ 24,748	\$ 14,339

- (1) A reconciliation of these non-GAAP measures to total cost of sales, the most comparable GAAP measure, can be found below in *Reconciliation of Total Cost of Sales (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 \$21.2 million and \$56.1 million decreases in gross profit for the third quarter and first nine months of 2022, respectively, compared to the same periods of 2021 were primarily due to: (i) lower payable metals sold for all metals produced reflecting the decision to defer a silver concentrate shipment to October to ensure adequate concentrate volumes for cost-effective shipment, (ii) lower realized prices for all metals in both the three and nine month periods respectively, with the exception of zinc in the nine month period ended September 30, 2022, and (iii) higher production costs reflecting the impact of inflationary cost increases in consumables, labor and contractor costs.

The charts below illustrate the factors contributing to the variances in Cash Cost, After By-product Credits, Per Silver Ounce for the third quarter and first nine months of 2022 compared to the same periods of 2021.

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



	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash Cost, Before By-product Credits, per Silver Ounce	\$ 22.69	\$ 26.76	\$ 22.24	\$ 21.05
By-product credits	(20.04)	(26.02)	(22.73)	(22.08)
Cash Cost, After By-product Credits, per Silver Ounce	\$ 2.65	\$ 0.74	\$ (0.49)	\$ (1.03)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
AISC, Before By-product Credits, per Silver Ounce	\$ 28.65	\$ 31.96	\$ 27.42	\$ 24.48
By-product credits	(20.04)	(26.02)	(22.73)	(22.08)
AISC, After By-product Credits, per Silver Ounce	\$ 8.61	\$ 5.94	\$ 4.69	\$ 2.40

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The increase in Cash Cost, After By-product Credits, per Silver Ounce for the third quarter and first nine months of 2022 compared to 2021 was primarily due to higher cash costs reflecting inflationary cost pressures and lower by-product credits for the three months ended September 30, 2022.

The increase in AISC, After By-product Credits, per Silver Ounce for the third quarter and first nine months of 2022 compared to 2021 was primarily due to higher sustaining capital of \$10.2 million and \$30.8 million for the third quarter and first nine months of 2022, respectively, compared to \$6.2 million and \$17.5 million, respectively, in 2021, reflecting the costs being incurred on camp construction and higher definition and development drilling during 2022 compared to 2021.

### Lucky Friday

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<i>Dollars are in thousands (except per ounce and per ton amounts)</i>				
Sales	\$ 28,460	\$ 29,783	\$ 102,380	\$ 98,550
Cost of sales and other direct production costs	(16,903)	(17,001)	(59,624)	(53,959)
Depreciation, depletion and amortization	(7,261)	(6,590)	(24,155)	(20,328)
Total cost of sales	(24,164)	(23,591)	(83,779)	(74,287)
Gross profit	\$ 4,296	\$ 6,192	\$ 18,601	\$ 24,263
Tons of ore milled	90,749	78,227	265,971	241,740
Production:				
Silver (ounces)	1,074,230	831,532	3,188,565	2,608,727
Lead (tons)	7,172	5,313	21,299	17,006
Zinc (tons)	3,279	2,319	9,101	7,673
Payable metal quantities sold:				
Silver (ounces)	801,115	783,672	2,822,281	2,481,753
Lead (tons)	5,295	5,001	18,720	16,068
Zinc (tons)	2,385	1,702	6,602	5,561
Ore grades:				
Silver ounces per ton	12.50	11.21	12.67	11.34
Lead percent	8.5%	7.2%	8.5%	7.4%
Zinc percent	4.2%	3.3%	3.9%	3.5%
Total production cost per ton	\$ 207.1	\$ 190.66	\$ 220.41	\$ 189.06
Cash Cost, After By-product Credits, per Silver Ounce <sup>(1)</sup>	\$ 5.23	\$ 6.35	\$ 4.77	\$ 7.37
AISC, After By-product Credits, per Silver Ounce <sup>(1)</sup>	\$ 15.98	\$ 16.79	\$ 12.86	\$ 15.00
Capital additions	\$ 16,125	\$ 9,133	\$ 37,278	\$ 20,776

- (1) A reconciliation of these non-GAAP measures to total cost of sales, the most comparable GAAP measure, can be found below in *Reconciliation of Total Cost of Sales (GAAP) to Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) and All-In Sustaining Cost, Before By-product Credits and All-In Sustaining Cost, After By-product Credits (non-GAAP)*.

Gross profit for the three months ended September 30, 2022 decreased by \$1.9 million compared to the same period in 2021, as the impact of increased sales quantities from mining and processing more high grade material and in higher volumes, did not offset the combination of lower realized silver, lead and zinc prices compared to 2021, and increased production costs from more ore mined and processed and inflationary cost increases in consumables and contractor maintenance costs. Gross profit for the nine month period September 30, 2022 decreased by \$5.7 million compared to the same period in 2021, as increased sales from a combination of mining and processing more high grade material and in higher volumes did not offset the impact of lower silver and lead realized prices and higher production costs which were the result of the same factors experienced in the three months ended September 30, 2022.

The charts below illustrate the factors contributing to Cash Cost, After By-product Credits, Per Silver Ounce for the third quarter and first nine months of 2022 compared to the same periods of 2021.



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash Cost, Before By-product Credits, per Silver Ounce	\$ 22.87	\$ 24.14	\$ 23.44	\$ 24.70
By-product credits	(17.64)	(17.79)	(18.67)	(17.33)
Cash Cost, After By-product Credits, per Silver Ounce	<u>\$ 5.23</u>	<u>\$ 6.35</u>	<u>\$ 4.77</u>	<u>\$ 7.37</u>

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

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
AISC, Before By-product Credits, per Silver Ounce	\$ 33.62	\$ 34.58	\$ 31.53	\$ 32.33
By-product credits	(17.64)	(17.79)	(18.67)	(17.33)
AISC, After By-product Credits, per Silver Ounce	<u>\$ 15.98</u>	<u>\$ 16.79</u>	<u>12.86</u>	<u>\$ 15.00</u>

The decrease in Cash Cost and AISC, After By-product Credits, per Silver Ounce for the three and nine month periods ended September 30, 2022 compared to the three and nine month periods ended September 30, 2021 was due to higher silver production resulting from increased grades and volumes processed, higher by-product credits (for the nine months ended September 30, 2022) due to higher realized zinc prices, and concentrate quality improvement resulting in higher lead and zinc production, with the decrease in AISC, After By-product Credits, per Silver Ounce partially offset by higher sustaining capital spending.

### The Casa Berardi Segment

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Sales	\$ 56,939	\$ 56,065	\$ 181,679	\$ 185,098
Cost of sales and other direct production costs	(44,443)	(38,196)	(137,176)	(111,601)
Depreciation, depletion and amortization	(15,089)	(19,968)	(46,394)	(61,159)
Total cost of sales	(59,532)	(58,164)	(183,570)	(172,760)
Gross profit	<u>\$ (2,593)</u>	<u>\$ (2,099)</u>	<u>\$ (1,891)</u>	<u>\$ 12,338</u>
Tons of ore milled	389,941	398,143	1,177,709	1,141,229
Production:				
Gold (ounces)	33,335	29,722	96,881	97,245
Silver (ounces)	6,882	7,012	22,329	25,604
Payable metal quantities sold:				
Gold (ounces)	32,965	31,227	99,703	102,711
Silver (ounces)	14,700	7,764	23,950	24,538
Ore grades:				
Gold ounces per ton	0.10	0.09	0.09	0.10
Silver ounces per ton	0.02	0.02	0.02	0.02
Total production cost per ton	\$ 114.52	\$ 86.95	\$ 115.15	\$ 95.13
Cash Cost, After By-product Credits, per Gold Ounce <sup>(1)</sup>	\$ 1,349	\$ 1,175	\$ 1,409	\$ 1,127
AISC, After By-product Credits, per Gold Ounce <sup>(1)</sup>	\$ 1,738	\$ 1,476	\$ 1,729	\$ 1,387
Capital additions	\$ 10,771	\$ 11,488	\$ 26,672	\$ 37,488

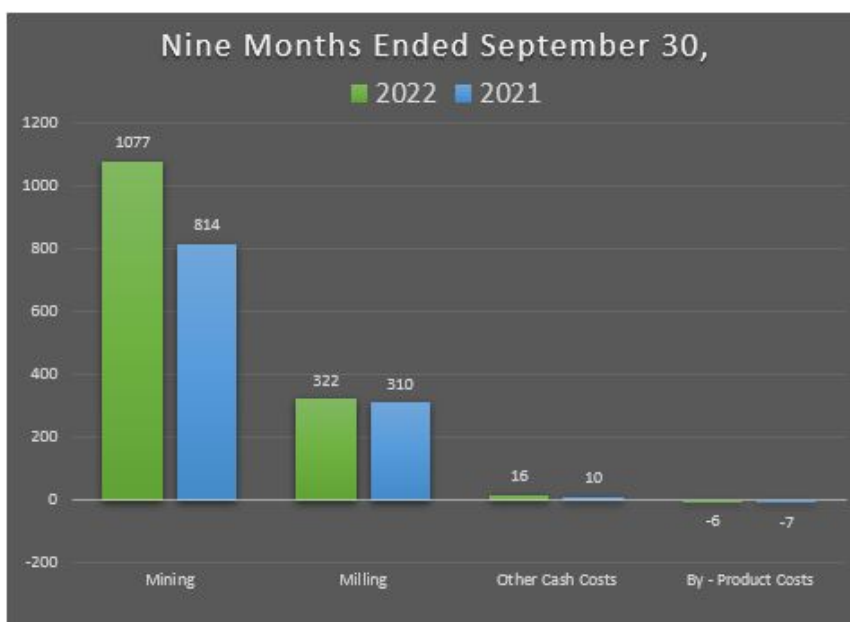
- (1) A reconciliation of these non-GAAP measures to total cost of sales, the most comparable GAAP measure, can be found below in *Reconciliation of Total Cost of Sales (GAAP) to Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) and All-In Sustaining Cost, Before By-product Credits and All-In Sustaining Cost, After By-product Credits (non-GAAP)*.

Gross profit decreased by \$0.5 million and \$14.2 million for the third quarter and first nine months of 2022, respectively, compared to the same periods of 2021. The decrease for the third quarter and first nine months of 2022 was due to lower realized prices and higher cost of sales resulting from increased production costs due to: (i) higher ore tonnage for the nine month period only, (ii) mill contractor costs related to maintenance and optimization activities, (iii) higher underground maintenance costs resulting from repairs and replacements of major components for the production fleet and (iv) higher fuel and other consumables costs which have been negatively impacted by current inflationary pressures. The impact of higher costs of sales and lower realized prices was partially offset by increased sales volume in the third quarter of 2022. Lower sales volume in the first nine months of 2022 compared to 2021 due to lower grades mined and processed, was partially offset by higher realized gold price.

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Total capital additions decreased by \$0.7 million and \$10.8 million in the third quarter of 2022 and first nine months of 2022 respectively, compared to the same periods of 2021, reflecting lower development costs following commissioning of the new 160 zone open pit mine in the fourth quarter of 2021.

The charts below illustrate the factors contributing to Cash Cost, After By-product Credits, Per Gold Ounce for the third quarter and first nine months of 2022 and 2021:



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

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash Cost, Before By-product Credits, per Gold Ounce	\$1,353	\$1,181	\$1,415	\$1,134
By-product credits	(4)	(6)	(6)	(7)
Cash Cost, After By-product Credits, per Gold Ounce	<u>\$1,349</u>	<u>\$1,175</u>	<u>\$1,409</u>	<u>\$1,127</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
AISC, Before By-product Credits, per Gold Ounce	\$ 1,742	\$ 1,482	\$ 1,735	\$ 1,394
By-product credits	(4)	(6)	(6)	(7)
AISC, After By-product Credits, per Gold Ounce	<u>\$ 1,738</u>	<u>\$ 1,476</u>	<u>\$ 1,729</u>	<u>\$ 1,387</u>

The increase in Cash Cost After By-product Credits, per Gold Ounce for the third quarter and first nine months of 2022 compared to the same periods in 2021 was primarily due to higher production costs, as discussed above, partially offset by higher gold production in the third quarter of 2022 compared with the same period in 2021. The lower production in 2022 also negatively impacted AISC, After By-product Credits, per Gold Ounce, however this was partially offset by lower sustaining capital spent in 2022 compared to 2021.

### The Nevada Operations Segment

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Sales	\$ —	\$ 22,906	\$ 268	\$ 41,593
Cost of sales and other direct production costs	(1,285)	(15,249)	(2,418)	(31,811)
Depreciation, depletion and amortization	(338)	(6,135)	(460)	(15,021)
Total cost of sales	(1,623)	(21,384)	(2,878)	(46,832)
Gross (loss) profit	<u>\$(1,623)</u>	<u>\$ 1,522</u>	<u>\$(2,610)</u>	<u>\$ (5,239)</u>
Payable metal quantities sold:				
Gold (ounces)	—	12,542	65	23,097
Silver (ounces)	—	15,833	6,363	23,868

The gross loss of \$1.6 million for the three months ended September 30, 2022, was attributable to write downs of stockpiled material to net realizable value reflecting a lower spot gold price, versus the gross profit realized in the comparable period in 2021, due to processing and sale of refractory ore at a third party facility.

The decrease in gross loss for the first nine months of 2022 compared to the same period of 2021 was primarily the result of lower sales volumes and lower write-downs of ore stockpiled to estimated net realizable value. During 2021, production and revenue were generated from processing of the stockpiled non-refractory ore at the Midas mill and third-party processing of refractory ore in a roaster and autoclave facility, respectively. Fire Creek was placed on care-and-maintenance in the second quarter of 2021 after processing of the remaining non-refractory ore stockpile. Care and maintenance costs 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.

Exploration activities and pre-development activities continued in 2022 and was focused on drill testing targets at Aurora, Midas and the Hatter Graben in addition to target generation through detailed mapping, sampling and geological mapping.

See *Item 1A. Risk Factors – Operation, Development, Exploration and Acquisition Risks* in our 2021 Form 10-K for a discussion of certain risks relating to our recent and ongoing analysis of the carrying value of the Nevada assets.

## **Corporate Matters**

### *Employee Benefit Plans*

Our three defined benefit pension plans (the “DB plans”) provide a significant benefit to our employees, but represent a liability to us. The liability recorded for the underfunded status of our plans was \$4.8 million and \$6.0 million as of September 30, 2022 and December 31, 2021, respectively. During May 2022, we contributed an aggregate of \$5.6 million in shares of our common stock to two of our DB plans. We contributed an additional \$4.2 million in shares of our common stock to one of our DB plans in October 2022 and do not expect to make additional contributions to our DB plans in 2022, but may choose to do so. While the economic variables which will determine future funding requirements are uncertain, we expect contributions to continue to be required in future years under the provisions of two DB plans, and we periodically examine the plans for affordability and competitiveness. See *Note 6 of Notes to Consolidated Financial Statements* in our 2021 Form 10-K for more information.

### *Income Taxes*

During the third quarter and first nine months of 2022, an income and mining tax benefit of approximately \$9.5 million and \$3.6 million resulted in an effective tax rate of 29% and 10% for the respective periods. This compares to an income and mining tax benefit of \$4.5 million and \$3.9 million for the third quarter and first nine months of 2021, or an effective tax rate of 82.2% and (20.3)% for the respective periods. The comparability of our income and mining tax (provision) benefit and effective tax rate for the reported periods was impacted by multiple factors, primarily: (i) mining taxes; (ii) variations in our income before income taxes; (iii) geographic distribution of that income; (iv) foreign exchange rates including non-recognition of foreign exchange gains and losses; (v) percentage depletion; and (vi) the non-recognition of tax assets. The effective tax rate will fluctuate, sometimes significantly, period to period. Beginning with the period ended March 31, 2022 and including the period September 30, 2022, we used the annual effective tax rate method to calculate the quarterly tax provision, a change from the discrete method used for the period ended September 30, 2021, due to reversal of valuation allowance in the fourth quarter of 2021.

Each reporting period we assess our deferred tax balances based on a review of long-range forecasts and quarterly activity. A valuation allowance is provided for deferred tax assets for which it is more likely than not the related tax benefits will not be realized. We analyze our deferred tax assets and, if it is determined that we will not realize all or a portion of our deferred tax assets, we will record or increase a valuation allowance. Conversely, if it is determined we will ultimately more likely than not be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced. There are a number of factors that impact our ability to realize our deferred tax assets. Valuation allowances are provided on deferred tax assets in Nevada, Mexico, and certain Canadian jurisdictions. For additional information, please see *Item 1A – Risk Factors* in our 2021 Form 10-K.

### ***Reconciliation of Total Cost of Sales 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 total cost of sales 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 and for the Company for the three- and nine-month periods ended September 30, 2022 and 2021.

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



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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 and Lucky Friday 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 and sustaining exploration and capital costs. 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, 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 Gold Ounce and AISC, After By-product Credits, per Gold 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 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 and Lucky Friday, our combined silver properties. Similarly, the silver produced at our other two units is not included as a by-product credit when calculating the gold metrics for Casa Berardi and Nevada Operations.

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In thousands (except per ounce amounts)

	Three Months Ended September 30, 2022			
	Greens Creek	Lucky Friday	Corporate <sup>(2)</sup>	Total Silver
Total cost of sales	\$ 52,502	\$ 24,164	\$ —	\$ 76,666
Depreciation, depletion and amortization	(10,305)	(7,261)	—	(17,566)
Treatment costs	9,477	4,791	—	14,268
Change in product inventory	4,464	3,022	—	7,486
Reclamation and other costs	(118)	(152)	—	(270)
Cash Cost, Before By-product Credits <sup>(1)</sup>	56,020	24,564	—	80,584
Reclamation and other costs	705	282	—	987
Sustaining exploration	3,776	—	722	4,498
Sustaining capital	10,219	11,264	187	21,670
General and administrative	—	—	11,003	11,003
AISC, Before By-product Credits <sup>(1)</sup>	70,720	36,110	11,912	118,742
By-product credits:				
Zinc	(26,244)	(7,155)	—	(33,399)
Gold	(17,019)	—	—	(17,019)
Lead	(6,212)	(11,796)	—	(18,008)
Total By-product credits	(49,475)	(18,951)	—	(68,426)
Cash Cost, After By-product Credits	\$ 6,545	\$ 5,613	\$ —	\$ 12,158
AISC, After By-product Credits	\$ 21,245	\$ 17,159	11,912	\$ 50,316
Divided by ounces produced	2,469	1,075		3,544
Cash Cost, Before By-product Credits, per Ounce	\$ 22.69	\$ 22.87		\$ 22.74
By-product credits per ounce	(20.04)	(17.64)		(19.31)
Cash Cost, After By-product Credits, per Ounce	\$ 2.65	\$ 5.23		\$ 3.43
AISC, Before By-product Credits, per Ounce	\$ 28.65	\$ 33.62		\$ 33.51
By-product credits per ounce	(20.04)	(17.64)		(19.31)
AISC, After By-product Credits, per Ounce	\$ 8.61	\$ 15.98		\$ 14.20

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<i>In thousands (except per ounce amounts)</i>	Three Months ended September 30, 2022	
	Casa Berardi	Total Gold
Total cost of sales	\$ 59,532	\$ 59,532
Depreciation, depletion and amortization	(15,089)	(15,089)
Treatment costs	429	429
Change in product inventory	420	420
Reclamation and other costs	(203)	(203)
Cash Cost, Before By-product Credits <sup>(1)</sup>	45,089	45,089
Reclamation and other costs	204	204
Sustaining exploration	2,314	2,314
Sustaining capital	10,457	10,457
AISC, Before By-product Credits <sup>(1)</sup>	58,064	58,064
By-product credits:		
Silver	(131)	(131)
Total By-product credits	(131)	(131)
Cash Cost, After By-product Credits	\$ 44,958	\$ 44,958
AISC, After By-product Credits	\$ 57,933	\$ 57,933
Divided by ounces produced	33	33
Cash Cost, Before By-product Credits, per Ounce	\$ 1,353	\$ 1,353
By-product credits per ounce	(4)	(4)
Cash Cost, After By-product Credits, per Ounce	\$ 1,349	\$ 1,349
AISC, Before By-product Credits, per Ounce	\$ 1,742	\$ 1,742
By-product credits per ounce	(4)	(4)
AISC, After By-product Credits, per Ounce	\$ 1,738	\$ 1,738

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<i>In thousands (except per ounce amounts)</i>	Three Months ended September 30, 2022		
	Total Silver	Total Gold	Total
Total cost of sales	\$ 76,666	\$ 59,532	\$136,198
Depreciation, depletion and amortization	(17,566)	(15,089)	(32,655)
Treatment costs	14,268	429	14,697
Change in product inventory	7,486	420	7,906
Reclamation and other costs	(270)	(203)	(473)
Cash Cost, Before By-product Credits <sup>(1)</sup>	80,584	45,089	125,673
Reclamation and other costs	987	204	1,191
Sustaining exploration	4,498	2,314	6,812
Sustaining capital	21,670	10,457	32,127
General and administrative	11,003	—	11,003
AISC, Before By-product Credits <sup>(1)</sup>	118,742	58,064	176,806
By-product credits:			
Zinc	(33,399)	—	(33,399)
Gold	(17,019)	—	(17,019)
Lead	(18,008)	—	(18,008)
Silver	—	(131)	(131)
Total By-product credits	(68,426)	(131)	(68,557)
Cash Cost, After By-product Credits	\$ 12,158	\$ 44,958	\$ 57,116
AISC, After By-product Credits	\$ 50,316	\$ 57,933	\$108,249
Divided by ounces produced	3,544	33	
Cash Cost, Before By-product Credits, per Ounce	\$ 22.74	\$ 1,353	
By-product credits per ounce	(19.31)	(4)	
Cash Cost, After By-product Credits, per Ounce	\$ 3.43	\$ 1,349	
AISC, Before By-product Credits, per Ounce	\$ 33.51	\$ 1,742	
By-product credits per ounce	(19.31)	(4)	
AISC, After By-product Credits, per Ounce	\$ 14.20	\$ 1,738	

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In thousands (except per ounce amounts)

	Three Months Ended September 30, 2021			
	Greens Creek	Lucky Friday	Corporate and other <sup>(2)</sup>	Total Silver
Total cost of sales	\$ 55,193	\$ 23,591	\$ —	\$ 78,784
Depreciation, depletion and amortization	(13,097)	(6,590)	—	(19,687)
Treatment costs	7,979	3,427	—	11,406
Change in product inventory	(122)	(68)	—	(190)
Reclamation and other costs	(786)	(281)	—	(1,067)
Cash Cost, Before By-product Credits <sup>(1)</sup>	49,167	20,079	—	69,246
Reclamation and other costs	848	264	—	1,112
Sustaining exploration	2,472	—	474	2,946
Sustaining capital	6,228	8,406	—	14,634
General and administrative	—	—	8,874	8,874
AISC, Before By-product Credits <sup>(1)</sup>	58,715	28,749	9,348	96,812
By-product credits:				
Zinc	(25,295)	(4,611)	—	(29,906)
Gold	(14,864)	—	—	(14,864)
Lead	(7,640)	(10,188)	—	(17,828)
Total By-product credits	(47,799)	(14,799)	—	(62,598)
Cash Cost, After By-product Credits	\$ 1,368	\$ 5,280	—	\$ 6,648
AISC, After By-product Credits	\$ 10,916	\$ 13,950	9,348	\$ 34,214
Divided by ounces produced	1,837	832		2,669
Cash Cost, Before By-product Credits, per Ounce	\$ 26.76	\$ 24.14		\$ 25.93
By-product credits per ounce	(26.02)	(17.79)		(23.44)
Cash Cost, After By-product Credits, per Ounce	\$ 0.74	\$ 6.35		\$ 2.49
AISC, Before By-product Credits, per Ounce	\$ 31.96	\$ 34.58		\$ 36.26
By-product credits per ounce	(26.02)	(17.79)		(23.44)
AISC, After By-product Credits, per Ounce	\$ 5.94	\$ 16.79		\$ 12.82

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*In thousands (except per ounce amounts)*

	Three Months Ended September 30, 2021		
	Casa Berardi	Nevada Operations	Total Gold
Total cost of sales	\$ 58,164	\$ 21,384	\$ 79,548
Depreciation, depletion and amortization	(19,968)	(6,135)	(26,103)
Treatment costs	475	1	476
Change in product inventory	(3,369)	(12,389)	(15,758)
Reclamation and other costs	(210)	—	(210)
Exclusion of Nevada Operations costs	—	—	—
Cash Cost, Before By-product Credits <sup>(1)</sup>	35,092	2,861	37,953
Reclamation and other costs	209	327	536
Sustaining exploration	1,541	—	1,541
Sustaining capital	7,208	29	7,237
AISC, Before By-product Credits <sup>(1)</sup>	44,050	3,217	47,267
By-product credits:			
Silver	(169)	(6)	(175)
Total By-product credits	(169)	(6)	(175)
Cash Cost, After By-product Credits	\$ 34,923	\$ 2,855	\$ 37,778
AISC, After By-product Credits	\$ 43,881	\$ 3,211	\$ 47,092
Divided by ounces produced	30	3	33
Cash Cost, Before By-product Credits, per Ounce	\$ 1,181	\$ 1,040	\$ 1,168
By-product credits per ounce	(6)	(2)	(5)
Cash Cost, After By-product Credits, per Ounce	\$ 1,175	\$ 1,038	\$ 1,163
AISC, Before By-product Credits, per Ounce	\$ 1,482	\$ 1,169	\$ 1,455
By-product credits per ounce	(6)	(2)	(5)
AISC, After By-product Credits, per Ounce	\$ 1,476	\$ 1,167	\$ 1,450

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*In thousands (except per ounce amounts)*

	Three Months Ended September 30, 2021		
	Total Silver	Total Gold	Total
Total cost of sales	\$ 78,784	\$ 79,548	\$ 158,332
Depreciation, depletion and amortization	(19,687)	(26,103)	(45,790)
Treatment costs	11,406	476	11,882
Change in product inventory	(190)	(15,758)	(15,948)
Reclamation and other costs	(1,067)	(210)	(1,277)
Exclusion of Nevada Operations costs	—	—	—
Cash Cost, Before By-product Credits <sup>(1)</sup>	69,246	37,953	107,199
Reclamation and other costs	1,112	536	1,648
Sustaining exploration	2,946	1,541	4,487
Sustaining capital	14,634	7,237	21,871
General and administrative	8,874	—	8,874
AISC, Before By-product Credits <sup>(1)</sup>	96,812	47,267	144,079
By-product credits:			
Zinc	(29,906)	—	(29,906)
Gold	(14,864)	—	(14,864)
Lead	(17,828)	—	(17,828)
Silver	—	(175)	(175)
Total By-product credits	(62,598)	(175)	(62,773)
Cash Cost, After By-product Credits	\$ 6,648	\$ 37,778	\$ 44,426
AISC, After By-product Credits	\$ 34,214	\$ 47,092	\$ 81,306
Divided by ounces produced	2,669	33	
Cash Cost, Before By-product Credits, per Ounce	\$ 25.93	\$ 1,168	
By-product credits per ounce	(23.44)	(5)	
Cash Cost, After By-product Credits, per Ounce	\$ 2.49	\$ 1,163	
AISC, Before By-product Credits, per Ounce	\$ 36.26	\$ 1,455	
By-product credits per ounce	(23.44)	(5)	
AISC, After By-product Credits, per Ounce	\$ 12.82	\$ 1,450	

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In thousands (except per ounce amounts)

	Nine Months Ended September 30, 2022			
	Greens Creek	Lucky Friday	Corporate <sup>(1)</sup>	Total Silver
Total cost of sales	\$ 162,644	\$ 83,779	\$ —	\$ 246,423
Depreciation, depletion and amortization	(35,354)	(24,155)	—	(59,509)
Treatment costs	27,369	13,271	—	40,640
Change in product inventory	9,899	2,620	—	12,519
Reclamation and other costs	(1,988)	(769)	—	(2,757)
Cash Cost, Before By-product Credits <sup>(1)</sup>	162,570	74,746	—	237,316
Reclamation and other costs	2,115	846	—	2,961
Sustaining exploration	4,870	—	2,207	7,077
Sustaining capital	30,843	24,937	334	56,114
General and administrative	—	—	28,989	28,989
AISC, Before By-product Credits <sup>(1)</sup>	200,398	100,529	31,530	332,457
By-product credits:				
Zinc	(87,723)	(21,358)	—	(109,081)
Gold	(55,966)	—	—	(55,966)
Lead	(22,449)	(38,175)	—	(60,624)
Total By-product credits	(166,138)	(59,533)	—	(225,671)
Cash Cost, After By-product Credits	\$ (3,568)	\$ 15,213	—	\$ 11,645
AISC, After By-product Credits	\$ 34,260	\$ 40,996	\$ 31,530	\$ 106,786
Divided by ounces produced	7,309	3,189		10,498
Cash Cost, Before By-product Credits, per Ounce	\$ 22.24	\$ 23.44		\$ 22.61
By-product credits per ounce	(22.73)	(18.67)		(21.50)
Cash Cost, After By-product Credits, per Ounce	\$ (0.49)	\$ 4.77		\$ 1.11
AISC, Before By-product Credits, per Ounce	\$ 27.42	\$ 31.53		\$ 31.67
By-product credits per ounce	(22.73)	(18.67)		(21.50)
AISC, After By-product Credits, per Ounce	\$ 4.69	\$ 12.86		\$ 10.17



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*In thousands (except per ounce amounts)*

	Nine Months Ended September 30, 2022	
	Casa Berardi	Total Gold
Total cost of sales	\$ 183,570	\$ 183,570
Depreciation, depletion and amortization	(46,394)	(46,394)
Treatment costs	1,345	1,345
Change in product inventory	(936)	(936)
Reclamation and other costs	(623)	(623)
Cash Cost, Before By-product Credits <sup>(1)</sup>	136,962	136,962
Reclamation and other costs	623	623
Sustaining exploration	4,886	4,886
Sustaining capital	25,587	25,587
AISC, Before By-product Credits <sup>(1)</sup>	168,058	168,058
By-product credits:		
Silver	(485)	(485)
Total By-product credits	(485)	(485)
Cash Cost, After By-product Credits	\$ 136,477	\$ 136,477
AISC, After By-product Credits	\$ 167,573	\$ 167,573
Divided by ounces produced	97	97
Cash Cost, Before By-product Credits, per Ounce	\$ 1,415	\$ 1,415
By-product credits per ounce	(6)	(6)
Cash Cost, After By-product Credits, per Ounce	\$ 1,409	\$ 1,409
AISC, Before By-product Credits, per Ounce	\$ 1,735	\$ 1,735
By-product credits per ounce	(6)	(6)
AISC, After By-product Credits, per Ounce	\$ 1,729	\$ 1,729

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*In thousands (except per ounce amounts)*

	Nine Months Ended September 30, 2022		
	Total Silver	Total Gold	Total
Total cost of sales	\$ 246,423	\$ 183,570	\$ 429,993
Depreciation, depletion and amortization	(59,509)	(46,394)	(105,903)
Treatment costs	40,640	1,345	41,985
Change in product inventory	12,519	(936)	11,583
Reclamation and other costs	(2,757)	(623)	(3,380)
Cash Cost, Before By-product Credits <sup>(1)</sup>	237,316	136,962	374,278
Reclamation and other costs	2,961	623	3,584
Sustaining exploration	7,077	4,886	11,963
Sustaining capital	56,114	25,587	81,701
General and administrative	28,989	—	28,989
AISC, Before By-product Credits <sup>(1)</sup>	332,457	168,058	500,515
By-product credits:			
Zinc	(109,081)	—	(109,081)
Gold	(55,966)	—	(55,966)
Lead	(60,624)	—	(60,624)
Silver	—	(485)	(485)
Total By-product credits	(225,671)	(485)	(226,156)
Cash Cost, After By-product Credits	\$ 11,645	\$ 136,477	\$ 148,122
AISC, After By-product Credits	\$ 106,786	\$ 167,573	\$ 274,359
Divided by ounces produced	10,498	97	
Cash Cost, Before By-product Credits, per Ounce	\$ 22.61	\$ 1,415	
By-product credits per ounce	(21.50)	(6)	
Cash Cost, After By-product Credits, per Ounce	\$ 1.11	\$ 1,409	
AISC, Before By-product Credits, per Ounce	\$ 31.67	\$ 1,735	
By-product credits per ounce	(21.50)	(6)	
AISC, After By-product Credits, per Ounce	\$ 10.17	\$ 1,729	

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In thousands (except per ounce amounts)

	Nine Months Ended September 30, 2021			
	Greens Creek	Lucky Friday	Corporate and other <sup>(2)</sup>	Total Silver
Total cost of sales	\$ 163,861	\$ 74,287	\$ 95	\$ 238,243
Depreciation, depletion and amortization	(42,410)	(20,328)	—	(62,738)
Treatment costs	27,444	13,087	—	40,531
Change in product inventory	(156)	(1,757)	—	(1,913)
Reclamation and other costs	(1,777)	(840)	(95)	(2,712)
Cash Cost, Before By-product Credits <sup>(1)</sup>	146,962	64,449		211,411
Reclamation and other costs	2,543	792		3,335
Sustaining exploration	3,895	—	1,359	5,254
Sustaining capital	17,459	19,104	—	36,563
General and administrative	—	—	27,985	27,985
AISC, Before By-product Credits <sup>(1)</sup>	170,859	84,345	29,344	284,548
By-product credits:				
Zinc	(74,571)	(14,457)	—	(89,028)
Gold	(56,299)	—		(56,299)
Lead	(23,265)	(30,762)	—	(54,027)
Total By-product credits	(154,135)	(45,219)	—	(199,354)
Cash Cost, After By-product Credits	\$ (7,173)	\$ 19,230	\$ —	\$ 12,057
AISC, After By-product Credits	\$ 16,724	\$ 39,126	\$ 29,344	\$ 85,194
Divided by ounces produced	6,981	2,609		9,590
Cash Cost, Before By-product Credits, per Ounce	\$ 21.05	\$ 24.70		\$ 22.05
By-product credits per ounce	(22.08)	(17.33)		(20.79)
Cash Cost, After By-product Credits, per Ounce	\$ (1.03)	\$ 7.37		\$ 1.26
AISC, Before By-product Credits, per Ounce	\$ 24.48	\$ 32.33		\$ 29.67
By-product credits per ounce	(22.08)	(17.33)		(20.79)
AISC, After By-product Credits, per Ounce	\$ 2.40	\$ 15.00		\$ 8.88

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*In thousands (except per ounce amounts)*

	Nine Months Ended September 30, 2021		
	Casa Berardi	Nevada Operations	Total Gold
Total cost of sales	\$ 172,760	\$ 46,832	\$ 219,592
Depreciation, depletion and amortization	(61,159)	(15,021)	(76,180)
Treatment costs	1,723	1,731	3,454
Change in product inventory	(2,401)	(9,951)	(12,352)
Reclamation and other costs	(632)	299	(333)
Cash Cost, Before By-product Credits <sup>(1)</sup>	110,291	23,890	134,181
Reclamation and other costs	632	681	1,313
Sustaining exploration	3,551	—	3,551
Sustaining capital	21,030	195	21,225
AISC, Before By-product Credits <sup>(1)</sup>	135,504	24,766	160,270
By-product credits:			
Silver	(656)	(1,131)	(1,787)
Total By-product credits	(656)	(1,131)	(1,787)
Cash Cost, After By-product Credits	\$ 109,635	\$ 22,759	\$ 132,394
AISC, After By-product Credits	\$ 134,848	\$ 23,635	\$ 158,483
Divided by ounces produced	97	20	117
Cash Cost, Before By-product Credits, per Ounce	\$ 1,134	\$ 1,180	\$ 1,142
By-product credits per ounce	(7)	(56)	(15)
Cash Cost, After By-product Credits, per Ounce	\$ 1,127	\$ 1,124	\$ 1,127
AISC, Before By-product Credits, per Ounce	\$ 1,394	\$ 1,223	\$ 1,364
By-product credits per ounce	(7)	(56)	(15)
AISC, After By-product Credits, per Ounce	\$ 1,387	\$ 1,167	\$ 1,349

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*In thousands (except per ounce amounts)*

	Nine Months Ended September 30, 2021		
	Total Silver	Total Gold	Total
Total cost of sales	\$ 238,243	\$ 219,592	457,835
Depreciation, depletion and amortization	(62,738)	(76,180)	(138,918)
Treatment costs	40,531	3,454	43,985
Change in product inventory	(1,913)	(12,352)	(14,265)
Reclamation and other costs	(2,712)	(333)	(3,045)
Cash Cost, Before By-product Credits <sup>(1)</sup>	211,411	134,181	345,592
Reclamation and other costs	3,335	1,313	4,648
Sustaining exploration	5,254	3,551	8,805
Sustaining capital	36,563	21,225	57,788
General and administrative	27,985	—	27,985
AISC, Before By-product Credits <sup>(1)</sup>	284,548	160,270	444,818
By-product credits:			
Zinc	(89,028)	—	(89,028)
Gold	(56,299)	—	(56,299)
Lead	(54,027)	—	(54,027)
Silver	—	(1,787)	(1,787)
Total By-product credits	(199,354)	(1,787)	(201,141)
Cash Cost, After By-product Credits	\$ 12,057	\$ 132,394	\$ 144,451
AISC, After By-product Credits	\$ 85,194	\$ 158,483	\$ 243,677
Divided by ounces produced	9,590	117	
Cash Cost, Before By-product Credits, per Ounce	\$ 22.05	\$ 1,142	
By-product credits per ounce	(20.79)	(15)	
Cash Cost, After By-product Credits, per Ounce	\$ 1.26	\$ 1,127	
AISC, Before By-product Credits, per Ounce	\$ 29.67	\$ 1,364	
By-product credits per ounce	(20.79)	(15)	
AISC, After By-product Credits, per Ounce	\$ 8.88	\$ 1,349	

- (1) 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, on-site general and administrative costs and royalties, before by-product revenues earned from all metals other than the primary metal produced at each operation. AISC, Before By-product Credits also includes on-site exploration, reclamation, and sustaining capital costs.
- (2) AISC, Before By-product Credits for our consolidated silver properties includes corporate costs for general and administrative expense, exploration and sustaining capital.

### Financial Liquidity and Capital Resources

We have a disciplined cash management strategy of maintaining financial flexibility to execute our capital priorities and provide long-term value to our stockholders. Consistent with that strategy, we aim to 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 September 30, 2022, we had \$144.7 million in cash and cash equivalents, of which \$30.8 million was held in foreign subsidiaries' local currency that we anticipate utilizing for near-term operating, exploration or capital costs by those foreign subsidiaries. We also have USD cash and cash equivalent balances held by our foreign subsidiaries that, if repatriated,

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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.

As discussed in *Overview* above, we continue to address the COVID-19 outbreak and face uncertainty related to the potential additional impacts it could have on our operations. The impacts of COVID-19 and increasing or prolonged restrictions, if required, on our operations could require access to additional sources of liquidity, which may not be available to us.

Pursuant to our common stock dividend policy described in *Note 12 of Notes to Consolidated Financial Statements* in our 2021 Form 10-K, our board of directors declared and paid dividends on our common stock totaling \$3.4 million in each of the first, second and third quarters of 2022 and \$4.7 million, \$6.0 million and \$6.0 million in the comparable periods of 2021, respectively. Our dividend policy has a silver-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.

For illustrative purposes only, the table below summarizes potential dividend amounts under our dividend policy.

Quarterly Average Realized Silver Price (\$ per ounce)	Quarterly Silver- Linked Dividend (\$ per share)	Annualized Silver-Linked Dividend (\$ per share)	Annualized Minimum Dividend (\$ per share)	Annualized Dividends per Share: Silver- Linked and Minimum (\$ per share)
Less than \$20	\$—	\$—	\$0.015	\$0.015
\$20	\$0.0025	\$0.01	\$0.015	\$0.025
\$25	\$0.0100	\$0.04	\$0.015	\$0.055
\$30	\$0.0150	\$0.06	\$0.015	\$0.075
\$35	\$0.0250	\$0.10	\$0.015	\$0.115
\$40	\$0.0350	\$0.14	\$0.015	\$0.155
\$45	\$0.0450	\$0.18	\$0.015	\$0.195
\$50	\$0.0550	\$0.22	\$0.015	\$0.235

The declaration and payment of dividends on our common stock is at the sole discretion of our board of directors, and there can be no assurance that we will continue to declare and pay common stock dividends in the future.

Pursuant to our stock repurchase program described in *Note 12 of Notes to Consolidated Financial Statements* in our 2021 Form 10-K, we are authorized to repurchase up to 20 million shares of our outstanding common stock from time to time in open market or privately negotiated transactions, depending on prevailing market conditions and other factors. The repurchase program may be modified, suspended or discontinued by us at any time. Whether or not we engage in repurchases from time to time may depend on a variety of factors, including not only price and cash resources, but customary black-out restrictions, whether we have any material inside information, limitations on share repurchases or cash usage that may be imposed by our credit agreement or in connection with issuances of securities, alternative uses for cash, applicable law, and other investment opportunities from time to time. As of September 30, 2022 and December 31, 2021, 934,100 shares had been purchased in prior periods at an average price of \$3.99 per share, leaving 19.1 million shares that may yet be purchased under the program. We have not repurchased any shares since June 2014. The closing price of our common stock at November 4, 2022, was \$4.76 per share.

As discussed in *Note 6 of Notes to Condensed Consolidated Financial Statements (Unaudited)*, pursuant to an equity distribution agreement dated February 18, 2021, we may offer and sell up to 60 million shares of our common stock from time to time to or through sales agents in “at-the-market” (ATM) offerings. Sales of the shares, if any, will be made by means of ordinary brokers transactions or as otherwise agreed between the Company and the agents as principals. Whether or not we engage in sales from time to time may depend on a variety of factors, including share price, our cash resources, customary black-out restrictions, and whether we have any material inside information. The agreement can be terminated by us at any time. Any sales of shares under the equity distribution agreement are registered under the Securities Act of 1933, as amended, pursuant to a shelf registration statement on Form S-3. As of September 30, 2022, we had sold 1,176,861 shares under the agreement for proceeds of \$4.5 million, net of commissions and fees of approximately \$0.1 million. All of the sales occurred during September 2022.

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As a result of our current cash balances, the performance of our current and expected operations, current metals prices, proceeds from potential at-the-market sales of common stock, and availability under our New Credit Agreement, we believe 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 and IQ Notes; principal and interest payments under our New Credit Agreement; deferral of revenues, care-and-maintenance and other costs related to addressing the impacts 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 a range of approximately \$150 to 165 million will be spent in 2022 on capital expenditures, primarily for equipment, infrastructure, and development at our mines, including \$93.2 million already incurred as of September 30, 2022, before any lease financing. We also estimate exploration and pre-development expenditures will total approximately \$45.0 million in 2022, including \$39.1 million already incurred as of September 30, 2022. Our expenditures for these items and our related plans for 2022 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.

We may defer some capital investment and/or exploration and pre-development activities, engage in asset sales or secure additional capital if necessary to maintain liquidity. We also may pursue additional acquisition opportunities, which could require additional equity issuances or other forms of financing. There can be no assurance that such financing will be available to us.

Our liquid assets include (in millions):

	September 30, 2022	December 31, 2021
Cash and cash equivalents held in U.S. dollars	\$ 113.9	\$ 196.2
Cash and cash equivalents held in foreign currency	30.8	13.8
Total cash and cash equivalents	144.7	210.0
Marketable equity securities – non-current	13.3	14.4
Total cash, cash equivalents and investments	\$ 158.0	\$ 224.4

Cash and cash equivalents decreased by \$65.3 million in the first nine months of 2022. Cash held in foreign currencies represents balances in Canadian dollars and Mexican Pesos (“MXN”), with the \$17.0 million increase in the first nine months of 2022 resulting from increases in CAD held following the Alexco acquisition. The value of non-current marketable equity securities decreased by \$1.1 million.

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Cash provided by operating activities (in millions)	\$ 53.8	\$ 167.0

Cash provided by operating activities in the first nine months of 2022 of \$53.8 million represented a \$113.2 million decrease compared to the \$167.0 million provided by operating activities in the first nine months of 2021. \$93.2 million of the variance was the result of a net loss compared to a net income in 2021, as adjusted for non-cash items. Net working capital changes in 2022 resulted in an outflow of \$11.0 million versus an inflow of \$8.9 million in 2021 reflecting an increase in inventory balances in 2022 due to the deferral of a shipment from Greens Creek to the fourth quarter of 2022 and an inventory build at Lucky Friday, changes in fair value of the net hedge book and collections of accounts receivable balances.

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Cash used in investing activities (in millions)	\$ (127.7)	\$ (78.0)

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During the first nine months of 2022, we invested \$93.2 million in capital expenditures, excluding \$9.7 million in non-cash finance lease additions, an increase of \$13.0 million compared to the same period in 2021. The variance was primarily due to increased spending at Lucky Friday and Greens Creek partially offset by lower spending at Casa Berardi. As a result of the Alexco acquisition, we assumed a cash balance of \$9.0 million, net of transaction costs of \$5.1 million having advanced \$25.0 million to Alexco pre-acquisition, to enable them to fund development of the Keno Hill mining district prior to the acquisition closing. During the first nine months of 2022, we acquired investments in other mining companies and short term investments for a total of \$30.5 million, and disposed of the short-term investments and a mining company investment, generating total proceeds of \$9.4 million.

	Nine Months Ended	
	September 30, 2022	September 30, 2021
<b>Cash provided by (used in) financing activities (in millions)</b>	<b>\$ 9.5</b>	<b>\$ (27.4)</b>

During the first nine months of 2022 and 2021, we paid cash dividends on our common and preferred stock totaling \$10.5 million and \$17.2 million, respectively. Due to lower realized silver prices during 2022 to date, the dividends paid on our common stock were \$6.8 million lower than in the prior year, reflecting our dividend policy discussed above. We issued stock under our ATM program described above for net proceeds of \$4.5 million in 2022. We made repayments on our finance leases of \$5.2 million and \$5.6 million in the nine-month periods ended September 30, 2022 and 2021, respectively. We acquired treasury shares for \$3.7 million and \$4.5 million in the first half of 2022 and 2021, respectively, as a result of employees' elections to utilize net share settlement to satisfy their tax withholding obligations related to incentive compensation paid in stock.

The effect of changes in foreign exchange rates resulted in a \$0.8 million decrease in cash and cash equivalents in the first nine months of 2022 compared to a decrease of \$0.5 million of 2021, with the variance due to depreciation of the CAD and MXN relative to the USD in the 2022 period.

### Contractual Obligations, Contingent Liabilities and Commitments

The table below presents our fixed, non-cancelable contractual obligations and commitments primarily related to our Senior Notes, IQ Notes, credit facility, outstanding purchase orders, certain capital expenditures and lease arrangements as of September 30, 2022 (in thousands):

	Payments Due By Period				
	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Purchase obligations <sup>(1)</sup>	\$ 33,514	\$ —	\$ —	\$ —	\$ 33,514
Credit facility <sup>(2)</sup>	25,722	1,447	583	—	27,752
Finance lease commitments <sup>(3)</sup>	9,296	10,985	2,017	—	22,298
Operating lease commitments <sup>(4)</sup>	3,101	2,630	2,039	5,878	13,648
Senior Notes <sup>(5)</sup>	34,438	68,876	68,876	487,914	660,104
IQ Notes <sup>(6)</sup>	2,293	39,257	—	—	41,550
<b>Total contractual cash obligations</b>	<b>\$108,364</b>	<b>\$123,195</b>	<b>\$73,515</b>	<b>\$493,792</b>	<b>\$798,866</b>

- (1) Consists of open purchase orders and commitments of approximately \$9.0 million at Greens Creek, \$1.2 million at Casa Berardi, \$20.4 million at Lucky Friday, \$2.6 million at the Nevada Operations and \$0.3 at Keno Hill.
- (2) The New Credit Agreement provides for a \$150 million revolving credit facility, under which \$25 million was drawn as of September 30, 2022 and repaid October 4, 2022. We had \$7.8 million in letters of credit outstanding as of September 30, 2022. 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 Condensed Consolidated Financial Statements (Unaudited).
- (3) Includes scheduled finance lease payments of \$14.2 million, \$3.4 million, \$1.4 million, \$0.049 million (including interest) and \$3.3 million, respectively, for equipment at our Greens Creek, Lucky Friday, Casa Berardi, Nevada Operations and Keno Hill.



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- (4) 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.
- (5) 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, with interest payable on February 15 and August 15 of each year. See *Note 7 of Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information.
- (6) 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 amount. 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. See *Note 7 of Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information.

We record liabilities for costs associated with mine closure, reclamation of land and other environmental matters. At September 30, 2022, our liabilities for these matters totaled \$116.3 million. Future expenditures related to closure, reclamation and environmental expenditures at our sites are difficult to estimate, although we anticipate we will incur expenditures relating to these obligations over the next 30 years. For additional information relating to our environmental obligations, see *Note 10 of Notes to Condensed Consolidated Financial Statements (Unaudited)*.

### **Critical Accounting Estimates**

There have been no significant changes to the critical accounting estimates disclosed in *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2021 Form 10-K.

### **Off-Balance Sheet Arrangements**

At September 30, 2022, 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.

### **Guarantor Subsidiaries**

Presented below are Hecla's unaudited interim condensed consolidating financial statements as required by Rule 3-10 of Regulation S-X of the Securities Exchange Act of 1934, as amended, resulting from the guarantees by certain of Hecla's subsidiaries of the Senior Notes and IQ Notes (see *Note 7 of Notes to Condensed Consolidated Financial Statements (Unaudited)* 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. We issued the IQ Notes in four equal tranches between July and October 2020.

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

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- **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 incomes of other subsidiaries on a consolidated-return basis, but would not be considered realizable if such parent or subsidiary filed on a separate stand-alone basis. In such a situation, a valuation allowance is assessed on that subsidiary's deferred tax assets, with the resulting adjustment reported in the eliminations column of the guarantor and parent's financial statements, as is the case in the unaudited interim financial statements set forth below. The separate return method can result in significant eliminations of deferred tax assets and liabilities and related income tax provisions and benefits. Non-current deferred tax asset balances are included in other non-current assets on the consolidating balance sheets and make up a large portion of that item, particularly for the guarantor balances.

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

## Unaudited Interim Condensed Consolidating Balance Sheets

	As of September 30, 2022				
	Parent	Guarantors	Non-Guarantors (in thousands)	Eliminations	Consolidated
<b>Assets</b>					
Cash and cash equivalents	\$ 100,333	\$ 24,486	\$ 19,850	\$ —	\$ 144,669
Other current assets	11,939	118,657	8,655	—	139,251
Properties, plants, equipment and mineral interests, net	1,913	2,288,145	263,916	—	2,553,974
Intercompany receivable (payable)	(195,180)	(188,353)	321,214	62,319	—
Investments in subsidiaries	2,110,836	—	—	(2,110,836)	—
Other non-current assets	378,230	29,860	32,545	(343,900)	96,735
<b>Total assets</b>	<u>\$2,408,071</u>	<u>\$2,272,795</u>	<u>\$ 646,180</u>	<u>\$(2,392,417)</u>	<u>\$2,934,629</u>
<b>Liabilities and Stockholders' Equity</b>					
Current liabilities	\$ (105,320)	\$ 246,660	\$ 12,561	\$ 7,484	\$ 161,385
Long-term debt	530,745	20,242	—	—	550,987
Non-current portion of accrued reclamation	—	99,888	5,829	—	105,717
Non-current deferred tax liability	22,098	408,148	13,043	(289,064)	154,225
Other non-current liabilities	5,780	1,076	691	—	7,547
Stockholders' equity	1,954,768	1,496,781	614,056	(2,110,837)	1,954,768
<b>Total liabilities and stockholders' equity</b>	<u>\$2,408,071</u>	<u>\$2,272,795</u>	<u>\$ 646,180</u>	<u>\$(2,392,417)</u>	<u>\$2,934,629</u>

## Unaudited Interim Condensed Consolidating Statements of Operations

	Three Months Ended September 30, 2022				
	Parent	Guarantors	Non-Guarantors (in thousands)	Eliminations	Consolidated
Revenues	\$ 1,640	\$ 144,634	\$ 65	\$ —	\$ 146,339
Cost of sales	204	(105,031)	(73)	—	(104,900)
Depreciation, depletion, amortization	—	(32,992)	—	—	(32,992)
General and administrative	(3,792)	(5,664)	(1,547)	—	(11,003)
Exploration and pre-development	(292)	(13,143)	(1,693)	—	(15,128)
Equity in earnings of subsidiaries	2,871	—	—	(2,871)	—
Other (expense) income	(32,300)	12,289	(4,398)	9,040	(15,369)
Income (loss) before income taxes	(31,669)	93	(7,646)	6,169	(33,053)
(Provision) benefit from income taxes	8,142	10,424	—	(9,039)	9,527
Net income (loss)	(23,527)	10,517	(7,646)	(2,870)	(23,526)
Preferred stock dividends	(138)	—	—	—	(138)
Income (loss) applicable to common stockholders	<u>\$(23,665)</u>	<u>\$ 10,517</u>	<u>\$ (7,646)</u>	<u>\$ (2,870)</u>	<u>\$ (23,664)</u>
Net income (loss)	(23,527)	10,517	(7,646)	(2,870)	(23,526)
Changes in comprehensive income (loss)	(12,692)	—	—	—	(12,692)
Comprehensive income (loss)	<u>\$(36,219)</u>	<u>\$ 10,517</u>	<u>\$ (7,646)</u>	<u>\$ (2,870)</u>	<u>\$ (36,218)</u>

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	Nine Months Ended September 30, 2022				
	<u>Parent</u>	<u>Guarantors</u>	<u>Non-Guarantors</u> (in thousands)	<u>Eliminations</u>	<u>Consolidated</u>
Revenues	\$ 8,193	\$ 515,822	\$ 65	\$ —	\$ 524,080
Cost of sales	2,000	(328,506)	(73)	—	(326,579)
Depreciation, depletion, amortization	—	(106,362)	—	—	(106,362)
General and administrative	(12,682)	(14,464)	(1,843)	—	(28,989)
Exploration and pre-development	(586)	(32,489)	(6,061)	—	(39,136)
Equity in earnings of subsidiaries	(5,476)	—	—	5,476	—
Other expense	(25,483)	(13,577)	(11,653)	(8,839)	(59,552)
Income (loss) before income taxes	(34,034)	20,424	(19,565)	(3,363)	(36,538)
(Provision) benefit from income taxes	1,137	(6,345)	11	8,839	3,642
Net income (loss)	(32,897)	14,079	(19,554)	5,476	(32,896)
Preferred stock dividends	(414)	—	—	—	(414)
Income (loss) applicable to common stockholders	<u>\$ (33,311)</u>	<u>\$ 14,079</u>	<u>\$ (19,554)</u>	<u>\$ 5,476</u>	<u>\$ (33,310)</u>
Net income (loss)	(32,897)	14,079	(19,554)	5,476	(32,896)
Changes in comprehensive income (loss)	19,491	—	—	—	19,491
Comprehensive income (loss)	<u><u>\$ (13,406)</u></u>	<u><u>\$ 14,079</u></u>	<u><u>\$ (19,554)</u></u>	<u><u>\$ 5,476</u></u>	<u><u>\$ (13,405)</u></u>

## Unaudited Interim Condensed Consolidating Statements of Cash Flows

	Nine Months Ended September 30, 2022				
	Parent	Guarantors	Non-Guarantors (in thousands)	Eliminations	Consolidated
Cash flows from operating activities	\$ 287,919	\$ 145,834	\$ (153,190)	\$ (226,793)	\$ 53,770
Cash flows from investing activities:					
Additions to properties, plants, and equipment	—	(90,138)	(3,099)	—	(93,237)
Acquisition, net	8,952	—	—	—	8,952
Other investing activities, net	(573,131)	(1,880)	(16,525)	548,130	(43,406)
Cash flows from financing activities:					
Dividends paid to stockholders	(10,549)	—	—	—	(10,549)
Issuance of debt	25,000	—	—	—	25,000
Payments on debt	—	(5,222)	—	—	(5,222)
Other financing activity	187,036	(37,653)	172,302	(321,337)	348
Effect of exchange rate changes on cash	—	548	(256)	—	(804)
Changes in cash, cash equivalents and restricted cash	(74,773)	10,393	(768)	—	(65,148)
Beginning cash, cash equivalents and restricted cash	175,108	15,135	20,820	—	211,063
Ending cash, cash equivalents and restricted cash	<u>\$ 100,335</u>	<u>\$ 25,528</u>	<u>\$ 20,052</u>	<u>\$ —</u>	<u>\$ 145,915</u>

### Item 3. 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 risks and uncertainties, as well as summarizes the financial instruments held by us at September 30, 2022, which are sensitive to changes in commodity prices and foreign exchange rates and are not held for trading purposes. Actual results could differ materially from those projected in the forward-looking statements. In the normal course of business, we also face risks that are either non-financial or non-quantifiable (See *Item 1A – Risk Factors* of our 2021 Form 10-K), as updated in *Part II. Item 1A – Risk Factors* in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022.

#### Metals Prices

Changes in the market prices of silver, gold, lead and zinc can significantly affect our profitability and cash flow. Metals prices can and often do fluctuate widely and are affected by numerous factors beyond our control (see *Item 1A – Risk Factors – A substantial or extended decline in metals prices would have a material adverse effect on us* in our 2021 Form 10-K). 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 all 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 metals will be settled. Previously recorded sales are adjusted to estimated settlement metals prices until final settlement by the customer. Changes in metals prices between shipment and final settlement will result in changes to revenues previously recorded upon shipment. Metals prices can and often do fluctuate widely and are affected by numerous factors beyond our control (see *Item 1A – Risk Factors – A substantial or extended decline in metals prices would have a material adverse effect on us* in our 2021 Form 10-K). At September 30, 2022, metals contained in concentrate sales and exposed to future price changes totaled 2.235 million ounces of silver, 1,840 ounces of gold, 8,500 tons of zinc, and 6,800 tons of lead. If the price for each metal were to change by 10%, the change in the total value of the concentrates sold would be approximately \$8.2 million. As discussed in *Note 8 of Notes to Condensed Consolidated Financial Statements (Unaudited)*, we utilize a program designed and intended to mitigate the risk of negative price adjustments with limited mark-to-market financially-settled forward contracts for our silver, gold, zinc and lead sales.

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### *Commodity-Price Risk Management*

See *Note 8 of Notes to Condensed Consolidated Financial Statements (Unaudited)* and *Item 7A. Quantitative and Qualitative Disclosures About Market Risk* in our 2021 Form 10-K for a description of our commodity-price risk management program.

### *Foreign Currency Risk Management*

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 the 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 three and nine months ended September 30, 2022 we recognized a net foreign exchange gain of \$5.7 million and \$8.1 million respectively, compared to \$4.0 million and \$0.02 million, respectively for the comparable periods in 2021. 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 September 30, 2022 would have resulted in a change of approximately \$7.2 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 September 30, 2022 would have resulted in a change of approximately \$0.027 million in our net foreign exchange gain or loss. We do not hedge the remeasurement of monetary assets and liabilities. We do hedge some of our operating and capital costs denominated in foreign currency.

See *Note 8 of Notes to Condensed Consolidated Financial Statements (Unaudited)* and *Note 11 of Notes to Consolidated Financial Statements* in our 2021 Form 10-K for a description of our foreign currency risk management.

## **Item 4. Controls and Procedures**

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures as required by Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures, including controls and procedures designed to ensure that information required to be disclosed by us is accumulated and communicated to our management (including our CEO and CFO), were effective as of September 30, 2022, in assuring them in a timely manner that material information required to be disclosed in this report has been properly recorded, processed, summarized and reported. There were no changes in our internal control over financial reporting during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

## Part II - Other Information

### Hecla Mining Company and Subsidiaries

## **Item 1. Legal Proceedings**

For information concerning legal proceedings, refer to *Note 10 of Notes to Condensed Consolidated Financial Statements (Unaudited)*, which is incorporated by reference into this Item 1.

## **Item 1A. Risk Factors**

*Item 1A. – Risk Factors* of our 2021 Form 10-K and *Item 1A. – Risk Factors* of Part II of our Quarterly Report on Form 10-Q for our fiscal quarter ended June 30, 2022 set forth information relating to important risks and uncertainties that could materially adversely affect our business, financial condition or operating results.

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### **Item 4. Mine Safety Disclosures**

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

### **Item 6. Exhibits**

Hecla Mining Company and Wholly Owned Subsidiaries  
Form 10-Q – September 30, 2022  
Index to Exhibits

2.1(a)	<a href="#"><u>Arrangement Agreement dated as of July 4, 2022, by and among Hecla Mining Company, Hecla Canada Ltd., 1080980 B.C. Ltd. And Alexco Resource Corp. Filed as exhibit 2.1 to our Current Report on Form 8-K filed on July 5, 2022 (File No. 1-8491) and incorporated herein by reference.</u></a>
10.1	<a href="#"><u>Assignment and Amendment Agreement dated as of July 25, 2022, among Hecla Mining Company, Alexco Resource Corp., and 1080980 B.C. Ltd. Filed as exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 (File No. 1-8491) and incorporated herein by reference.</u></a>
10.2	<a href="#"><u>Credit Agreement dated as of July 21, 2022, by and among Hecla Mining Company, Hecla Limited, Hecla Alaska LLC, Hecla Greens Creek Mining Company, and Hecla Juneau Mining Company, as the Borrowers, Bank of America, N.A., as the Administrative Agent for the Lenders, and various Lenders. Filed as exhibit 10.1 to our Current Report on Form 8-K on July 21, 2022 (File No. 1-8491) and incorporated herein by reference.</u></a>
10.3	<a href="#"><u>Stream Termination Agreement dated as of July 4, 2022, by and between Hecla Mining Company and Wheaton Precious Metals Corp. *</u></a>
31.1	<a href="#"><u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *</u></a>
31.2	<a href="#"><u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *</u></a>
32.1	<a href="#"><u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *</u></a>
32.2	<a href="#"><u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *</u></a>
95	<a href="#"><u>Mine safety information listed in Section 1503 of the Dodd-Frank Act. *</u></a>
101.INS	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. **
101.SCH	Inline XBRL Taxonomy Extension Schema.**
101.CAL	Inline XBRL Taxonomy Extension Calculation.**
101.DEF	Inline XBRL Taxonomy Extension Definition.**
101.LAB	Inline XBRL Taxonomy Extension Labels.**
101.PRE	Inline XBRL Taxonomy Extension Presentation.**
104	Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Filed herewith.

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

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



SIGNATURES

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

HECLA MINING COMPANY  
(Registrant)

Date: November 9, 2022

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

Date: November 9, 2022

By: /s/ Russell D. Lawlar  
Russell D. Lawlar, Senior Vice President,  
Chief Financial Officer

**STREAM TERMINATION AGREEMENT**

**HECLA MINING COMPANY**

and

**WHEATON PRECIOUS METALS CORP.**

July 4, 2022

## STREAM TERMINATION AGREEMENT

THIS AGREEMENT made as of July 4, 2022

B E T W E E N:

**HECLA MINING COMPANY**, a corporation incorporated under the laws of the State of Delaware ("**Hecla**")

- and -

**WHEATON PRECIOUS METALS CORP.**, a corporation existing under the laws of the Province of Ontario ("**Wheaton**")

### WHEREAS:

- A. Wheaton is a party to that amended and restated silver purchase agreement dated August 5, 2020 (the "**Stream Agreement**") among Wheaton, Elsa Reclamation & Development Company ("**ERDC**"), Alexco Keno Hill Mining Corp. ("**AKHM**") and Alexco Resource Corp. ("**Alexco**");
- B. Hecla and Alexco have entered into an arrangement agreement dated the date hereof (the "**Arrangement Agreement**") pursuant to which Hecla will acquire all of the outstanding equity securities of Alexco in accordance with a plan of arrangement (the "**Arrangement**") under the *Business Corporations Act* (British Columbia);
- C. Concurrently with the execution of the Arrangement Agreement, Hecla and Alexco entered into a secured loan agreement providing for a US\$30 million aggregate principal amount secured loan made by Hecla to Alexco (the "**Hecla Secured Loan**");
- D. Wheaton and Hecla have executed a voting support agreement in respect of the Arrangement (the "**Voting Support Agreement**"); and
- E. Wheaton and Hecla wish to terminate the Stream Agreement effective immediately following the consummation of the Arrangement on the terms and conditions as are more particularly set forth herein.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that in consideration of the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"**Accession Agreement**" means the accession agreement dated October 2, 2017, among Wheaton, ERDC, AKHM, Alexco and Banyan Gold Corp., as amended;

**“Accession Agreement Termination Agreement”** means a termination agreement, to be signed at Closing by Wheaton, ERDC, AKHM, Alexco and Banyan Gold Corp., pursuant to which the Accession Agreement shall be terminated;

**“Act”** has the meaning set forth in Section 3.1.1(k);

**“Affiliate”** means, with respect to a specified Person, another Person that directly or indirectly controls or is controlled by or is under common control with that specified Person;

**“Agreement”** means this stream termination agreement and the Schedules attached to this Agreement and all amendments, restatements or replacements to this Agreement made by written agreement between the Parties;

**“AKHM”** has the meaning set out in the recitals, above;

**“Alexco”** has the meaning set out in the recitals, above;

**“Applicable Laws”** or **“Law(s)”** means in respect of any Person, property, transaction or event, all laws, statutes, treaties, regulations, judgments, notices, approvals, orders and decrees applicable to that Person, property, transaction or event, and, in each case to the extent legally enforceable by or on behalf of a Governmental Body or purporting to have authority over that Person, property, transaction or event;

**“Arrangement”** has the meaning set out in the recitals, above;

**“Arrangement Agreement”** has the meaning set out in the recitals, above;

**“Business Day”** means a day that is not a Saturday, Sunday or any other day which is a statutory holiday or a bank holiday in Vancouver, British Columbia or Coeur d’Alene, Idaho;

**“Claim”** means any claim of any nature whatsoever, including any demand, liability, obligation, debt, cause of action, suit, proceeding, judgment, award, assessment, reassessment or notice of determination of loss;

**“Closing”** means the completion of the Transaction in accordance with Section 2.2;

**“Closing Date”** means the date upon which Closing occurs, being the date upon which the Arrangement becomes effective, or such other date as may be agreed upon in writing by the Parties;

**“Closing Document”** means any document delivered at or subsequent to Closing as provided in or pursuant to this Agreement;

**“Common Shares”** means common shares in the capital of Hecla;

**“Consideration Shares”** has the meaning set forth in Section 2.1.1;

**“Contract”** means any written agreement, arrangement or commitment;

**“ERDC”** has the meaning set out in the recitals, above;

**“Governmental Body”** means any national, state, regional, provincial, municipal or local government, governmental department, commission, board, bureau, agency, authority or

instrumentality, or any Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any of the foregoing entities, including all tribunals, commissions, boards, bureaus, arbitrators and arbitration panels, and any authority or other Person controlled by any of the foregoing;

**“Hecla”** has the meaning set out in the recitals, above;

**“Hecla Limited Security”** has the meaning ascribed to that term in Section 2.3.1;

**“Hecla Preferred Stock”** has the meaning ascribed to that term in Section 4.1.1(f);

**“Hecla Secured Loan”** has the meaning set out in the recitals, above;

**“HSR Act”** means the United States *Hart-Scott-Rodino Antitrust Improvements Act of 1976*;

**“Indemnified Party”** or **“Indemnifying Party”** has the meaning ascribed to that term in Section 5.3.1;

**“knowledge”** means with respect to Wheaton, the knowledge of its Chief Executive Officer and Chief Financial Officer, and with respect to Hecla, the knowledge of its Chief Executive Officer and Chief Financial Officer, after due inquiry (and each such individual will be deemed to have **“knowledge”** of a particular fact or other matter if: (i) that individual is actually aware of that fact or matter; (ii) that fact or matter has been received or comes to the attention of that individual under circumstances in which a reasonable person would take cognizance of it; or (iii) that fact or matter would have been received or come to the attention of that individual had he or she made due inquiry, and for greater certainty, where a representation or warranty refers to the knowledge of more than one Party, each such Party is giving such representation and warranty to its own knowledge only and knowledge of one such Party shall not be imputed to any other such Party;

**“Lien”** means with respect to any property or asset, any security interest, mortgage, pledge, prohibition, injunction, restriction, lien, charge, assignment, option, claim, royalty, stream, offtake or similar right, promise to contract, compromise or other encumbrance or interest of any kind, upon any such property or asset, or upon the income revenue or profits therefrom, including any acquisition of or option to acquire any interest in any property or asset (whether real, personal, tangible or intangible) upon conditional sale or other title retention agreement, device or arrangement (including any capital lease);

**“Loss”** or **“Losses”** means any loss, liability, damage, cost or expense suffered or incurred, including the costs and expenses of any assessment, judgment, settlement or compromise relating thereto, but excluding lost profits or consequential damages;

**“Mining Properties”** has the meaning ascribed to that term in the Stream Agreement;

**“Order”** means any order, judgment, injunction, decree, stipulation, determination, award, decision or writ of any court, tribunal, arbitrator or Governmental Body or other Person;

**“Outside Date”** means November 4, 2022, or such later date as may be agreed to in writing by the Parties.

**“Parties”** means the parties to this Agreement and **“Party”** means any one of them;

**“Person”** means an individual, a partnership, a corporation, a Governmental Body, a trustee, any unincorporated organization and the heirs, executors, administrators or other legal representatives of an individual and words importing **“Person”** have similar meaning;

**“Securities Laws”** means all applicable U.S. and Canadian securities laws, rules and regulations and published policies thereunder as now in effect and as they may be promulgated or amended from time to time;

**“Stream Agreement”** has the meaning set out in the recitals, above;

**“Termination, Release and Discharge Letter”** means the termination, release and discharge letter agreement to be signed at Closing by Hecla, Wheaton, ERDC, AKHM and Alexco, in the form appended as Schedule “A” hereto;

**“Third Party”** means any Person other than a Party or an Affiliate of a Party;

**“Third Party Claim”** means any Claim asserted by a Third Party against an Indemnified Party;

**“Time of Closing”** means the time on the Closing Date immediately following the time at which the Arrangement becomes effective, or such earlier or later time that may be agreed to by the Parties;

**“Transaction”** means the termination of the Stream Agreement pursuant to the terms of this Agreement;

**“TSX”** means the Toronto Stock Exchange;

**“Voting Support Agreement”** has the meaning set out in the recitals, above;

**“Wheaton”** has the meaning set out in the recitals, above; and

**“Wheaton Security Agreements”** has the meaning ascribed to that term in the Stream Agreement.

## **1.2 Headings**

The division of this Agreement into Articles and Sections and the insertion headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “hereof,” “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

## **1.3 Extended Meanings**

In this Agreement, words importing the singular number only include the plural and vice versa, words importing any gender include all genders. The term “includes” or “including” means “including, but not limited to”. A reference to any entity includes any successor to that entity.

#### 1.4 Statutory References

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

#### 1.5 Currency

Unless otherwise indicated, all references to currency herein are to the lawful money of the United States of America.

#### 1.6 Consent

Whenever a provision of this Agreement requires an approval or consent and such approval or consent is not delivered within the applicable time limit, then, unless otherwise specified, the Party whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent.

#### 1.7 Performance on Holidays

If any action is required to be taken pursuant to this Agreement on or by a specified date which is not a Business Day, then such action will be valid if taken on or by the next Business Day.

#### 1.8 Calculation of Time

In this Agreement, a period of days will be deemed to begin on the first day after the event which began the period and to end at 5:00 p.m. (Vancouver time) on the last day of the period. If, however, the last day of the period does not fall on a Business Day, the period will terminate at 5:00 p.m. (Vancouver time) on the next Business Day.

#### 1.9 Schedules

The following are the Schedules annexed hereto and incorporated by reference and deemed to be part hereof:

Schedule “A” – Form of Termination, Release and Discharge Letter

Capitalized terms used but not otherwise defined in the Schedules have the meanings given to them in this Agreement.

### ARTICLE 2 STREAM TERMINATION

#### 2.1 Consideration for Stream Termination

- 2.1.1 Wheaton hereby agrees to terminate the Stream Agreement at Closing in accordance with section 23(n) of the Stream Agreement in consideration for such number of Common Shares (the “**Consideration Shares**”) as is determined by dividing US\$135 million by the five-day volume weighted average trading price of the Common Shares on the NYSE for the period ended on the first Business Day prior to the Closing Date.

2.1.2 Wheaton acknowledges and agrees that the Consideration Shares will be restricted from resale under the Act for a period of six months from the Closing Date.

2.1.3 Wheaton agrees to surrender for cancellation the 2,000,000 Alexco common share purchase warrants represented by warrant certificate W-2020-08-001 (the “**Warrant Certificate**”) at Closing.

## **2.2 Closing Deliveries and Procedures**

2.2.1 The Closing will be an electronic virtual closing unless otherwise agreed upon by the Parties.

2.2.2 At the Closing, Wheaton shall deliver to Hecla the following Closing Documents, each in form and substance satisfactory to Hecla, acting reasonably:

- (a) the Termination, Release and Discharge Letter, duly executed by Wheaton;
- (b) discharges of the Liens contemplated by the Wheaton Security Agreements as contemplated by the Termination, Release and Discharge Letter;
- (c) the Accession Agreement Termination Agreement, duly executed by Wheaton;
- (d) the Warrant Certificate; and
- (e) a certificate signed by an executive officer of Wheaton dated as of the Closing Date, in form and substance satisfactory to Hecla, acting reasonably, confirming that: (a) Wheaton has performed and complied in all material respects with all covenants and obligations in this Agreement to be complied with and performed by Wheaton at or before Closing; and (b) all representations and warranties of Wheaton in this Agreement are true and correct in all material respects as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of that date (provided that if there is a change in respect of any such representations or warranties but the change reflects an act or circumstance permitted by this Agreement then such certificate may disclose such change(s) and such certificate will satisfy this delivery requirement).

2.2.3 At the Closing, Hecla shall deliver to Wheaton the following Closing Documents, each in form and substance satisfactory to Wheaton, acting reasonably:

- (a) a share certificate or DRS advice representing the Consideration Shares registered as directed in writing by Wheaton not less than three (3) Business Days prior to the Closing Date;
- (b) the Termination, Release and Discharge Letter, duly executed by Hecla, Alexco, ERDC and AKHM;
- (c) the Accession Agreement Termination Agreement, duly executed by Alexco, ERDC, AKHM and Banyan Gold Corp.; and
- (d) a certificate signed by an executive officer of Hecla dated as of the Closing Date, in form and substance satisfactory to Wheaton, acting reasonably, confirming that: (a) Hecla has performed and complied in all material respects with all covenants



and obligations in this Agreement to be complied with and performed by Hecla at or before Closing; and (b) all representations and warranties of Hecla in this Agreement are true and correct in all material respects as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of that date.

## 2.3 Consent and Subordination of Security

- 2.3.1 By executing this Agreement, Wheaton hereby irrevocably (a) consents to Hecla's registration of security registrations over all present and after-acquired personal property comprising the Project Assets (as defined in the Stream Agreement) to secure the Hecla Secured Loan (the "**Hecla Limited Security**"), (b) consents to the grant of the Hecla Limited Security by Alexco and (c) waives ERDC and AKHM's obligations under Section 16 of the Stream Agreement to obtain and preserve the first priority ranking of security interests granted in favour of Wheaton on the Project Assets in relation to the grant of the Hecla Limited Security. Wheaton will provide notice of such consents and waiver to Alexco, AKHM and ERDC following the execution of this Agreement.
- 2.3.2 Wheaton hereby agrees with Hecla and declares that notwithstanding any prior execution, delivery or registration of Wheaton's security interest in all present and after-acquired personal property comprising the Project Assets created by the Wheaton Security Agreements, such security constituted by the Wheaton Security Agreements secured thereby shall be and is hereby postponed to, and shall rank subsequent and subordinate to, the Hecla Limited Security and the Hecla Secured Loan secured thereby.
- 2.3.3 The priority of Hecla set out in Section 2.3.2 and all other rights established, altered or specified herein shall:
- (a) be applicable irrespective of the time or order of creation, execution, delivery, attachment or perfection thereof, the method of perfecting, the time or order of registration of filing financing statements or taking possession, records of mortgages or other instruments, assignments or agreements, the giving of or failure to give notice of the acquiring of any Lien or security interest or the date or dates of any loan or advance or advances by Wheaton, the date or dates of any default by Alexco, AKHM or ERDC under the Stream Agreement or the Wheaton Security Agreements or the taking of any enforcement proceedings including possession with respect to such security; and
  - (b) extend to all proceeds in any form derived, arising or resulting from any realization of Wheaton's security interest in all present and after-acquired personal property comprising the Project Assets, including all proceeds of insurance policies covering assets of the Alexco, AKHM or ERDC subject to such security interests.
- 2.3.4 Hecla undertakes that:
- (a) it will not support or vote in favour of any plan, arrangement, liquidation, reorganization, proposal, compromise or similar arrangement pursuant to or relating to any proceeding arising from an Insolvency Event (as such term is defined in the Stream Agreement) directly or indirectly that involves the Project Assets (an "**Insolvency Plan**") that involves: (x) a disposition or transfer of all or any material part of the Project Assets or the shares or other securities of the direct or indirect owners of the Project Assets (the "**Project Entities**") to a transferee

and/or (y) a restricting or rearrangement of some or all of the obligations of the Project Entities where all or any material part of the Project Assets continue to be the property of the Project Entities, unless such Insolvency Plan:

- (i) requires that any such transferee agrees in writing in favour of Wheaton to be bound by and subject to the terms of the Stream Agreement, to the extent that it takes possession of all or any material part of the Project Assets or the shares or other securities of any of the Project Entities; or
- (ii) where all or any material part of the Project Assets continue to be the property of any of the Project Entities, preserves the material rights of Wheaton under the Stream Agreement, including by way of the survival of the Stream Agreement,

provided that if Hecla proposes to acquire any of the Project Entities or the Project Assets as part of such Insolvency Plan, Wheaton will agree to terminate the Stream Agreement upon the effective date of such Insolvency Plan in consideration for US\$135 million worth of Common Shares (based on a five-day volume weighted average trading price of the Common Shares on the NYSE for the period ended on the first Business Day prior to such effective date); and

- (b) it will use its rights as a creditor to create, support and vote in favour of any Insolvency Plan that meets (or exceeds from the perspective of Wheaton, acting reasonably) the conditions set out in (a) above.

## **2.4 Conditions to Closing**

2.4.1 Hecla shall complete the Closing only if each of the following conditions precedent has been satisfied in full or waived in writing by Hecla at or before the Time of Closing:

- (a) subject to the exception contemplated in Section 2.2.2(e), the representations and warranties of Wheaton contained in this Agreement are true and correct in all material respects as at Closing with the same effect as though such representations and warranties had been made as of the Closing;
- (b) all of the covenants and obligations of Wheaton to be performed or observed on or before the Closing pursuant to this Agreement have been duly performed or observed in all material respects;
- (c) there shall not be ongoing any litigation or proceeding against Wheaton, brought by any Governmental Body or any other Person that seeks to restrain, materially modify or invalidate the Transaction and no Order that would prohibit, materially modify or restrain the Transaction shall be in effect;
- (d) all necessary filings pursuant to the HSR Act shall have been made and all applicable waiting periods thereunder shall have expired or been terminated;
- (e) Hecla shall have received Wheaton's Closing Documents described herein, in form and substance satisfactory to Hecla, acting reasonably;

- (f) Hecla shall have received the conditional approval of the NYSE for the listing of the Consideration Shares; and
- (g) the Arrangement shall have been consummated in accordance with the terms of the Arrangement Agreement.

2.4.2 Each of the foregoing conditions precedent is for the exclusive benefit of Hecla, and Hecla may waive any of them in whole or in part in writing.

2.4.3 Wheaton shall complete the Closing only if each of the following conditions precedent has been satisfied in full or waived in writing by Wheaton at or before the Time of Closing:

- (a) the representations and warranties of Hecla contained in this Agreement and given for the benefit of Wheaton are true and correct in all material respects as at Closing with the same effect as though such representations and warranties had been made as of the Closing;
- (b) all of the covenants and obligations of Hecla to be performed or observed on or before the Closing for the benefit of Wheaton pursuant to this Agreement have been duly performed or observed in all material respects;
- (c) there shall not be ongoing any litigation or proceeding against Hecla, brought by any Governmental Body or any other Person that seeks to restrain, materially modify or invalidate the Transaction and no Order that would prohibit, materially modify or restrain the Transaction shall be in effect;
- (d) all necessary filings pursuant to the HSR Act shall have been made and all applicable waiting periods thereunder shall have expired or been terminated; and
- (e) Wheaton shall have received Hecla's Closing Documents described herein, in form and substance satisfactory to Wheaton, acting reasonably.

2.4.4 Each of the foregoing conditions precedent is for the exclusive benefit of Wheaton, and only Wheaton may waive any of them in whole or in part in writing.

### **ARTICLE 3**

#### **REPRESENTATIONS AND WARRANTIES OF WHEATON**

#### **3.1 Representations and Warranties of Wheaton**

3.1.1 Wheaton hereby represents and warrants to Hecla as follows and acknowledges that Hecla is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

- (a) Wheaton validly exists as a company in good standing under the laws of the Province of Ontario, and is duly qualified, authorized or licensed in all jurisdictions where the nature or character of the Stream Agreement requires it to be so qualified, authorized or licensed in accordance with Applicable Laws.
- (b) Wheaton has all necessary corporate power and capacity to execute and deliver, and to observe and perform its covenants and obligations under, this Agreement

and the Closing Documents to which it will be or is a party. Wheaton has taken all corporate action necessary to authorize the execution and delivery, and the observance and performance of its covenants and obligations under, this Agreement and the Closing Documents to which it will be a party.

- (c) The Stream Agreement and this Agreement have been, and each Closing Document to which Wheaton will be or is a party, when executed and delivered, will be duly executed and delivered by Wheaton, and the Stream Agreement and this Agreement constitute, and each Closing Document to which Wheaton will be a party, when executed and delivered, will constitute, a legal, valid and binding obligation of Wheaton enforceable against Wheaton in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) The execution and delivery of, or the observance and performance by Wheaton of, any covenant, condition or obligation under this Agreement or any Closing Document to which it will be a party does not and will not contravene or result in a material violation of or a breach or default under (with or without the giving of notice or lapse of time, or both), or in the acceleration of any obligation under:
  - (i) the articles, by-laws, directors' or shareholders' resolutions of Wheaton; or
  - (ii) the provisions of any material Contract, mortgage, security document, obligation, licence, permit or instrument to which Wheaton is a party, or by which Wheaton is bound or affected, and which could reasonably be expected to adversely impact the performance of Wheaton's obligations under this Agreement or any Closing Document.
- (e) No Person other than Hecla has any oral or written agreement, option, right, privilege or any other right capable of becoming any of the foregoing (whether legal, equitable, contractual or otherwise) in respect of Wheaton's interest in the Stream Agreement.
- (f) There is no outstanding, pending, or, to the knowledge of Wheaton, threatened, court, administrative, regulatory or similar proceeding (whether civil, quasi-criminal or criminal), arbitration or other dispute settlement procedure, investigation, audit, assessment, inquiry, request for information, warrant, charge, suit or claim by any party to the Stream Agreement or the Wheaton Security Agreements, or any similar matter or proceeding by any such party (collectively, "**Proceedings**"), in respect of the Stream Agreement.
- (g) There are no Liens or other restrictions encumbering Wheaton's interest in the Stream Agreement.
- (h) The Wheaton Security Agreements represent all of Wheaton's and its Affiliates' Liens in respect of the Mining Properties, Alexco, AKHM and ERDC.

- (i) Wheaton is an “accredited investor”, as such term is defined in National Instrument 45-106 – *Prospectus Exemptions*.
- (j) Wheaton acknowledges that the certificates representing the Consideration Shares will bear legends reflecting the resale restrictions contemplated by this Agreement.
- (k) The Consideration Shares are being acquired for investment for Wheaton’s account, not by Wheaton as a nominee or agent, and not by Wheaton with a view to the public resale or distribution within the meaning of the U.S. Securities Act of 1933, as amended (the “Act”).
- (l) Wheaton has made its investment decision with respect to the acquisition of the Consideration Shares solely based upon its review of the Hecla Information Record (as defined in Section 4.1.1(h) of this Agreement).
- (m) Wheaton understands that the acquisition of the Consideration Shares involves substantial risk. Wheaton acknowledges that it can bear the economic risk of Wheaton’s investment in the Consideration Shares for an indefinite period of time, and has such knowledge and experience in financial and business matters that Wheaton is capable of evaluating the merits and risks of its investment in the Consideration Shares.
- (n) Wheaton is an “accredited investor” within the meaning of Regulation D promulgated under the Act.
- (o) Wheaton understands that the Consideration Shares have not been registered under the Act or registered or qualified under the securities laws of any state, and are issued in reliance upon specific exemptions therefrom, which exemptions depend upon, among other things, the bona fide nature of Wheaton’s investment intent as expressed herein. Wheaton understands that Hecla is under no obligation to so register or qualify the Consideration Shares. Wheaton understands that the Consideration Shares are “restricted securities” under applicable federal and state securities laws and are subject to the resale restrictions contemplated by this Agreement.

### **3.2 Survival of the Representations, Warranties and Covenants**

- 3.2.1 The representations and warranties of Wheaton set forth in this Agreement shall survive the Closing and shall continue for the benefit of Hecla for one year from the Closing Date notwithstanding the occurrence of the Closing and any inspections or inquiries made by or on behalf of Hecla.
- 3.2.2 For greater certainty, the expiry of the survival period applicable to a representation or warranty shall be without prejudice to any Claim for indemnification based on any inaccuracy or misrepresentation in such representation or warranty made prior to such expiry pursuant to this Agreement.
- 3.2.3 The covenants of Wheaton set out in this Agreement that have not been fully performed at or prior to the Time of Closing shall survive the Closing and, notwithstanding the occurrence of the Closing, shall continue in full force and effect for the benefit of Hecla in accordance with the terms thereof.

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**ARTICLE 4**  
**REPRESENTATIONS AND WARRANTIES OF HECLA**

**4.1 Representations and Warranties of Hecla**

4.1.1 Hecla hereby represents and warrants to Wheaton as follows and acknowledges that Wheaton is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

- (a) Hecla validly exists as a company in good standing under the laws of Delaware, and is duly qualified, authorized or licensed in all jurisdictions where its business requires it to be so qualified, authorized or licensed in accordance with Applicable Laws.
- (b) Hecla has all necessary corporate power and capacity to execute and deliver, and to observe and perform its covenants and obligations under, this Agreement and the Closing Documents to which it will be or is a party. Hecla has taken all action, including corporate action, necessary to authorize the execution and delivery, and the observance and performance of its covenants and obligations under, this Agreement and the Closing Documents to which it will be a party.
- (c) The Arrangement Agreement and this Agreement have been, and each Closing Document to which Hecla will be or is a party, when executed and delivered, will be duly executed and delivered by Hecla, and the Arrangement Agreement and this Agreement constitute, and each Closing Document to which Hecla will be a party, when executed and delivered, will constitute, a legal, valid and binding obligation of Hecla enforceable against Hecla in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) The execution and delivery of, or the observance and performance by Hecla of, any covenant, condition or obligation under this Agreement or any Closing Document to which it will be a party does not and will not contravene or result in a material violation of or a breach or default under (with or without the giving of notice or lapse of time, or both), or in the acceleration of any obligation under:
  - (i) the constating documents, directors' or shareholders' resolutions of Hecla; or
  - (ii) the provisions of any material Contract, mortgage, security document, obligation, licence, permit or instrument to which Hecla or any of its Affiliates is a party, or by which Hecla or any of its Affiliates is bound or affected.
- (e) There are no suits, claims, actions or Proceedings pending or, to the knowledge of Hecla threatened, against Hecla seeking to prevent the transactions contemplated by the Arrangement Agreement or this Agreement.

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- (f) The authorized share capital of Hecla consists of 750,000,000 Common Shares, par value of \$0.25 per Common Share and 5,000,000 shares of “Preferred Stock”, par value of \$0.25 per share (the “**Hecla Preferred Stock**”). As of the close of business on the Business Day prior to the date of this Agreement, there are issued and outstanding 541,307,978 Common Shares and 157,816 shares of Series B Cumulative Convertible Hecla Preferred Stock which are convertible into Common Shares in accordance with their terms.
  - (g) The Consideration Shares to be issued and delivered by Hecla will, when delivered to Wheaton, by Hecla, be duly authorized and validly issued as fully paid and non-assessable Common Shares.
  - (h) Hecla has publicly filed on EDGAR true and complete copies of all forms, reports, schedules, statements and other documents required to be filed by it under applicable Securities Laws (each such form, report, schedule, statement, management’s discussion and analysis, annual information form and other document, including any financial statements or other document, including any schedules included therein, is referred to collectively as the “**Hecla Information Record**”). Each document in the Hecla Information Record, at the time filed, (i) did not contain any Misrepresentation, and (ii) complied in all material respects with the requirements of applicable Securities Laws. Hecla has not filed any confidential material change report with applicable securities regulators that at the date hereof remains confidential. As used above, “**Misrepresentation**” means (i) an untrue statement of a material fact or (ii) an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.
  - (i) The financial statements contained in the Hecla Information Record (i) were, in all material respects, prepared in accordance with U.S. GAAP applied on a consistent basis throughout the period indicated and on a basis consistent with prior periods; and (ii) fairly and accurately presented, in all materials respects, the consolidated financial position, assets and liabilities of Hecla as at the date specified therein, and fairly and accurately presented, in all material respects, the results of operations for the period covered by the statements of income, comprehensive income (loss), shareholders’ equity and cash flows for the year then ended.
  - (j) No securities commission or other similar regulatory authority has issued an order preventing or suspending trading in any securities of Hecla and there is currently no reasonable basis for such order.
  - (k) The Consideration Shares will be freely tradable and not subject to any statutory hold period or other restriction on transfer, other than a six-month hold period from the Closing Date.

## **4.2 Survival of the Representations and Warranties**

- 4.2.1 The representations and warranties of Hecla set forth in this Agreement shall survive the Closing and shall continue for a period of one year from the Closing Date for the benefit of Wheaton, as applicable, notwithstanding the occurrence of the Closing and any inspections or inquiries made by or on behalf of Wheaton.

- 4.2.2 For greater certainty, the expiry of the survival period applicable to a representation or warranty shall be without prejudice to any Claim for indemnification based on any inaccuracy or misrepresentation in such representation or warranty made prior to such expiry pursuant to this Agreement.
- 4.2.3 The covenants of Wheaton set out in this Agreement that have not been fully performed at or prior to the Time of Closing shall survive the Closing and, notwithstanding the occurrence of the Closing, shall continue in full force and effect for the benefit of Hecla in accordance with the terms thereof.

## **ARTICLE 5 INDEMNIFICATION**

### **5.1 Indemnity by Wheaton**

Wheaton shall indemnify and save harmless Hecla from and against all Losses directly or indirectly suffered by it (but, for greater certainty, not lost profits or consequential damages) resulting from: (i) any breach of any covenant of Wheaton contained in this Agreement; and (ii) any inaccuracy or misrepresentation in any representation or warranty set forth herein.

### **5.2 Indemnity by Hecla**

- 5.2.1 Hecla shall indemnify and save harmless Wheaton from and against all Losses directly or indirectly suffered by it (but, for greater certainty, not lost profits or consequential damages) resulting from: (i) any breach of any covenant of Hecla contained in this Agreement; and (ii) any inaccuracy or misrepresentation in any representation or warranty set forth herein.

### **5.3 Notice of and Defence of Third Party Claims**

- 5.3.1 Any Person providing indemnification pursuant to the provisions of this Article 5 is referred to herein as an **“Indemnifying Party”**, and any Person entitled to be indemnified pursuant to the provisions of this Article 5 is referred to herein as an **“Indemnified Party”**.
- 5.3.2 If an Indemnified Party receives written notice of the commencement or assertion of any Third Party Claim in respect of which the Indemnified Party believes the Indemnifying Party has liability under this Agreement, the Indemnified Party shall give the Indemnifying Party reasonably prompt written notice thereof. To the extent reasonable and practical given the information readily available to the Indemnified Party, such notice to the Indemnifying Party shall describe the Third Party Claim in reasonable detail and shall indicate (without prejudice to the Indemnified Party’s rights) the estimated amount of the Loss that has been or may be sustained by the Indemnified Party in respect thereof, provided that the failure to give such notice within such time period shall not reduce the Indemnified Party’s rights hereunder, except to the extent of any actual prejudice suffered as a result of such failure due to the loss of substantive defences.
- 5.3.3 The Indemnifying Party shall have the right, by giving notice to that effect to the Indemnified Party not later than thirty (30) days after receipt of such notice of such Third Party Claim and subject to the rights of any insurer or other Third Party having potential liability therefor, to elect to assume the defence of any Third Party Claim at the Indemnifying Party’s own expense and by the Indemnifying Party’s own counsel, provided that the Indemnifying Party shall not be entitled to assume the defence of any Third Party Claim: (i) alleging any criminal or quasi-criminal wrongdoing (including fraud), (ii) which impugns the reputation of the Indemnified Party or (iii) where the Third Party making the Third Party Claim is a Governmental Body.



- 5.3.4 Prior to settling or compromising any Third Party Claim in respect of which the Indemnifying Party has the right to assume the defence, the Indemnifying Party shall obtain the consent of the Indemnified Party regarding such settlement or compromise, such consent not to be unreasonably withheld or delayed. In addition, the Indemnified Party shall be entitled to participate in (but not control) the defence of any Third Party Claim (and in so doing may retain its own counsel) at its own expense.
- 5.3.5 With respect to any Third Party Claim in respect of which the Indemnified Party has given notice to the Indemnifying Party pursuant to this Section 5.3.5 and in respect of which the Indemnifying Party is not entitled to assume the defence or has not elected to do so, the Indemnifying Party may participate in (but not control) such defence assisted by counsel of its own choosing at the Indemnifying Party's sole cost and expense.
- 5.3.6 At their own cost and expense, the Indemnifying Party and Indemnified Party shall use all reasonable efforts to make available to the Party which is undertaking and controlling the defence of any Third Party Claim:
- (a) those employees whose assistance, testimony or presence is necessary to assist such Party in evaluating and in defending any Third Party Claim; and
  - (b) all documents, records and other materials in the possession of such Party reasonably required by such Party for its use in defending any Third Party Claim,
- and shall otherwise co-operate with the Party defending such Third Party Claim.
- 5.3.7 If the Indemnifying Party elects to assume the defence of any Third Party Claim as provided in Section 5.3.3 and fails to take reasonable steps necessary to defend diligently such Third Party Claim within 30 days after receiving notice from the Indemnified Party that the Indemnified Party believes on reasonable grounds that the Indemnifying Party has failed to take such steps, the Indemnified Party may, at its option, elect to assume the defence of and to compromise or settle the Third Party Claim assisted by counsel of its own choosing and the Indemnifying Party shall be liable for all reasonable costs and expenses paid or incurred in connection therewith.
- 5.3.8 Upon making a payment in full of any Loss, the Indemnifying Party shall, subject to the rights of any insurers and to the extent of such Loss, be subrogated to all rights of the Indemnified Party against any third party in respect of the Loss to which the Loss relates.

#### **5.4 No Duplication; Indemnification Limit**

Notwithstanding anything in this Agreement:

- (a) any amounts payable pursuant to the indemnification obligations under this Article 5 shall be paid without duplication, and in no event shall any Party be indemnified under different provisions of this Agreement for the same Losses; and
- (b) the aggregate amount of Losses payable by an Indemnifying Party shall be limited to US\$135 million.

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**ARTICLE 6  
COVENANTS**

**6.1 Notice of Breach**

- 6.1.1 Each Party agrees to give prompt notice to the other of the occurrence, or failure to occur, at any time from the date of this Agreement, until the earlier to occur of the termination of this Agreement and the Closing of any event or state of facts which occurrence or failure would, or would be likely to:
- (a) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any respect on the date of this Agreement, or at the Closing;
  - (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder prior to the Closing; or
  - (c) result in the failure to satisfy any of the conditions precedent in favour of the other Party contained in Section 2.4, as the case may be.

**6.2 Competing Transaction**

- 6.2.1 Nothing in this Agreement will prevent or restrict Wheaton or any of its Affiliates from responding to any offer made by a Third Party after the date of this Agreement for the acquisition of Wheaton's interests related to the Stream Agreement or for the termination of the Stream Agreement or, in the event such offer is one that Wheaton may be prepared to accept, to engage in discussions or negotiations with such Third Party on a potential Contract, provided that Wheaton shall not enter into a Contract with such Third Party prior to the termination of this Agreement in accordance with its terms or unless permitted by Section 6.4.3.

**6.3 Stream Agreement**

- 6.3.1 Unless permitted by Section 6.4.3, Wheaton agrees that until the earlier of the Closing or the termination of this Agreement in accordance with Article 7, it shall not modify or amend, in any material respect, transfer or terminate the Stream Agreement.

**6.4 Actions to Complete Transaction**

- 6.4.1 Each Party agrees to take all such reasonable action as is within its power to control, and shall use reasonable commercial efforts to cause other actions to be taken which are not within its power to control, with a view to achieving compliance with all conditions set forth in Section 2.4 which are for the benefit of the other Party (Hecla hereby acknowledging that Wheaton shall have no obligations under this section in respect of the condition in Section 2.4.1(g), except as provided in the Voting Support Agreement). The Parties will cooperate in providing such assistance as may be reasonably required in connection with the foregoing.
- 6.4.2 The Parties agree to use reasonable commercial efforts to prepare and make, as promptly as practicable but in no event later than ten (10) Business Days after the date hereof, all necessary filings and notifications with respect to the transaction contemplated by this Agreement pursuant to the HSR Act, supply all information requested by Governmental Bodies in connection with the HSR Act notification and will consider in good faith the views of the other Party in responding to any such request. Hecla and Wheaton shall each pay 50% of all filing and other similar fees payable in connection with any filings or submissions under the HSR Act.

- 6.4.3 Notwithstanding any other provisions of this Agreement, Hecla acknowledges and agrees that Wheaton is permitted to take any steps it deems advisable to protect its legal and financial interests if there occurs an Insolvency Event (as such term is defined in the Stream Agreement) of the direct or indirect owner of the Project Assets.

## **ARTICLE 7 TERMINATION**

### **7.1 Termination Events.**

7.1.1 This Agreement may be terminated and the transactions contemplated hereby may be abandoned:

- (a) at any time, by the mutual written agreement of Hecla and Wheaton;
- (b) by either Hecla or Wheaton at any time prior to Closing, if the other is in material breach or default of its respective covenants, agreements, or other obligations in this Agreement or if any of its representations or warranties in this Agreement are not true and accurate in all material respects when made or when otherwise required by this Agreement to be true and accurate, and such breach, default or inaccuracy has not been cured within ten (10) Business Days following written notice thereof given by the terminating party;
- (c) by either Hecla or Wheaton upon written notice to the other, if the Closing has not occurred on or before the Outside Date; or
- (d) by either Hecla or Wheaton if the Arrangement Agreement is terminated in accordance with its terms.

### **7.2 Effect of Termination.**

7.2.1 If this Agreement shall be terminated pursuant to Section 7.1, all obligations of the Parties hereunder shall terminate, except for the obligations in Article 8.

## **ARTICLE 8 GENERAL**

### **8.1 Further Assurances**

Each of the Parties shall, from time to time, execute and deliver all such further documents and instruments and do all acts and things as any other Party may, either before or after the Closing Date, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

### **8.2 Time of the Essence**

Time shall be of the essence of this Agreement.

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### **8.3 Fees and Expenses**

Except as otherwise set out in this Agreement, any costs and expenses arising from the transactions contemplated by this Transaction shall be borne by the party who incurred such costs and expenses.

### **8.4 Benefit of the Agreement**

This Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties.

### **8.5 Entire Agreement**

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties with respect hereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Agreement.

### **8.6 Confidentiality and Public Disclosure**

- 8.6.1 This Agreement, all of the Closing Documents, and the contents of this Agreement and all Closing Documents shall be maintained in confidence by the Parties and not disclosed to any other Person (except as may be required by Securities Laws, the TSX and NYSE rules or requirements) without the prior written approval of the other Parties, which shall not be unreasonably withheld.
- 8.6.2 Immediately upon one Party determining that they may be required to disclose this Agreement, any of the Closing documents, or the contents of this Agreement or any of the Closing Documents, such Party must provide the other Parties with notice of such required disclosure.
- 8.6.3 The content of any public disclosure (including without limitation, any SEDAR filings of this Agreement and any press release) respecting this Agreement or the Transaction shall be approved by all of the Parties prior to the making of any public disclosure, which approval shall not be unreasonably withheld, provided that, where there are certain content requirements imposed by Securities Laws, the TSX or the NYSE, such content requirements must be fulfilled.

### **8.7 Amendments and Waiver**

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by the Parties and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

### **8.8 Assignment**

This Agreement may not be assigned by a Party without the written consent of the other Party, except to an Affiliate of the assigning Party, provided that such Affiliate enters into a written agreement with the other Party to be bound by the provisions of this Agreement in all respects and to the same extent as the assigning Party is bound and provided that the assigning Party shall continue to be bound by all the obligations hereunder as if such assignment had not occurred and perform such obligations to the extent that such Affiliate fails to do so.

## 8.9 Severability

Each of the provisions contained in this Agreement is distinct and severable from the remainder of the Agreement and any determination of illegality, invalidity or unenforceability of any provision or part hereof by a court of competent jurisdiction shall not affect the validity of enforceability of any other provision or part hereof, unless, as a result of such determination, this Agreement would fail in its essential purposes.

## 8.10 Notices

Any notice, demand, consent or other communication ("Notice") given or made under this Agreement:

- (a) must be in writing and signed by a person duly authorised by the sender;
- (b) must be delivered to the intended recipient by email, hand or by courier to the address below or the address last notified by the intended recipient to the sender:

- (i) to Wheaton:

Wheaton Precious Metals Corp.  
Suite 3500 – 1021 West Hastings St.  
Vancouver, British Columbia  
V6E 0C3

Attention: Curt Bernardi  
Email: [curt.bernardi@wheatonpm.com](mailto:curt.bernardi@wheatonpm.com)

With copies, which shall not constitute notice, to:

McCarthy Tétrault LLP  
2400, 745 Thurlow Street  
Vancouver, British Columbia V6E 0C5

Attention: Roger Taplin  
Email: [rtaplin@mccarthy.ca](mailto:rtaplin@mccarthy.ca)

- (ii) to Hecla:

Hecla Mining Company  
6500 North Mineral Drive, Suite 200  
Coeur d'Alene, ID 8381

Attention: Phillips S. Baker  
Email: [pbaker@hecla-mining.com](mailto:pbaker@hecla-mining.com)

With a copy, which shall not constitute notice to:

Osler, Hoskin & Harcourt LLP  
Suite 1700, Guinness Tower  
Vancouver, British Columbia V6E 2E9

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Attention: Alan Hutchison  
Facsimile: (778) 785-2745  
Email: [ahutchison@osler.com](mailto:ahutchison@osler.com)

- (c) Any notice will be deemed to have been given and received:
  - (i) if personally delivered, then on the day of personal service to the recipient party, provided that if such date is a day other than a Business Day such notice will be deemed to have been given and received on the first Business Day following the date of personal service;
  - (ii) if by pre-paid registered mail, then the first Business Day, after the expiration of five (5) days following the date of mailing;  
or
  - (iii) if sent by e-mail and successfully transmitted prior to 5:00 pm on a Business Day where the recipient is located, then on that Business Day, and if transmitted after 5:00 pm on a Business Day where the recipient is located or on the day that is not a Business Day where the recipient is located, then on the first Business Day following the date of transmission.
- (d) A Party may at any time change its address for future Notices hereunder by Notice in accordance with this Section.

#### **8.11 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein, other than such laws relating to conflicts of law.

#### **8.12 Dispute Resolution**

Any dispute, controversy or claim between the Parties arising out of or relating to this Agreement, or the execution, interpretation, breach, termination, or invalidity thereof, shall be determined by the courts of the Province of British Columbia.

#### **8.13 Counterparts and Electronic Signatures**

This Agreement may be executed in two or more counterparts (including counterparts delivered by electronic mail), all of which, taken together, shall be regarded as one and the same Agreement. Counterparts may be delivered by electronic mail and the Parties adopt any signatures received by electronic mail as original signatures of the Parties.

*[The balance of this page is intentionally left blank]*

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**IN WITNESS WHEREOF** the Parties have caused this Agreement to be executed and delivered as of the date first set forth above.

**HECLA MINING COMPANY**

By: /s/ Robert D. Brown  
Name: Robert D. Brown  
Title: VP Corporate Development and Sustainability

**WHEATON PRECIOUS METALS CORP.**

By: \_\_\_\_\_  
Name:  
Title:

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**IN WITNESS WHEREOF** the Parties have caused this Agreement to be executed and delivered as of the date first set forth above.

**HECLA MINING COMPANY**

By: \_\_\_\_\_  
Name:  
Title:

**WHEATON PRECIOUS METALS CORP.**

By: /s/ HAYTHAM H. HODALY \_\_\_\_\_  
Name: HAYTHAM H. HODALY  
Title: Senior Vice President Corporate Development



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**SCHEDULE "A"**  
**TERMINATION, RELEASE AND DISCHARGE LETTER**

**TERMINATION AND PAYOUT LETTER AGREEMENT**

TO: Wheaton Precious Metals Corp. (“**Wheaton**”)  
AND TO: Alexco Keno Hill Mining Corp. (“**AKHM**”)  
AND TO: Alexco Resource Corp. (“**Alexco**”)  
AND TO: Elsa Reclamation & Development Company (“**ERDC**”)  
FROM: Hecla Mining Company (“**Hecla**”)  
RE: Termination of that amended and restated silver purchase agreement dated August 5, 2020 (the “**Stream Agreement**”) among Wheaton, AKHM, Alexco and ERDC and release of Wheaton’s related security interests (“**Termination, Release and Discharge of Security**”)

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**WHEREAS:**

- A. Wheaton and Hecla have entered into a stream termination agreement dated July 4, 2022 (the “**Stream Termination Agreement**”) pursuant to which Wheaton agreed to terminate the Stream Agreement in exchange for the Consideration Shares (as defined in the Stream Termination Agreement); and
- B. Pursuant to Section 2.2.2 of the Stream Termination Agreement, Wheaton and Hecla agreed to enter into this Termination, Release and Discharge of Security whereby: (i) Wheaton, AKHM, Alexco and ERDC will terminate the Stream Agreement in accordance with Section 23(s) of the Stream Agreement; and (ii) Wheaton will release the Liens (as defined in the Stream Termination Agreement) created by the Wheaton Security Agreements (as defined in the Stream Agreement and as set out in Schedule A hereto), each upon Wheaton’s receipt of the Consideration Shares (as defined in the Stream Termination Agreement).

NOW THEREFORE in consideration of the foregoing and in consideration of the issuance of the Consideration Shares to Wheaton and other good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged, Wheaton acknowledges and agrees as follows effective in all cases upon receipt of the Consideration Shares:

- 1. Subject to Section 3, Wheaton, AKHM, Alexco and ERDC will hereby terminate: (i) the Stream Agreement in accordance with Section 23(s) of the Stream Agreement; and (ii) the Wheaton Security Agreements in accordance with their terms, in each case effective immediately upon receipt of the Consideration Shares.
- 2. Subject to Section 3, AKHM, Alexco and ERDC are hereby fully released from any and all obligations, liabilities, agreements and covenants in respect of the Stream Agreement and the Wheaton Security Agreements. Exclusive of any liabilities described in Section 3, there is no other outstanding or contingent liability of AKHM, Alexco or ERDC for any fees, penalties, interest, or any other amounts in connection with the Stream Agreement or the Wheaton Security Agreements and AKHM, Alexco and ERDC shall have no further obligations in respect of the Stream Agreement or the Wheaton Security Agreements.

3. Each of Hecla, AKHM, Alexco and ERDC hereby acknowledges, agrees and confirms that, notwithstanding any other provision of this Termination, Release and Discharge of Security or the Stream Termination Agreement, Alexco will remain liable to Wheaton for deliveries of any and all Payable Silver (a) which have become due and are in arrears as of the Closing Date (as such term is defined in the Stream Termination Agreement) or (b) arising in relation to payments for Refined Silver received by an Owner from an Offtaker (as such terms are defined in the Stream Agreement) prior to the Closing Date and which have not yet been delivered to Wheaton as of the Closing Date.
4. Wheaton hereby confirms that it has not assigned any of the Wheaton Security Agreements and has full power and authority to issue this Termination, Release and Discharge of Security.
5. Wheaton hereby releases and discharges AKHM, Alexco and ERDC from all security interests created in respect of the Stream Agreement, including but not limited to those created by the Wheaton Security Agreements.
6. Wheaton agrees to file duly executed registrable discharges with the Yukon Land Titles Office, Mayo Mining Recorder's Office and Land Management Branch with respect to the relevant registrations shown in Schedule B hereto within fifteen (15) Business Days of the Closing Date.
7. Wheaton hereby: (i) irrevocably and unconditionally authorizes Hecla, AKHM, Alexco and ERDC, Osler, Hoskin & Harcourt LLP, or their respective agents to file such PPSA discharges, PPSA amendments, or any such other documents as may be necessary to discharge any registrations made with respect to the Wheaton Security Agreements from all offices of public record, including filing releases or financing change statements in respect of the financing statements listed in Schedule B hereto; (ii) agrees to execute and deliver any such discharges or documents that may be reasonably required in connection with the foregoing; and (iii) agrees to provide Hecla (or any designee of Hecla) with all documents and instruments evidencing pledged equity certificates and any other similar collateral previously delivered in physical form by AKHM, Alexco, or ERDC to Wheaton.
8. This Termination, Release and Discharge of Security may be executed by Wheaton, Hecla, AKHM, Alexco and ERDC and transmitted by PDF, facsimile or other electronic transmission and, if so executed and transmitted, this Termination, Release and Discharge of Security shall be for all purposes as effective as if the parties had delivered an executed original.
9. This Termination, Release and Discharge of Security shall enure to the benefit of the Hecla, AKHM, Alexco and ERDC and their respective successors and assigns, and shall be binding upon Wheaton and its successors and assigns.
10. This Termination, Release and Discharge of Security shall be governed by the laws of British Columbia and the federal laws of Canada applicable therein.

*[Remainder of the page intentionally left blank]*

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DATED effective the \_\_ day of \_\_\_\_\_, 2022.

**HECLA MINING COMPANY**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**WHEATON PRECIOUS METALS CORP.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ELSA RECLAMATION &  
DEVELOPMENT COMPANY LTD.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ALEXCO KENO HILL MINING CORP.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ALEXCO RESOURCE CORP.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**Schedule A**  
**Wheaton Security Agreements**

1. Security agreement dated as of April 12, 2010 granted by Alexco Keno Hill Mining Corp. in favour of Silver Wheaton Corp.
2. Security agreement dated as of December 10, 2008 granted by Elsa Reclamation & Development Company Ltd. in favour of Silver Wheaton Corp.
3. Security agreement dated as of December 10, 2008 granted by Alexco Resources Canada Corp. in favour of Silver Wheaton Corp.
4. Share pledge agreement dated as of December 10, 2008 between Alexco Resource Corp. and Silver Wheaton Corp., as amended by an amending agreement dated as of April 9, 2010.

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**Schedule B**  
**Registrations**

Yukon Personal Property Security Registrations

1. Registration Number 6044358, as amended by verification amendment number 9053944 in favour of Wheaton Precious Metals Corp., as secured party and Alexco Keno Hill Mining Corp., as debtor.
2. Registration Number 6444109, as amended by verification amendment number 9053962 in favour of Wheaton Precious Metals Corp., as secured party and Alexco Keno Hill Mining Corp., as debtor.
3. Registration Number 6044366, as amended by verification amendment number 9053953 in favour of Wheaton Precious Metals Corp., as secured party and Alexco Resource Corp., as debtor.
4. Registration Number 6044374, as amended by verification amendment number 9053971 in favour of Wheaton Precious Metals Corp., as secured party and Elsa Reclamation & Development Company Ltd., as debtor.

BC Personal Property Security Registrations

1. Base Registration Number 503151F, as amended by Registration Number 559121K and Registration Number 541609K in favour of Wheaton Precious Metals Corp., as secured party and Alexco Keno Hill Mining Corp., as debtor.
2. Base Registration Number 726765E, as amended by Registration Number 556517K, Registration Number 541613K, Registration Number 511819F and Registration Number 503153F in favour of Wheaton Precious Metals Corp., as secured party and Alexco Resource Corp., as debtor.
3. Base Registration Number 548165K, as amended by Registration Number 556493K in favour of Wheaton Precious Metals Corp., as secured party and Elsa Reclamation & Development Company Ltd., as debtor.

Yukon Land Titles Office Registrations

1. Registration number # 188588 as amended by registration number #228408, against the following five properties owned by Elsa Reclamation & Development Company Ltd.:
  - Title #2007Y1424/Lot 13 Remainder, Group 1054, Plan 15165, YT
  - Title #2007Y1423/Lot 14, Group 1054, Plan 15165, YT
  - Title #2007Y1425/Lot 960, Group 1054, Plan 21884, YT
  - Title #2007Y1426/Lot 956, Group 1054, Plan 21589, YT

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- Title #2007Y1422/Lot 963, Group 1054, Plan 2300, Elsa, YT

Mayo Mining Recorder's Office Registrations

1. Registration number RMO2364 against claims owned by Alexco Keno Hill Mining Corp.
2. Registration number RMO2365 against claims owned by Elsa Reclamation & Development Company Ltd.

Land Management Branch Registrations

1. Registered general security agreement for the following six Yukon Government leases held by Elsa Reclamation & Development Company Ltd.:
  - 105M13-0000-00001
  - 105M13-0000-00002
  - 105M13-0000-00009
  - 105M14-0000-00002
  - 105M14-0000-00010
  - 105M14-0000-00011

## CERTIFICATIONS

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

1. I have reviewed this quarterly report on Form 10-Q of Hecla Mining Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;



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5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ Phillips S. Baker, Jr.

Phillips S. Baker, Jr.

President, Chief Executive Officer and Director

## CERTIFICATIONS

I, Russell D. Lawlar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hecla Mining Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

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5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ Russell D. Lawlar

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Russell D. Lawlar  
Senior Vice President, Chief Financial Officer

## CERTIFICATIONS

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

1. This quarterly report of Hecla on Form 10-Q (“report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Hecla.

Date: November 9, 2022

/s/ Phillips S. Baker, Jr.

Phillips S. Baker, Jr.

President, Chief Executive Officer and Director

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

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

## CERTIFICATIONS

I, Russell D. Lawlar, Senior Vice President, Chief Financial Officer of Hecla Mining Company ("Hecla"), certify that to my knowledge:

1. This quarterly report of Hecla on Form 10-Q ("report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Hecla.

Date: November 9, 2022

/s/ Russell D. Lawlar

Russell D. Lawlar  
Senior Vice President, Chief Financial Officer

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

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

Mine Safety Disclosures

Our mines are operated subject to the regulation of the Federal Mine Safety and Health Administration (“MSHA”), under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was signed into law, and amended in December 2011. When MSHA believes a violation of the Mine Act has occurred, it may issue a citation for such violation, including a civil penalty or fine, and the mine operator must abate the alleged violation.

As required by the reporting requirements of the Dodd-Frank Act, as amended, the table below presents the following information for the three-month period ended September 30, 2022.

Mine	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Assessments Proposed	Total Number Of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e)	Received Notice of Potential to have Patterns Under Section 104(e)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Greens Creek	0	0	0	—	—	\$ 770	—	no	no	0	0	0
Lucky Friday	0	0	0	—	—	\$ 665	—	no	no	0	0	0
Troy	0	0	0	—	—	\$ 0	—	no	no	0	0	0
Fire Creek	0	0	0	—	—	\$ 0	—	no	no	0	0	0
Hollister	0	0	0	—	—	\$ 0	—	no	no	0	0	0
Midas	0	0	0	—	—	\$ 0	—	no	no	0	0	0
Aurora	0	0	0	—	—	\$ 0	—	no	no	0	0	0