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 March 31, 2008

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)	77-0664171 (I.R.S. Employer Identification No.)
6500 N. Mineral Drive, Suite 200 Coeur d'Alene, Idaho (Address of Principal Executive Offices)	83815-9408 (Zip Code)

208-769-4100
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "small reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ .	Accelerated Filer ☐ .
Non-Accelerated Filer ☐ . (Do not check if a smaller reporting company)	Smaller reporting company ☐ .

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 May 9, 2008
Common stock, par value $0.25 per share	127,380,402

Hecla Mining Company and Subsidiaries

Form 10-Q

For the Quarter Ended March 31, 2008

INDEX*

*Certain items are omitted, as they are not applicable.

Item 1. Financial Statements

Hecla Mining Company and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except share data)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 357,672	$ 373,123
Short-term investments and securities held for sale	27,085	25,759
Accounts and notes receivable:		
Trade	11,079	14,053
Other, net	5,128	7,834
Inventories, net	25,216	15,511
Current deferred income taxes	8,980	7,370
Current restricted cash	2,059	2,059
Other current assets	4,802	3,875
Total current assets	442,021	449,584
Non-current investments	7,914	8,429
Non-current restricted cash and investments	15,326	15,181
Properties, plants, equipment, and mineral interests, net	147,734	132,308
Non-current deferred income taxes	18,201	14,938
Deposits on acquisition properties	16,340	—
Other non-current assets	31,170	30,297
Total assets	$ 678,706	$ 650,737
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$ 21,360	$ 22,564
Accrued payroll and related benefits	18,306	16,184
Accrued taxes	4,770	3,703
Current portion of accrued reclamation and closure costs	8,931	9,686
Total current liabilities	53,367	52,137
Accrued reclamation and closure costs	96,362	96,453
Other non-current liabilities	8,631	9,618
Total liabilities	158,360	158,208
Commitments and contingencies (Notes 2, 5, 10, 14 and 15)		
SHAREHOLDERS' EQUITY		
Preferred stock, 5,000,000 shares authorized:		
Series B preferred stock, $0.25 par value, 157,816 shares issued and outstanding, liquidation preference – $7,891	39	39
Mandatory convertible preferred stock, $0.25 par value, 2,012,500 shares issued and outstanding, liquidation preference - $201,250	504	504
Common stock, $0.25 par value, authorized 400,000,000 shares; issued 2008 – 123,077,177 shares and issued 2007 – 121,456,837 shares	30,767	30,364
Capital surplus	735,569	725,076
Accumulated deficit	(262,837)	(274,877)
Accumulated other comprehensive income	16,944	12,063
Less treasury stock, at cost; 81,375 common shares	(640)	(640)
Total shareholders' equity	520,346	492,529
Total liabilities and shareholders' equity	$ 678,706	$ 650,737

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

Hecla Mining Company and Subsidiaries

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

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Sales of products	$ 45,960	$ 54,593
Cost of sales and other direct production costs	18,157	28,886
Depreciation, depletion and amortization	6,022	7,837
	24,179	36,723
Gross profit	21,781	17,870
Other operating expenses:		
General and administrative	4,857	3,920
Exploration	6,079	4,063
Pre-development expense	—	951
Depreciation and amortization	37	179
Other operating expense	594	528
Provision for closed operations and environmental matters	946	653
	12,513	10,294
Income from operations	9,268	7,576
Other income (expense):		
Net foreign exchange loss	(12)	(19)
Interest income	2,525	1,449
Interest expense	(165)	(74)
	2,348	1,356
Income from operations, before income taxes	11,616	8,932
Income tax benefit (provision)	3,866	(789)
Net income	15,482	8,143
Preferred stock dividends	(3,408)	(138)
Income applicable to common shareholders	$ 12,074	$ 8,005
Comprehensive income:		
Net income	$ 15,482	$ 8,143
Unrealized holding gains on investments	4,810	949
Comprehensive income	$ 20,292	$ 9,092
Basic and diluted income per common share after preferred dividends	$ 0.10	$ 0.07
Weighted average number of common shares outstanding – basic	122,350	119,951
Weighted average number of common shares outstanding – diluted	122,777	120,526

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

Hecla Mining Company and Subsidiaries

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

	Three Months Ended	
	March 31, 2008	March 31, 2007
Operating activities:		
Net income	$ 15,482	$ 8,143
Non-cash elements included in net income:		
Depreciation, depletion and amortization	6,059	8,016
Gain on disposition of properties, plants and equipment	(152)	(29)
Provision for reclamation and closure costs	—	85
Recovery of inventory obsolescence	—	(30)
Deferred income taxes	(4,873)	—
Stock compensation	283	227
Change in assets and liabilities:		
Accounts and notes receivable	5,683	3,571
Inventories	(9,705)	1,048
Other current and non-current assets	(1,291)	393
Accounts payable and accrued expenses	(1,204)	(3,630)
Accrued payroll and related benefits	2,122	(1,831)
Accrued taxes	1,067	734
Other non-current liabilities	(989)	—
Accrued reclamation and closure costs and other non-current liabilities	(846)	(332)
Net cash provided by operating activities	11,636	16,365
Investing activities:		
Additions to properties, plants, equipment and mineral interests	(11,067)	(7,875)
Deposits on acquisition properties	(16,340)	—
Proceeds from sales of property, plants, equipment and mineral interests	194	—
Purchase of equity securities	—	(181)
Increase in restricted investments	(145)	(586)
Purchases of short-term investments and other securities held for sale	—	(13,750)
Maturities of short-term investments and other securities held for sale	4,036	13,400
Net cash used in investing activities	(23,322)	(8,992)
Financing activities:		
Common stock issued under stock option plans	116	2,421
Dividends paid to preferred shareholders	(3,881)	(138)
Net cash provided by (used in) financing activities	(3,765)	2,283
Change in cash and cash equivalents:		
Net increase (decrease) in cash and cash equivalents	(15,451)	9,656
Cash and cash equivalents at beginning of period	373,123	75,878
Cash and cash equivalents at end of period	$ 357,672	$ 85,534
Significant non-cash investing activities:		
Stock issued for acquisition of properties	$ 10,494	$ —

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

Note 1. Basis of Preparation of Financial Statements

In the opinion of management, the accompanying unaudited interim condensed financial statements and notes to interim consolidated financial statements contain all adjustments, consisting of normal recurring items, necessary to present fairly, in all material respects, the financial position of Hecla Mining Company and its consolidated subsidiaries ("we" or "our" or "us"). These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements and related footnotes as set forth in our annual report filed on Form 10-K for the year ended December 31, 2007, as it may be amended from time to time.

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

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

Note 2. Short-term Investments and Securities Held for Sale, Investments, and Restricted Cash

Cash

Exchange control regulations in Venezuela have limited our ability to repatriate cash and receive dividends or other distributions without substantial cost. Our cash balances denominated in Bolívares that are maintained in Venezuela totaled a U.S. dollar equivalent of approximately $30 million at official rates at March 31, 2008 and December 31, 2007. Additionally, during the next six months, we are required to convert into Venezuelan currency the U.S. Dollar proceeds of Venezuelan export sales made over the past 180 days, or a total value of approximately $7 million. Exchanging our cash held in local currency into U.S. dollars can be done through specific governmental programs, or through the use of negotiable instruments at conversion rates that are higher than the official rate (parallel rate) on which we have incurred and may incur additional foreign currency losses.

During the three-month period ended March 31, 2007, we exchanged the U.S. dollar equivalent of approximately $3.2 million at the official exchange rate of 2,150 Bolívares to $1.00 for approximately $1.8 million at open market exchange rates in compliance with applicable regulations, incurring foreign exchange losses for the difference. No such conversions were made during the first quarter of 2008. Approximately $0.1 million of the 2007 conversion losses were incurred on the repatriation of cash from Venezuela, and are included in net foreign exchange loss on the Consolidated Statement of Income. Additional losses of approximately

$1.7 million for the 2007 period are related to conversions of Bolívares for the payment of expatriate payroll and other U.S. dollar-denominated goods and services, and are included in the cost of sales and other direct production costs and exploration amounts reported on the Condensed Consolidated Statement of Operations. Although we are making appropriate applications through the Venezuelan government for acquisition of dollars at the official exchange rate, our cash balances denominated in the Venezuelan Bolívar may grow and any future conversions or devaluation of the Bolívar may result in further losses when and if in the future we decide to distribute money outside Venezuela. Converting our March 31, 2008 Bolívar-denominated cash balances to dollars at the parallel exchange rate at May 9, 2008 would result in a foreign exchange loss of approximately $10.6 million. Changes to the Venezuelan Criminal Exchange Law enacted in December 2007 prohibit the publication of Bolívar exchange rates other than the official rate.

Short-term Investments and Securities Held for Sale

Investments at March 31, 2008 and December 31, 2007 consisted of the following (in thousands):

	March 31, 2008	December 31, 2007
Adjustable rate securities	$ —	$ 4,000
Marketable equity securities (cost - $18,903)	27,085	21,759
	$ 27,085	$ 25,759

Adjustable rate securities are carried at amortized cost. However, due to the short-term nature of these investments, the amortized cost approximates fair market value. The $27.1 million and $21.8 million marketable equity securities balances at March 31, 2008 and December 31, 2007 represent 8.2 million shares of Great Basin Gold, Inc. stock, of which 7.9 million shares were transferred to us upon the sale of the Hollister Development Block gold exploration project interest to Great Basin Gold in April 2007. We sold the 7.9 million shares of Great Basin Gold stock in April of 2008, as discussed further in *Note 14.* Marketable equity securities are carried at fair market value, as they are classified as “available-for-sale” securities under the provisions of SFAS No. 115.

Non-current Investments

At March 31, 2008 and December 31, 2007, the fair value of our non-current investments was $8.0 million and $8.4 million, respectively, the cost of which was approximately $1.1 million, and consists primarily of available-for-sale equity securities.

Restricted Cash and Investments

Various laws and permits require that financial assurances be in place for certain environmental and reclamation obligations and other potential liabilities. Restricted investments primarily represent investments in money market funds and bonds of U.S. government agencies. These investments are restricted to be used primarily for reclamation funding or for funding surety bonds and were $17.4 million at March 31, 2008, and $17.2 million at December 31, 2007. The Greens Creek joint venture maintains a restricted trust for reclamation funding, of which our portion at March 31, 2008 was $9 million.

Note 3. Income Taxes

For the three months ended March 31, 2008, we recorded a $3.9 million income tax benefit primarily for reduction of valuation allowance on net deferred tax assets of $4.9 million offset by U.S. and foreign income taxes of $1 million. For the three months ended March 31, 2007, we recorded a $0.8 million provision, consisting primarily of U.S. alternative minimum tax, foreign withholding taxes and foreign income taxes.

The Company assessed its estimate for the realization of its net deferred tax assets as of March 31, 2008, in accordance with SFAS No. 109, “Accounting for Income Taxes”. Realization of deferred tax assets is dependent upon future taxable income. A significant increase in metals prices created a change in circumstances that led management to modify its judgment regarding utilization of deferred tax assets. This reassessment resulted in a further reduction in the valuation allowance against its deferred tax assets of $7 million for projected tax loss utilization beyond 2008. The reduction in valuation allowance is partially offset by the current amortization of the existing deferred tax asset of $2.1 million, resulting in a net deferred tax provision of $4.9 million. For the three months ended March 31, 2007, reduction of the valuation allowance was offset by the amortization of deferred assets, resulting in a net zero deferred tax provision for the quarter.

The current income tax provisions for the first three months of 2008 and 2007 vary from the amounts that would have resulted from applying the statutory income tax rate to pretax income primarily due to utilization of U.S. tax net operating loss carryforwards.

In accordance with FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (FIN48), the Company reviews uncertain tax positions for likelihood of sustainability under audit. For the three months ended March 31, 2008, no FIN 48 change occurred to produce a significant impact on the Company’s results of operations or financial position. No significant impact for FIN 48 uncertainties was recorded for the three months ended March 31, 2007.

Note 4. Inventories

Inventories consist of the following (in thousands):

	March 31, 2008	December 31, 2007
Concentrates, doré, bullion, metals in transit and in-process inventories	$ 15,038	$ 5,465
Materials and supplies	10,178	10,046
	$ 25,216	$ 15,511

The Central Bank of Venezuela maintains regulations concerning the export of gold from Venezuela, under which we are currently required to sell 15% of our production within the country. In the first quarters of 2008 and 2007, approximately 7,198 and 15,875 ounces, respectively, had been sold in the local market, representing 81% and 48% of total ounces sold for those periods. The local sales in excess of the 15% requirement allow us to build a credit for future compliance.

We have recorded a provision for materials and supplies inventory impairment at our La Camorra unit in Venezuela of $5.1 million, at March 31, 2008, for inventory value that we do not expect to consume over the current remaining known life of the operation. The inventory impairment reserve at December 31, 2007 was also $5.1 million.

Note 5: Commitments and Contingencies

Bunker Hill Superfund Site

In 1994, we, as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), entered into a Consent Decree with the Environmental Protection Agency ("EPA") and the State of Idaho concerning environmental remediation obligations at the Bunker Hill Superfund site, a 21-square-mile site located near Kellogg, Idaho (the "Bunker Hill site"). The 1994 Consent Decree (the "Bunker Hill Decree" or "Decree") settled our response-cost responsibility under CERCLA at the Bunker Hill site. Parties to the Decree included us, Sunshine Mining and Refining Company ("Sunshine") and ASARCO Incorporated ("ASARCO"). Sunshine subsequently filed bankruptcy and settled all of its obligations under the Bunker Hill Decree.

In 1994, we entered into a cost-sharing agreement with other potentially responsible parties, including ASARCO, relating to required expenditures under the Bunker Hill Decree. ASARCO is in default of its obligations under the cost-sharing agreement and consequently in August 2005, we filed a lawsuit against ASARCO in Idaho State Court seeking amounts due us for work completed under the Decree. Additionally, we have claimed certain amounts due us under a separate agreement related to expert costs incurred to defend both parties with respect to the Coeur d'Alene River Basin litigation in Federal District Court, discussed further below. After we filed suit, ASARCO filed for Chapter 11 bankruptcy protection in United States Bankruptcy Court in Texas in August 2005. As a result of this filing, an automatic stay is in effect for our claims against ASARCO. We are unable to proceed with the Idaho State Court litigation against ASARCO because of the stay, and have asserted our claims in the context of the bankruptcy proceeding.

In December 2005, we received notice that the EPA allegedly incurred $14.6 million in costs relating to the Bunker Hill site from January 2002 to March 2005. The notice was provided so that we and ASARCO might have an opportunity to review and comment on the EPA's alleged costs prior to the EPA's submission of a formal demand for reimbursement, which has not occurred as of the filing date of this Form 10-Q. We reviewed the costs submitted by the EPA to determine whether we have any obligation to pay any portion of the EPA's alleged costs relating to the Bunker Hill site. We were unable to determine what costs we will be obligated to pay under the Bunker Hill Decree based on the information submitted by the EPA. We requested that the EPA provide additional documentation relating to these costs. In September 2006, we received from the EPA a certified narrative cost summary, and certain documentation said to support that summary, which revised the EPA's earlier determination to state that it had incurred $15.2 million in response costs. The September 2006 notice stated that it was not a formal demand and invited us to discuss or comment on the matter. In the second quarter of 2007, we were able to identify and quantify certain costs submitted by the EPA for which we believe it is probable that we may have liability within the context of the Decree. Accordingly, in June of 2007, we estimated the range of our potential liability to be between $2.7 million and $6.8 million, and accrued the minimum of the range, as we believed no amount in the range was more likely than any other. We will continue to assess the materials relating to the alleged costs sent to us and to discuss the matter with the EPA. If we are unable to reach a satisfactory resolution, we anticipate exercising our right under the Bunker Hill Decree to challenge reimbursement of the alleged costs. However, an unsuccessful challenge would likely require us to further increase our expenditures and/or accrual relating to the Bunker Hill site.

The accrued liability balance at March 31, 2008 relating to the Bunker Hill site was $3.7 million. The liability balance represents our portion of the remaining remediation activities associated with the site, our estimated portion of a long-term institutional controls program required by the Bunker Hill Decree, and potential reimbursement to the EPA of costs allegedly incurred by the agency as described in the notice to us. We believe ASARCO's remaining share of its future obligations will be paid through proceeds from an ASARCO trust created in 2003 for the purpose of funding certain of ASARCO's environmental obligations, as well as distributions to be determined by the Bankruptcy Court. In the event we are not successful in collecting what is due us from the ASARCO trust or through the bankruptcy proceedings, because the Bunker Hill Decree holds us jointly and severally liable, it is possible our liability balance for the remedial activity at the Bunker Hill site could be $18.5 million, the amount we currently estimate to complete the total remaining obligation under the Decree, as well as potential reimbursement to the EPA of costs allegedly incurred by the agency at the Bunker Hill site. There can be no assurance as to the ultimate disposition of litigation and environmental liability associated with the Bunker Hill Superfund site, and we believe it possible that a combination of various events, as discussed above, or otherwise, could be materially adverse to our financial results or financial condition.

Coeur d'Alene River Basin Environmental Claims

Coeur d'Alene Indian Tribe Claims

In July 1991, the Coeur d'Alene Indian Tribe ("Tribe") brought a lawsuit, under CERCLA, in Federal District Court in Idaho against us, ASARCO and a number of other mining companies asserting claims for damages to natural resources downstream from the Bunker Hill site over which the Tribe alleges some ownership or control. The Tribe's natural resource damage litigation has been consolidated with the United States' litigation described below. Because of various bankruptcies and settlements of other defendants, we are the only remaining defendant in the Tribe's Natural Resource Damages case.

U.S. Government Claims

In March 1996, the United States filed a lawsuit in Federal District Court in Idaho against certain mining companies, including us, that conducted historic mining operations in the Silver Valley of northern Idaho. The lawsuit asserts claims under CERCLA and the Clean Water Act, and seeks recovery for alleged damages to, or loss of, natural resources located in the Coeur d'Alene River Basin ("Basin") in northern Idaho for which the United States asserts it is the trustee under CERCLA. The lawsuit claims that the defendants' historic mining activity resulted in releases of hazardous substances and damaged natural resources within the Basin. The suit also seeks declaratory relief that we and other defendants are jointly and severally liable for response costs under CERCLA for historic mining impacts in the Basin outside the Bunker Hill site. We have asserted a number of defenses to the United States' claims.

In May 1998, the EPA announced that it had commenced a Remedial Investigation/ Feasibility Study under CERCLA for the entire Basin, including Lake Coeur d'Alene, as well as the Bunker Hill site, in support of its response cost claims asserted in its March 1996 lawsuit. In October 2001, the EPA issued its proposed clean-up plan for the Basin. The EPA issued the Record of Decision ("ROD") on the Basin in September 2002, proposing a $359.0 million Basinwide clean up plan to be implemented over 30 years and establishing a review process at the end of the 30-year period to determine if further remediation would be appropriate.

During 2000 and 2001, we were involved in settlement negotiations with representatives of the United States, the State of Idaho and the Tribe. These settlement efforts were unsuccessful. However, we have resumed efforts to explore possible settlement of these and other matters, but it is not possible to predict the outcome of these efforts.

Phase I of the trial on the consolidated Tribe's and the United States' claims commenced in January 2001, and was concluded in July 2001. Phase I addressed the extent of liability, if any, of the defendants and the allocation of liability among the defendants and others, including the United States. In September 2003, the Court issued its Phase I ruling, holding that we have some liability for Basin environmental conditions. The Court refused to hold the defendants jointly and severally liable for historic tailings releases and instead allocated a 31% share of liability to us for impacts resulting from these releases. The portion of damages, past costs and clean-up costs to which this 31% applies, other cost allocations applicable to us and the Court's determination of an appropriate clean-up plan are to be addressed in Phase II of the litigation. The Court also left issues on the deference, if any, to be afforded the United States' clean-up plan, for Phase II.

The Court found that while certain Basin natural resources had been injured, "there has been an exaggerated overstatement" by the plaintiffs of Basin environmental conditions and the mining impact. The Court significantly limited the scope of the trustee plaintiffs' resource trusteeship and will require proof in Phase II of the litigation of the trustees' percentage of trusteeship in co-managed resources. The United States and the Tribe are re-evaluating their claims for natural resource damages for Phase II. Such claims may be in the range of $2.0 billion to $3.4 billion. We believe we have limited liability for natural resource damages because of the actions of the Court described above. Because of a number of factors relating to the quality and uncertainty of the United States' and Tribe's natural resources damage claims, we are currently unable to estimate what, if any, liability or range of liability we may have for these claims.

Two of the defendant mining companies, Coeur d'Alene Mines Corporation and Sunshine Mining and Refining Company, settled their liabilities under the litigation during 2001. We and ASARCO (which, as discussed above, filed for bankruptcy in August 2005) are the only defendants remaining in the United States' litigation. Phase II of the trial was scheduled to commence in January 2006. As a result of ASARCO's bankruptcy filing, the Idaho Federal Court vacated the January 2006 trial date. We anticipate the Court will schedule a status conference to address rescheduling the Phase II trial date once the Bankruptcy Court rules on a motion brought by the United States to declare the bankruptcy stay inapplicable to the Idaho Federal Court proceedings. The Company does not currently have an opinion as to when the Court might rule.

In 2003, we estimated the range of potential liability for remediation in the Basin to be between $18 million and $58 million and accrued the minimum of the range, as we believed no amount in the range was more likely than any other amount at that time. In the second quarter of 2007, we determined that the cash payment approach to estimating our potential liability used in 2003 was not reasonably likely to be successful, and changed to an approach of estimating our liability through the implementation of actual remediation in portions of the Basin. Accordingly, we finalized an upper Basin cleanup plan, including a cost estimate, and reassessed our potential liability for remediation of other portions of the Basin, which caused us to increase our estimate of potential liability for Basin cleanup to the range of $60.0 million to $80.0 million. Accordingly, in June 2007, we recorded a provision of $42.0 million, which increased our total liability for remediation in the Basin from $18.0 million to $60.0 million, the low end of the estimated range of liability, with no amount in the range being more likely than any other amount. The liability is not discounted, as the timing of the expenditures is uncertain, but is expected to occur over the next 20 to 30 years.

In expert reports exchanged with the defendants in August and September 2004, the United States claimed to have incurred approximately $87.0 million for past environmental study, remediation and legal costs associated with the Basin for which it is alleging it is entitled to reimbursement in Phase II. In a July 2006 Proof of Claim filed in the ASARCO bankruptcy case, the EPA increased this claim to $104.5 million. A portion of these costs is also included in the work to be done under the ROD. With respect to the United States' past cost claims, as of March 31, 2008, we have determined a potential range of liability for us and Asarco for this past response cost to be $5.6 million to $13.6 million, with no amount in the range being more likely than any other amount.

Although the United States has previously issued its ROD proposing a clean-up plan totaling approximately $359.0 million and its past cost claim is $87.0 million, based upon the Court's prior orders, including its September 2003 order and other factors and issues to be addressed by the Court in Phase II of the trial, we currently estimate the range of our potential liability for both past costs and remediation (but not natural resource damages as discussed above) in the Basin to be $65.6 million to $93.6 million (including the potential range of liabilities of $60.0 million to $80.0 million for Basin cleanup, and $5.6 million to $13.6 million for the United States' past cost claims as discussed above), with no amount in the range being more likely than any other number at this time. Based upon GAAP, we have accrued the minimum liability within this range, which at March 31, 2008 and December 31, 2007, was $65.6 million. It is possible that our ability to estimate what, if any, additional liability we may have relating to the Basin may change in the future depending on a number of factors, including, but not limited to, information obtained or developed by us prior to Phase II of the trial and its outcome, and, any interim court determinations. There can be no assurance as to the outcome of the Coeur d'Alene River Basin environmental claims and we believe it possible that a combination of various events, as discussed above, or with other events could be materially adverse to our financial results or financial condition.

Insurance Coverage Litigation

In 1991, we initiated litigation in the Idaho District Court, County of Kootenai, against a number of insurance companies that provided comprehensive general liability insurance coverage to our predecessors and us. We believe the insurance companies have a duty to defend and indemnify us under their policies of insurance for all liabilities and claims asserted against us by the EPA and the Tribe under CERCLA related to the Bunker Hill site and the Basin. In 1992, the Idaho State District Court ruled that the primary insurance companies had a duty to defend us in the Tribe's lawsuit. During 1995 and 1996, we entered into settlement agreements with a number of the insurance carriers named in the litigation. Prior to 2008, we have received a total of approximately $7.2 million under the terms of the settlement agreements. Thirty percent of these settlements were paid to the EPA to reimburse the U.S. Government for past costs under the Bunker Hill Decree. Litigation is still pending against one insurer with trial suspended until the underlying environmental claims against us are resolved or settled. The remaining insurer in the litigation, along with a second insurer not named in the litigation, is providing us with a partial defense in all Basin environmental litigation. As of March 31, 2008, we have not recorded a receivable or reduced our accrual for reclamation and closure costs to reflect the receipt of any potential insurance proceeds.

Independence Lead Mines Litigation

In March 2002, Independence Lead Mines Company ("Independence"), notified us of certain alleged defaults by us under a 1968 lease agreement relating to the Gold Hunter area (also known as the DIA properties) of our Lucky Friday unit. Independence alleged that we violated the "prudent operator obligations" implied under the lease by undertaking the Gold Hunter project and violated certain other provisions of the Agreement with respect to milling equipment and calculating net profits and losses. Under the lease agreement, we have the exclusive right to manage, control and operate the DIA properties. Independence holds an 18.52% net profits interest under the lease agreement that is payable after we recoup our investments in the DIA properties. In addition, after we recoup our investment, Independence has two years within which to elect to convert its net profits interest into a working interest.

In June 2002, Independence filed a lawsuit in Idaho State District Court seeking termination of the lease agreement and requesting unspecified damages. Trial of the case occurred in late March 2004. In July 2004, the Court issued a decision that found in our favor on all issues and subsequently awarded us approximately $0.1 million in attorneys' fees and certain costs, which Independence has paid. In August 2004, Independence filed its Notice of Appeal with the Idaho Supreme Court. Oral arguments were heard by the Idaho Supreme Court in February 2006. In April 2006, the Idaho Supreme Court ruled in our favor on all of Independence's claims.

In December 2006, Independence filed a lawsuit in the United States District Court for the District of Idaho seeking monetary damages and injunctive relief. Independence alleges that the April 2006 decision by the Idaho Supreme Court violated their civil rights and their constitutional right to due process, and also alleges that we engaged in mail fraud and securities fraud during the term of the lease. We moved to dismiss the lawsuit, and in September 2007, the Court granted our motion to dismiss all claims in the complaint, and the case was dismissed in its entirety. In October 2007, Independence filed a Notice of Appeal to the United States Court of Appeals for the Ninth Circuit.

In January 2007, Independence filed an action in Idaho State District Court for Shoshone County seeking rescission of the lease based upon the theory of mutual mistake. We responded to the lawsuit with a motion to dismiss. In May 2007, the court issued a decision that found in our favor and dismissed the plaintiff's complaint on the merits and with prejudice. In addition, the court awarded us costs and attorney's fees. Independence has appealed the judgment against it to the Idaho Supreme Court.

On February 12, 2008, Hecla and our wholly owned subsidiary Hecla Merger Company entered into an asset purchase agreement with Independence. Under the terms of the Asset Purchase Agreement, Hecla Mining Company will acquire substantially all of the assets of Independence in exchange for 6,936,884 shares of Hecla common stock (the "Independence Acquisition"). The Independence Acquisition is currently expected to close in the summer of 2008, and is subject to customary closing conditions, necessary regulatory approvals and affirmative vote by Independence shareholders. If the Independence acquisition is consummated, among the terms of the Asset Purchase Agreement is that all litigation between us and Independence will be dismissed, and we will acquire all of Independence's right, title and interest to the DIA properties and the related agreements between us and Independence.

Creede, Colorado, Litigation

In February 2007, Wason Ranch Corporation ("Wason") filed a complaint in Federal District Court in Denver, Colorado, against us, Homestake Mining Company of California, and Chevron USA Inc. (successor in interest to Chevron Resources Company) (collectively the "defendants"). The suit alleges violations of the Resource Conservation and Recovery Act ("RCRA") by each of the defendants. In May 2007, Wason amended its complaint to add state tort law claims against us and defendant Ty Poxon. The suit alleges damage to Wason's property by each defendant. The suit also alleges violations of the Clean Water Act ("CWA") by us and Homestake Mining Company of California. The suit alleges that the defendants are past and present owners and operators of mines and associated facilities located in Mineral County near Creede, Colorado, and such operations have released pollutants into the environment, including the plaintiff's property, in violation of RCRA and CWA. The lawsuit seeks injunctive relief to abate the alleged harm and an unspecified amount of civil penalties for the alleged violations. We moved to dismiss the lawsuit, and in March 2008, the Court granted our motion to dismiss all claims in the complaint, and the case was dismissed in its entirety, without prejudice. Wason has appealed the decision to the United States Court of Appeals for the Tenth Circuit.

La Camorra Concessions

By letter dated October 15, 2007 the Company's subsidiary, Minera Hecla Venezolana, C.A. ("MHV"), received notice from the Venezuelan Ministry for Basic Industries and Mining ("MIBAM") that it would commence administrative proceedings that it said could lead to the revocation of MHV's La Camorra concession ("Notice"). The Notice said it was based upon the alleged exhaustion of the gold reserves at the La Camorra concession and upon the alleged non-payment of an extraction tax. Hecla has ongoing mining operations at Mina Isidora that process ore at the La Camorra mill and has had, and plans to continue to have, independent contractors that extract ore from the La Camorra concession. If the La Camorra concession is revoked, we may face additional costs or asset write-downs. For example, we have property, plant and equipment at our La Camorra concession with book value totaling approximately $5.4 million at March 31, 2008 which may require write-down if the concession is revoked without government compensation. In addition, we would need to process ore from our Mina Isidora mine at a different facility. While milling capacity exists with other mining companies in the vicinity of Mina Isidora, we could incur additional costs for tolling our ore as opposed to hauling it to our La Camorra mill for processing. We have not determined how much, if any, additional costs would be incurred. The Company and MHV disagree with the assertions in the Notice. We have filed a formal disagreement with MIBAM, and have not received a response. We will continue to contest the Notice vigorously.

On May 8, 2008, Hecla Mining Company, through its Venezuelan affiliate El Callao Gold Mining Company de Venezuela, SCS ("ECGMCV"), received notification from MIBAM that it was to "temporarily suspend exploration, exploitation and evaluation work on Block B." The notification, signed by the Director of Fiscalization for MIBAM, alleges issues with:

- Our compliance with the social commitment we have with the community close to the mine; and
- Unsafe underground working conditions at the mine related to an inspection performed by MIBAM on April 24, 2008.

The notification provides ECGMCV ten business days to respond to MIBAM’s assertions and lists no specific milestones for correction of the alleged problems. We disagree with the allegations in the notice and will contest the notification vigorously.

Our ongoing mining operation, at Mina Isidora, exists within the Block B lease addressed in the MIBAM notice. If mining operations are compromised in Block B, we may face the loss of revenues, additional costs, and possible asset impairment charges. We have property, plant, and equipment at our Block B lease with book value totaling approximately $29.0 million that may require write-down if future cash flows are reduced or eliminated. In addition, compromise of the Block B lease may result in write-down of our assets at the La Camorra concession as described above.

Mexico Litigation

In Mexico, our wholly owned subsidiary, Minera Hecla, S.A de C.V., currently is involved in two cases in the State of Durango, Mexico, concerning the Velardeña mill. The Velardeña mill processed ore from our now closed San Sebastian mine, and the mill currently is on care and maintenance. In the first case, we are interveners in a commercial action by a creditor to the prior owner of the mill. In that litigation, the creditor to the prior mill owner seeks to demonstrate that he has an ownership interest in the mill arising out of an allegedly unpaid prior debt. We are contesting this action, and deny the fact that plaintiff has an ownership interest in the mill. We take this position for a number of reasons, including the fact that the mill was sold to us prior to plaintiff’s obtaining his alleged ownership interest.

In the second matter, a civil action involving Minera Hecla that is in a different court within the State of Durango, the same creditor as in the first case claims that his ownership of the Velardeña mill relates back to the time he allegedly performed the work on which the debt was based, rather than the time that he filed his lien relating to the debt, which was after the mill was sold to us. Recently, the judge in this matter excused himself from the trial of the case, and transferred the case to a court with a different jurisdiction within the State of Durango. We are contesting the transfer to this court, as well as the position of the creditor.

The basis for our defense in the above matter is that we have a judicially determined valid bill of sale for the Verardeña mill. Thus, we believe that the claims of the creditor and his successors are without merit, and that Minera Hecla is the sole owner of the Velardeña mill. We intend to zealously defend our ownership interest. Although there can be no assurance as to the outcome of these proceedings, we believe that an adverse ruling will not have a material adverse effect on our results from operations or financial position.

Other Commitments

Our contractual obligations as of March 31, 2008 included approximately $8.9 million for various capital projects at the Lucky Friday and Greens Creek units. Total contractual obligations at March 31, 2008 also included approximately $5.0 million related to ore transportation and other non-capital cost commitments at the La Camorra unit and approximately $5.4 million for commitments relating to non-capital items at Greens Creek (our 29.7% share). In addition, our commitments relating to open purchase orders at March 31, 2008 included approximately $1.6 million and $2.2 million, respectively, for various capital items at the Lucky Friday and Greens Creek units, and a total of approximately $0.8 million for various non-capital costs at the Lucky Friday, Greens Creek and La Camorra units.

On April 16, 2008, we completed the transaction to purchase all of the shares of the Rio Tinto subsidiaries that hold the remaining 70.3% interest in the Greens Creek mine, which will result in our various subsidiaries holding 100% ownership of Greens Creek. For further discussion, see *Note 13* of *Notes to the Condensed Consolidated Financial Statements* .

Other Contingencies

We are subject to other legal proceedings and claims not disclosed above which have arisen in the ordinary course of our business and have not been finally adjudicated. In addition, from time-to-time we are subject to administrative or judicial proceedings that arise out of the alleged discharge of materials into the environment or to the protection of the environment. Although there can be no assurance as to the ultimate disposition of these other matters, we believe the outcome of these other proceedings will not have a material adverse effect on our results from operations or financial position.

Note 6. Income per Common Share

We are authorized to issue 400,000,000 shares of common stock, $0.25 par value per share, of which 123,077,177 shares were issued and outstanding at March 31, 2008.

For the three-month periods ended March 31, 2008 and 2007, there were no material differences between basic and fully diluted earnings per share. The following table reconciles weighted average common shares used in the computations of basic and diluted earnings per share for the three-month periods ended March 31, 2008 and 2007 (dollars and shares in thousands, except per-share amounts):

	Three Months Ended March 31,					
	2008			2007		
	Net Income	Weighted Average Shares	Per-Share Amount	Net Income	Weighted Average Shares	Per-Share Amount
Income before preferred stock dividends	$ 15,482			$ 8,143		
Less: Preferred stock dividends	(3,408)			(138)		
Basic income per common share applicable to common shareholders	$ 12,074	122,350	$ 0.10	$ 8,005	119,951	$ 0.07
Potentially dilutive securities	—	427	—	—	575	—
Diluted income per common share applicable to common shareholders	$ 12,074	122,777	$ 0.10	$ 8,005	120,526	$ 0.07

Diluted income per share for the three months ended March 31, 2008 and 2007 exclude the potential effects of outstanding shares of our convertible preferred stock, as their conversion and exercise would have no effect on the calculation of dilutive shares.

In the three months ended March 31, 2007, 20,000 options outstanding were not included in the computation of diluted earnings per share, because the exercise price of the options exceeded the average price of our stock during the period.

Note 7. Business Segments

We are organized and managed by four segments, which represent our operating units and various exploration targets: the Lucky Friday unit, the Greens Creek unit, the La Camorra unit and various exploration activities in Venezuela, and the San Sebastian unit and various exploration activities in Mexico. General corporate activities not associated with operating units and their various exploration activities, as well as idle properties, are presented as “other.” We consider interest expense, interest income and income taxes general corporate items, and these items are therefore not allocated to our segments.

On April 16, 2008, we completed the acquisition of the companies owning 70.3% of the Greens Creek mine, which, coupled with our current 29.7% ownership interest, resulted in an aggregate 100% ownership of Greens Creek by various subsidiaries of ours. See *Note 13* for further discussion of the transaction.

The following tables present information about reportable segments for the three months ended March 31, 2008 and 2007 (in thousands):

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Net sales to unaffiliated customers:		
Lucky Friday	$ 23,461	$ 16,851
Greens Creek	13,165	16,249
La Camorra	9,334	21,493
	$ 45,960	$ 54,593
Income (loss) from operations:		
Lucky Friday	$ 11,262	$ 7,480
Greens Creek	6,299	8,316
La Camorra	2,421	1,117
San Sebastian	(2,041)	(1,449)
Other	(8,673)	(7,888)
	$ 9,268	$ 7,576

The following table presents identifiable assets by reportable segment as of March 31, 2008 and December 31, 2007 (in thousands):

	March 31, 2008	December 31, 2007
Identifiable assets:		
Lucky Friday	$ 64,239	$ 58,350
Greens Creek	76,999	70,671
La Camorra	88,165	83,131
San Sebastian	4,820	5,041
Other	444,483	433,544
	$ 678,706	$ 650,737

Note 8. Employee Benefit Plans

We sponsor defined benefit pension plans covering substantially all of our U.S. employees. Net periodic pension cost (income) for the plans consisted of the following for the three months ended March 31, 2008 and 2007 (in thousands):

	Pension Benefits		Other Benefits	
	2008	2007	2008	2007
Service cost	$ 249	$ 227	$ 2	$ 2
Interest cost	891	849	13	15
Expected return on plan assets	(1,649)	(1,505)	—	—
Amortization of prior service cost	107	115	(1)	(1)
Amortization of net gain	(34)	(6)	(13)	(15)
Net periodic benefit cost (income)	$ (436)	$ (320)	$ 1	$ 1

We do not expect to contribute to the pension plans during the year.

Note 9. Stock-Based Compensation

We measure the costs of employee services received in exchange for an award of an equity instrument based on the grant-date fair value of the award, pursuant to the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R").

We periodically grant stock options and/or restricted stock unit awards to our employees. We measure the fair value of compensation cost for stock options issued pursuant to our plans using the Black-Scholes options pricing model. Stock option grants generally vest immediately, however, grants to individual executives upon hiring vest over a defined service period, with cost amortized over that period. 22,500 options were granted in the three-month period ended March 31, 2008, which did not have a material impact on our financial statements. No options were granted during the same 2007 period.

We measure compensation cost for restricted stock unit grants at the closing price of our stock at the time of grant, net of estimated forfeiture. Restricted stock unit grants vest after a named period, usually one year, with compensation cost amortized over that period. 8,818 restricted stock units were granted in the three-month period ended March 31, 2008, which did not have a material impact on our financial statements. No restricted stock units were granted during the same period in 2007.

Note 10. Long-term Debt and Credit Agreement

In September 2005, we entered into a $30.0 million revolving credit agreement for an initial two-year term, with the right to extend the facility for two additional one-year periods, on terms acceptable to us and the lenders. In both September 2006 and September 2007, we amended and extended the agreement one additional year. Amounts borrowed under the credit agreement were to be available for general corporate purposes. Our interest in the Greens Creek Joint Venture, which is held by Hecla Alaska LLC, our indirect wholly owned subsidiary, was pledged as collateral under the credit agreement. The interest rate on the agreement was either 2.25% above the London InterBank Offered Rate or an alternate base rate plus 1.25%, and includes various covenants and other limitations related to our indebtedness and investments, as well as other information and reporting requirements. We have made quarterly commitment fee payments equal to 0.75% per annum on the sum of the average unused portion of the credit agreement. At March 31, 2008, we did not have an outstanding balance under the credit agreement, and were in compliance with our covenants. On April 16, 2008, the credit agreement was amended and restated in connection with our acquisition of the companies owning 70.3% of the Greens Creek mine. See *Note 13* for further discussion.

Note 11. Developments in Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161 “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS No. 161)”, to enhance the current disclosure framework in SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities, as amended”. SFAS No. 161 amends and expands the disclosures required by SFAS No. 133 so that they provide an enhanced understanding of (1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (3) how derivative instruments affect an entity’s financial position, financial performance, and cash flows. SFAS No. 161 is effective for both interim and annual reporting periods beginning after November 15, 2008. We are currently evaluating the potential impact of this statement on our consolidated financial statements and at this time we do not anticipate a material effect.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment of No. ARB 51”, which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. SFAS No. 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling ownership interest in a subsidiary and for the deconsolidation of a subsidiary. We are currently evaluating the potential impact of this statement on our consolidated financial statements and at this time we do not anticipate a material effect.

In December 2007, the FASB revised SFAS No. 141 “Business Combinations (SFAS No. 141(R))”. The revised standard is effective for transactions where the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.SFAS No. 141(R) will change the accounting for the assets acquired and liabilities assumed in a business combination.

- Acquisition costs will be generally expensed as incurred;
- Noncontrolling interests (formally known as “minority interests”) will be valued at fair value at the acquisition date;
- Acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;
- In-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date
- Restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and
- Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

The adoption of SFAS No. 141(R) does not currently have a material effect on our Consolidated Financial Statements. However, any future business acquisitions occurring on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 will be accounted for in accordance with this statement.

Note 12. Fair Value Measurement

Effective January 1, 2008, we adopted the provisions of SFAS No. 157, “Fair Value Measurements”, for our financial assets and financial liabilities without a material effect on our results of operations and financial position. The effective date of SFAS No. 157 for non-financial assets and non-financial liabilities has been deferred by FSP 157-2 to fiscal years beginning after November 15, 2008, and we do not anticipate the impact of adopting SFAS 157 for non-financial assets and non-financial liabilities to have a material impact on our results of operations and financial position.

SFAS No. 157 expands disclosure requirements to include the following information for each major category of assets and liabilities that are measured at fair value on a recurring basis:

a. The fair value measurement;

b. The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3);

c. For fair value measurements using significant unobservable inputs (Level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following:

   1) Total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets), and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities);

   2) The amount of these gains or losses attributable to the change in unrealized gains or losses relating to those assets liabilities still held at the reporting period date and a description of where those unrealized gains or losses are reported;

   3) Purchases, sales, issuances, and settlements (net); and

   4) Transfers in and/or out of Level 3.

The table below sets forth our financial assets that were accounted for at fair value on a recurring basis as of March 31, 2008, and the fair value calculation input hierarchy level that we have determined applies to each asset and liability category. We did not have financial liabilities accounted for at fair value on a recurring basis as of March 31, 2008.

	Balance at March 31, 2008	Input Hierarchy Level
Cash and cash equivalents	$ 357,672	Level 1
Short-term investments and securities held for sale	29,940	Level 1
Trade accounts receivable	11,079	Level 2
Current restricted cash	2,059	Level 1
Non-current investments	7,914	Level 1
Non-current restricted cash	15,326	Level 1

The provisions of SFAS No. 159, “The Fair Value Option for Financial Liabilities”, also became effective for us on January 1, 2008. SFAS No. 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. The provisions of SFAS No. 159 have not had a material effect on our financial position or results of operations as of and for the three months ended March 31, 2008.

Note 13. Acquisitions

Acquisition of 70.3% of Greens Creek

On April 16, 2008, we completed the acquisition of all of the equity of the Rio Tinto subsidiaries holding a 70.3% interest in the Greens Creek mine for $750 million. We announced the agreement for this transaction on February 12, 2008. The acquisition gives our various subsidiaries control of 100% of the Greens Creek mine, as our wholly-owned subsidiary, Hecla Alaska LLC, currently owns an undivided 29.7% joint venture interest in the assets of Greens Creek.

The $750 million purchase price was comprised of $700 million in cash and 4,365,000 shares of our common stock, determined by dividing $50 million by the volume-weighted average price per share for the 20 trading days prior to the second day immediately preceding the transaction closing date.

The cash portion of the purchase price was partially funded by a $380 million debt facility, which includes a $140 million three-year term facility and a $240 million bridge facility, which matures in six months. We utilized $220 million from the bridge facility at the time of closing the Greens Creek transaction. The interest rate on the term facility is either a range of 1.25% to 2.00% above the London InterBank Offered Rate (“LIBOR”) or an alternate base rate plus a range of 0.25% to 1.00%. The bridge facility has an interest rate of either LIBOR plus 3.00% or an alternative base rate plus 2.00%. The facility includes various covenants and other limitations related to our indebtedness and investments, as well as other information and reporting requirements.

Agreement to acquire Independence

On February 13, 2008, we announced an agreement to acquire substantially all of the assets of Independence Lead Mines Company (“Independence”), located in northern Idaho’s Silver Valley, for 6,936,884 shares of our common stock, which had an estimated fair value of $73 million at May 9, 2008. Included in the assets to be acquired is a land position near our Lucky Friday unit in the Silver Valley, where we have initiated a significant generative exploration program. The assets to be acquired also include mining claims held by Independence pertaining to an agreement with the Lucky Friday mine, which includes all future interest or royalty obligation by Hecla to Independence. The transaction is subject to approval by the shareholders of Independence, and Independence is subject to a $1.25 million transaction break-up fee under specific circumstances associated with the agreement. Completion of the transaction is expected to take place in the summer of 2008.

Acquisition of San Juan Silver Mining Joint Venture earn-in rights

On February 21, 2008, we announced that our wholly-owned subsidiary, Rio Grande Silver Inc., acquired the right to earn into a 70% interest in the San Juan Silver Joint Venture, which holds an approximately 25-square-mile consolidated land package in the Creede Mining District of Colorado. The agreement consists of a three-year buy-in with a total value of $23.2 million, consisting of exploration work and cash. We can earn up to a 70% joint interest by paying Emerald Mining & Leasing, LLC, and Golden 8 Mining, LLC, a total of $11.2 million in common stock, by spending $6 million in exploration on the property during the first year, and by committing to an additional total of $6 million in exploration work over the subsequent two years.

Note 14. Subsequent Events

Sale of Great Basin Gold stock

In April of 2007, Hecla Limited, our wholly-owned subsidiary, obtained 7,930,214 shares of Great Basin Gold, Inc. common stock as consideration, along with $45 million cash, for the sale to Great Basin of Hecla Ventures Corporation. At March 31, 2008, the shares held a market value of $26.2 million and a cost basis of $18.6 million. The gain of $7.6 million was classified as an unrealized gain in other comprehensive income at March 31, 2008.

The Company resolved to sell the above shares in a private placement, which was signed by both parties on March 27, 2008, constituting an offer and acceptance of $26.2 million for the shares with a trading date of March 27, 2008 and a settlement date of April 7, 2008. Based on the timing of settlement, the sale was deemed to have taken place in April 2008. As a result, we will reduce our short-term investments and other comprehensive income balances by $26.2 million and $7.6 million, respectively, and realize a $7.6 million gain on sale of investments during the second quarter of 2008.

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

Certain statements contained in this Form 10-Q, including in Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosure About Market Risk, are intended to be covered by the safe harbor provided for under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Our forward-looking statements include our current expectations and projections about future results, performance, results of litigation, prospects and opportunities. 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 in our annual report filed on Form 10-K for the year ended December 31, 2007, as updated in Part II, Item 1A. Risk Factors in this quarterly report on Form 10-Q. Given these risks and uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements. All subsequent written and oral forward-looking statements attributable to Hecla Mining Company or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as required by federal securities laws, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

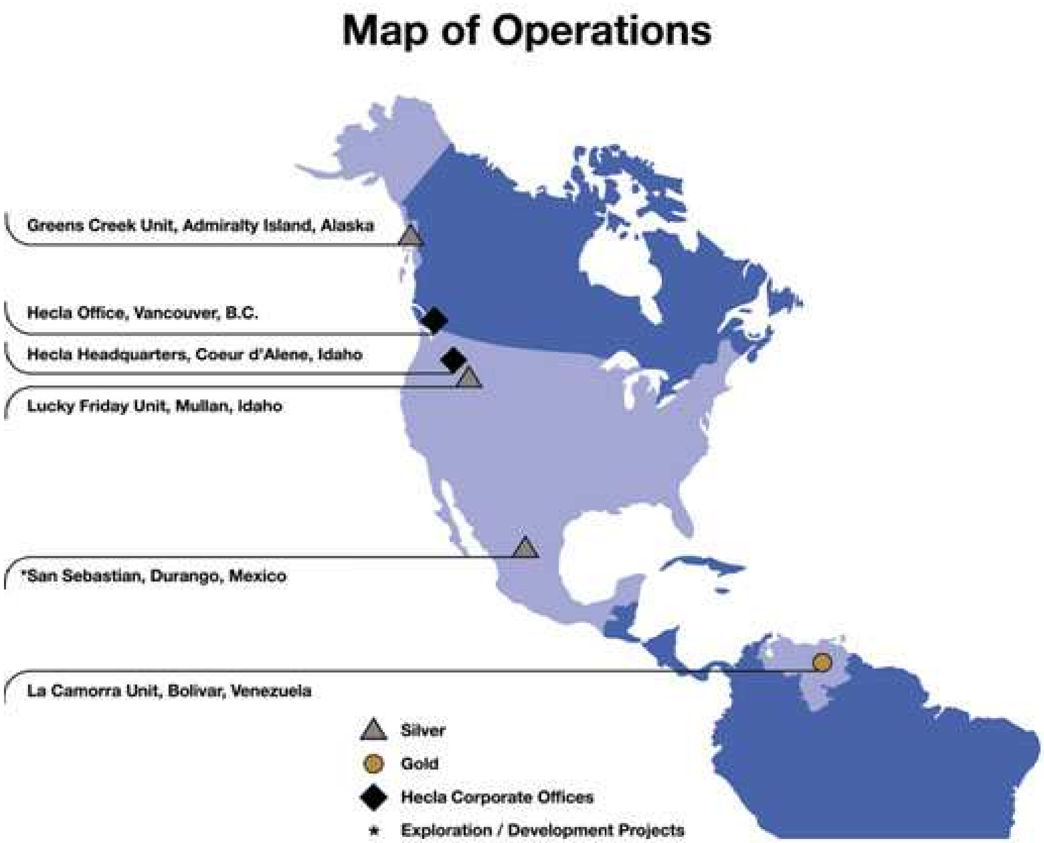
Hecla Mining Company has provided precious and base metals to the U.S. economy and worldwide since its incorporation in 1891. We discover, acquire, develop, produce, and market silver, gold, lead and zinc. In doing so, we intend to manage our business activities in a safe, environmentally responsible and cost-effective manner.

We produce both metal concentrates, which we sell to custom smelters, and unrefined gold bullion bars, which may be sold as doré or further refined before sale to precious metals traders. We are organized and managed into four segments that encompass our operating units and significant exploration interests:

- The Lucky Friday unit;
- The Greens Creek unit;
- The La Camorra unit and various exploration activities in Venezuela; and
- The San Sebastian unit and various exploration activities in Mexico.

Metals prices represent one of our greatest opportunities, and risks, as well as the bases for some of our most significant estimates. In the first quarter of 2008, the prices of silver, gold, and lead all exceeded their levels from the same period last year, however, zinc prices were lower.

The map below shows the locations of our operating units and our exploration projects, as well as our corporate offices located in Coeur d'Alene, Idaho and Vancouver, British Columbia.



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

- Assuming operating responsibility for and fully integrating our acquisition in April 2008 of the remaining 70.3% of the Greens Creek Joint Venture in Alaska, of which we previously held 29.7%, which has doubled our silver production by giving us sole ownership of the world's fifth largest silver mine (See *Note 13* of *Notes to the Condensed Consolidated Financial Statements* for further discussion);
- Expanding our proven and probable reserves, and production capacity, at operating properties;
- Investing in the generation of new exploration projects in the vicinities of five world-class mining districts we believe to be under-explored and under-invested, including North Idaho's Silver Valley in the historic Coeur d'Alene Mining District, the prolific silver-producing district near Durango, Mexico, Alaska's Admiralty Island located offshore of Juneau, the geologically rich gold mining region in eastern Venezuela, and the Creede district of Southwestern Colorado;
- Conducting a multi-disciplinary exploration program in the Silver Valley;
- Continuing to seek opportunities to capitalize on the recent increase in investment in mining properties and companies through acquisition.
- Along with the expansion occurring in 2008 as a result of our acquisition of the remaining interest in Greens Creek, the right to earn into a 70% interest in the San Juan Silver Mining Joint Venture, and an agreement to acquire substantially all of the assets of Independence Lead Mines Company, as discussed further in *Note 13* of *Notes to the*

Condensed Consolidated Financial Statements , we plan to continue to seek opportunities for growth both internally and through acquisition. See the *Results of Operations* and *Financial Liquidity and Capital Resources* sections of *Management's Discussion and Analysis* below.

Our estimate for 2008 silver production is approximately 9 million ounces, with our gold production estimate in a range of 120,000 to 130,000 ounces, which includes production resulting from our April 16, 2008 acquisition of the companies owning the remaining 70.3% of the Greens Creek mine (discussed in *Note 13* of *Notes to the Condensed Consolidated Financial Statements*).

Results of Operations

For the first quarter of 2008, we recorded income applicable to common shareholders of $12.1 million ($0.10 per common share), compared to $8.0 million during the first quarter of 2007 ($0.07 per common share). The following factors had a positive impact on the results for the first three months of 2008, compared to the same period in 2007:

- Increased gross profit at our Lucky Friday and La Camorra units, by $4.5 million and $1.3 million, respectively (see *The Lucky Friday Segment* and *The La Camorra Segment* sections below); and
- Increased average prices for silver, gold and lead for the first quarter of 2008, compared to the same 2007 period, as illustrated by the following table:

	Three months ended March 31,	
	2008	2007
Silver – London PM Fix ($/ounce)	$ 17.68	$ 13.31
Gold – London PM Fix ($/ounce)	$ 927	$ 650
Lead – LME Final Cash Buyer ($/pound)	$ 1.30	$ 0.81
Zinc – LME Final Cash Buyer ($/pound)	$ 1.10	$ 1.57

These factors resulting in positive variances in our first quarter 2008 operating results, compared to the same 2007 period, were partially offset by:

- Decreased gross profit at our Greens Creek unit by $1.8 million (see the *Greens Creek Segment* section below); and
- Decreased average prices for zinc, as illustrated by the table above.

The Lucky Friday Segment

The following is a comparison of the operating results and key production statistics of our Lucky Friday segment (dollars are in thousands, except for per ounce amounts):

	Three Months Ended March 31,	
	2008	2007
Sales	$ 23,461	$ 16,851
Cost of sales and other direct production costs	(10,188)	(8,243)
Depreciation, depletion and amortization	(1,077)	(937)
Gross profit	$ 12,196	$ 7,671
Tons of ore milled	80,367	84,848
Silver ounces produced	759,303	852,113
Lead tons produced	4,709	4,746
Zinc tons produced	2,547	2,045
Silver ounces per ton	10.03	10.95
Lead percent	6.25	6.14
Zinc percent	3.52	3.13
Total cash cost per silver ounce (1)	$ 0.98	$ 1.77

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

The $4.5 million increase in gross profit for the first quarter of 2008, compared to the same 2007 period, resulted primarily from higher average silver and lead prices, partially offset by increased smelter charges for lead concentrates, lower zinc prices, and an 8% decrease in silver ore grade due to the nature of the ore body and efforts to increase zinc production.

The 45% improvement in total cash costs per silver ounce in the first quarter of 2008, compared to the 2007 period, is attributed to higher lead and zinc by-product credits resulting from increased average lead prices and higher lead and zinc production. Mining at wider strike lengths and wider faces at the Lucky Friday has allowed us to take advantage of the high base metal prices and the mill's ability to recover more zinc due to recent mill upgrades. Ore has been mined at greater widths to include stringers that give us access to zinc that otherwise would not be mined. This results in an economic benefit and allows us to temporarily mine lower grade silver ore that is below life-of-mine reserve levels, as anticipated, which also delays some silver production to later periods. While value from lead and zinc is significant at the Lucky Friday, we believe that identification of silver as the primary product, with zinc and lead as by-products, is appropriate because:

- Silver has historically accounted for a higher proportion of revenue than any other metal and is expected to do so in the future;
- The Lucky Friday unit is situated in a mining district long associated with silver production; and
- The Lucky Friday unit generally utilizes selective mining methods to target silver production.

We periodically review our proven and probable reserves to ensure that reporting of primary products and by-products is appropriate. Within our cost per ounce calculations, because we consider zinc and lead to be by-products of our silver production, the values of these metals have offset increases in operating costs due to the increased average prices.

The Greens Creek Segment

The following is a comparison of the operating results and key production statistics of our Greens Creek segment (dollars are in thousands, except for per ounce amounts, and reflect our 29.7% share):

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Sales	$ 13,165	$ 16,249
Cost of sales and other direct production costs	(4,874)	(5,771)
Depreciation, depletion and amortization	(1,836)	(2,131)
Gross Profit	6,455	$ 8,347
Tons of ore milled	50,050	54,354
Silver ounces produced	495,853	704,928
Gold ounces produced	4,851	4,852
Zinc tons produced	4,474	4,602
Lead tons produced	1,438	1,555
Silver ounces per ton	13.57	16.38
Gold ounces per ton	0.15	0.13
Zinc percent	10.32	9.52
Lead percent	3.69	3.57
Total cash cost per silver ounce (1)	$ (5.10)	$ (4.62)

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

The 23% decrease in gross profit during the first quarter of 2008 compared to the same 2007 period was primarily the result of the timing of the arrival of ships to load concentrates, as March 2008 saw no shipments due to port congestion in Asia, lower silver ore grades and lower average zinc prices. The mine sold 31% less concentrate in the first quarter of 2008 than in the comparable 2007 period, while producing just 4% less, with the difference accumulating in inventory until arrival of ships in April 2008. In addition, fewer tons of ore were produced in 2008 due to lower equipment availability and staffing, and silver grades were down from 2007. The inventory and production issues combined to yield silver production that was 30% lower than in the prior year, while silver sales were down 49%. Production costs per ton have risen by 26% since the first quarter of 2007, primarily as a result of fewer tons produced, staffing and the effect of increased diesel prices on electrical power generation.

The Greens Creek operation is currently powered by diesel generators, and therefore, production costs have been significantly affected by increasing fuel prices. As a result, infrastructure has been installed that will allow hydroelectric power to be supplied to Greens Creek by Alaska Electric Light and Power Company (“AEL&P”), via a submarine cable from North Douglas Island, near Juneau, to Admiralty Island, where Greens Creek is located. This project is anticipated to reduce production costs at Greens Creek in the future. AEL&P has agreed to supply its excess power to Greens Creek, however, supply has been hampered by low reservoir water supplies and high demand in the Juneau vicinity. Because most of Greens Creek’s power is currently generated by diesel generators on-site, the mine was unaffected by recent avalanches which have impaired utility power in the region.

The Greens Creek joint venture maintains a restricted trust for future reclamation funding. The balance of the restricted cash account was $30.3 million at March 31, 2008, of which our 29.7% portion was $9.0 million, and $30.0 million at December 31, 2007, of which our 29.7% portion was $8.9 million.

Despite the lower production and higher costs, cash cost per ounce decreased by 10% due to higher by-product prices. Although average zinc prices were down 30% from 2007 to 2008, other by-product prices increased, with gold up by 43% and lead up by 62%. While value from zinc, lead and gold by-products is significant, we believe that identification of silver as the primary product is appropriate because:

- Silver has historically accounted for a higher proportion of revenue than any other metal and is expected to do so in the future;
- We have historically presented Greens Creek as a producer primarily of silver, based on the original analysis that justified putting the project into production, and believe that consistency in disclosure is important to our investors regardless of the relationships of metals prices and production from year to year;
- Metallurgical treatment maximizes silver recovery;
- The Greens Creek deposit is a massive sulfide deposit containing an unusually high proportion of silver; and
- In most of its working areas, Greens Creek utilizes selective mining methods in which silver is the metal targeted for highest recovery.

We periodically review our proven and probable reserves to ensure that reporting of primary products and by-products is appropriate. Within our cost per ounce calculations, because we consider zinc, lead and gold to be by-products of our silver production, the values of these metals offset increases in operating costs due to increased prices.

On April 16, 2008, we completed the transaction to purchase all of the shares of the Rio Tinto subsidiaries holding the remaining 70.3% interest in the Greens Creek mine, which will result in our various subsidiaries holding 100% ownership of Greens Creek. For further discussion, see *Note 13* of *Notes to the Condensed Consolidated Financial Statements* .

The La Camorra Segment

The following table provides a comparison of the operating results and key production statistics of our Venezuelan operations (dollars are in thousands, except per ounce amounts):

	Three Months Ended March 31,	
	2008	2007
Sales	$ 9,334	$ 21,493
Cost of sales and other direct production costs	(3,096)	(14,871)
Depreciation, depletion and amortization	(3,109)	(4,770)
Gross profit	$ 3,129	$ 1,852
Tons of ore milled	20,904	60,630
Gold ounces produced	17,089	31,479
Gold ounces per ton	0.875	0.591
Total cash cost per gold ounce (1)	$ 642	$ 475

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

The increase in gross profit at the La Camorra unit for the first quarter of 2008, compared to the same period in 2007, was primarily the result of higher average gold prices and a 48% improvement in gold ore grades, as production has transitioned from the La Camorra mine to the higher grade Mina Isidora, partially offset by the following factors:

- Reduced sales, as gold inventory at our La Camorra segment increased by approximately 8,309 ounces during the first quarter of 2008. The inventory increase is a result of efforts to increase local sales in Venezuela in order to maximize their economic benefit.

- Reduced production, as operating efforts continue to be challenging in Venezuela due to the political and labor environment. Production during the first quarter of 2008 was adversely affected by various factors, including: lower mine productivity due to labor interruptions, disruptions to ore haulage due to attacks on the vehicles subsequent to leaving the mine site, and low mine equipment availability resulting from lack of parts and supplies due to theft and delivery delays.
- The end of the known mine life at the La Camorra mine was reached in June 2007, which also had a negative impact on first quarter 2008 production, compared to the same 2007 period, as substantially all mine production has come from Mina Isidora in 2008.
- Escalating labor, commodity and transportation costs. The higher transportation costs are related to increased haulage of ore mined from Mina Isidora to our La Camorra milling facility located approximately 70 miles from Mina Isidora.

Proven and probable ore reserves decreased at the La Camorra mine from 2005 onward, as it exhibited lower ore grades, and no significant results have been returned from drilling in the La Camorra vicinity. As a result, reduced production levels from the La Camorra mine continued, and we reached the end of the known mine life there in June 2007. We have applied for permits in order to continue exploration activity on concessions surrounding the La Camorra mine during 2008, however, no permits have been issued to us at this time. We will continue to assess the carrying value of assets at the La Camorra unit. The carrying value of assets at the La Camorra mine, excluding the value of the La Camorra mill as ore from Mina Isidora is processed there, was approximately $2.4 million at March 31, 2008.

Business and Related Risks in Venezuela

Currency and Related Risks

Exchange control regulations in Venezuela have limited our ability to repatriate cash and receive dividends or other distributions without substantial cost. Our cash balances denominated in Bolívares that are maintained in Venezuela totaled a U.S. dollar equivalent of approximately $30 million at official rates at March 31, 2008 and at December 31, 2007. Additionally, during the next six months, we are required to convert into Venezuelan currency the U.S. Dollar proceeds of Venezuelan export sales made over the past 180 days, or a total value of approximately $7 million. Exchanging our cash held in local currency into U.S. dollars can be done through specific governmental programs, or through the use of negotiable instruments at conversion rates that are higher than the official rate (parallel rate) on which we have incurred and may incur additional foreign currency losses.

During the three-month period ended March 31, 2007, we exchanged the U.S. dollar equivalent of approximately $3.2 million at the official exchange rate of 2,150 Bolívares to $1.00 for approximately $1.8 million at open market exchange rates in compliance with applicable regulations, incurring foreign exchange losses for the difference. No such conversions were made during the first quarter of 2008. Approximately $0.1 million of the 2007 conversion losses were incurred on the repatriation of cash from Venezuela, and are included in net foreign exchange loss on the Consolidated Statement of Operations. Additional losses of approximately $1.7 million for the 2007 period are related to conversions of Bolívares for the payment of expatriate payroll and other U.S. dollar-denominated goods and services, and are included in the cost of sales and other direct production costs and exploration amounts reported on the Condensed Consolidated Statement of Operations. Although we are making appropriate applications through the Venezuelan government for acquisition of dollars at the official exchange rate, our cash balances denominated in the Venezuelan Bolívar may grow and any future conversions or devaluation of the Bolívar may result in further losses when and if in the future we decide to distribute money outside Venezuela. Converting our March 31, 2008 Bolivar-denominated cash balances to dollars at the parallel exchange rate at May 9, 2008 would result in a foreign exchange loss of approximately $10.6 million. Changes to the Venezuelan Criminal Exchange Law enacted in December 2007 prohibit the publication of Bolívar exchange rates other than the official rate.

Other

Although we believe we will be able to manage and operate the La Camorra unit and related exploration projects successfully, there is a continued uncertainty in Venezuela relating to political, regulatory, legal enforcement, security and economic matters, as well as export and exchange control. The operating environment in Venezuela is challenging, and our operations there have a history of frequent and often lengthy work stoppages by the labor force. This uncertain state of affairs could affect our operations, including by changes in policy or demands of governmental agencies or their officials, litigation, labor stoppages, industry nationalization, seizures of assets, relationships with small mining groups in the vicinity of our mining operations, and impacting our supplies of oil, gas and other goods. As a result, there can be no assurance we will be able to operate without interruptions to our operations, and any such occurrences, if significant, could have a material adverse effect on our results from operations or financial position. See *Part II, Item 1A. Risk Factors* for discussion of the risks associated with political, social and regulatory change in Venezuela.

The San Sebastian Segment

We reached the end of the known mine life on the Francine and Don Sergio veins at the San Sebastian unit during the fourth quarter of 2005. However, significant exploration efforts have continued during 2006, 2007, and 2008 at the Hugh Zone and other exploration targets located on or near the San Sebastian property, where we now hold approximately 500 square miles of contiguous concessions. Concessions totaling 166 square miles were added to our land package at the San Sebastian segment during the first quarter of 2008. Additional exploration activity at the San Sebastian unit in 2007 and 2008 has included completion of initial drilling on a number of veins at our Rio Grande project, where our concession holdings cover approximately 5 square miles. We incurred $1.6 million in exploration expenses during the first quarter of 2008 at San Sebastian, compared to $1.4 million in the same quarter of 2007. The San Sebastian mine and Velardeña mill are currently on care-and-maintenance status as we continue exploration efforts.

Corporate Matters

Other significant variances affecting the results of our first quarter 2008 operations, as compared to the first quarter 2007 results were as follows:

- Higher general and administrative expense in the first quarter of 2008 by $0.9 million, primarily the result of increased staffing and incentive compensation expense.
- Overall increase of $2.0 million in exploration expense in the 2008 period due to a surface drilling and generative exploration program underway in North Idaho’s Silver Valley, increased underground exploration at our Lucky Friday unit, and continued exploration activity at our San Sebastian unit in Mexico;
- Lower pre-development expense in the first quarter of 2008, by $1.0 million, as a result of our sale of the Hollister Development Block project in April 2007;

- Increase in the provision for closed operations in 2008 by $0.3 million due primarily to holding costs incurred related to the La Camorra mine, as we reached the end of the known mine life there in June 2007;
- $1.0 million increase in interest income due to higher cash balances;
- An income tax benefit of $3.9 million for the first quarter of 2008, compared to an income tax provision of $0.8 million for the first quarter of 2007. See *Note 3* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)* for more information; and
- A $3.3 million increase in preferred stock dividends, due to the issuance of 2,012,500 shares of Mandatory Convertible Preferred Stock in December 2007, with the dividends for the first quarter of 2008 and the cumulative unpaid dividends for the period from issuance through December 31, 2007 payable on April 1, 2008.

Reconciliation of Total Cash Costs (non-GAAP) to Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP)

The tables below present reconciliations between non-GAAP total cash costs to cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP) for our silver operations (the Lucky Friday and Greens Creek units) and gold operations (the La Camorra unit only), for the three months ended March 31, 2008 and 2007 (in thousands, except costs per ounce).

Total cash costs 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 and marketing expense, on-site general and administrative costs, royalties, and mining production taxes, net of by-product revenues earned from all metals other than the primary metal produced at each unit. Total cash costs provide management and investors an indication of net cash flow, after consideration of the realized price received for production sold. Management also uses this measurement for the comparative monitoring of performance of our mining operations period-to-period from a cash flow perspective. “Total cash cost per ounce” is a measure developed by gold companies in an effort to provide a comparable standard, however, there can be no assurance that our reporting of this non-GAAP measure is similar to that reported by other mining companies.

Cost of sales and other direct production costs and depreciation, depletion and amortization, is the most comparable financial measure calculated in accordance with GAAP to total cash costs. The sum of the cost of sales and other direct production costs and depreciation, depletion and amortization for our silver and gold operating units in the tables below is presented in our Condensed Consolidated Statement of Income and Comprehensive Income (Unaudited).

	Combined Silver Properties	
	Three Months Ended March 31,	
	2008	2007
Total cash costs [1]	$ (1,785)	$ (1,749)
Divided by silver ounces produced	1,255	1,557
Total cash cost per silver ounce produced	$ (1.42)	$ (1.12)
Reconciliation to GAAP:		
Total cash costs	$ (1,785)	$ (1,749)
Depreciation, depletion and amortization	2,913	3,067
Treatment and freight costs	(10,854)	(8,461)
By-product credits	29,582	24,832
Change in product inventory	(1,929)	(652)
Reclamation and other costs	47	45
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	$ 17,974	$ 17,082

	Lucky Friday unit	
	Three Months Ended March 31,	
	2008	2007
Total cash costs [(1)]	$ 746	$ 1,509
Divided by silver ounces produced	759	852
Total cash cost per silver ounce produced	$ 0.98	$ 1.77
Reconciliation to GAAP:		
Total cash costs	$ 746	$ 1,509
Depreciation, depletion and amortization	1,077	936
Treatment and freight costs	(5,951)	(3,425)
By-product credits	15,360	10,632
Change in product inventory	28	(479)
Reclamation and other costs	5	6
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	$ 11,265	$ 9,179

	Greens Creek unit	
	Three Months Ended March 31,	
	2008	2007
Total cash costs [(1)]	$ (2,531)	$ (3,258)
Divided by silver ounces produced	496	705
Total cash cost per silver ounce produced	$ (5.10)	$ (4.62)
Reconciliation to GAAP:		
Total cash costs	$ (2,531)	$ (3,258)
Depreciation, depletion and amortization	1,836	2,131
Treatment and freight costs	(4,903)	(5,036)
By-product credits	14,222	14,200
Change in product inventory	(1,957)	(173)
Reclamation and other costs	42	39
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	$ 6,709	$ 7,903

	La Camorra unit			
	Three Months Ended March 31,			
	2008		2007	
Total cash costs [1]	$	10,914	$	14,710
Divided by gold ounces produced		17		31
Total cash cost per gold ounce produced	$	642	$	475
Reconciliation to GAAP:				
Total cash costs	$	10,914	$	14,710
Depreciation, depletion and amortization		3,109		4,770
Treatment and freight costs		(668)		(1,377)
By-product credits		—		477
Change in product inventory		(7,170)		705
Reclamation and other costs		20		356
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	$	6,205	$	19,641

	Total, All Properties	
	Three Months Ended March 31,	
	2008	2007
Total cash costs [1]	$ 9,129	$ 12,961
Depreciation, depletion and amortization	6,022	7,837
Treatment and freight costs	(11,522)	(9,838)
By-product credits	29,582	25,309
Change in product inventory	(9,099)	53
Reclamation and other costs	67	401
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	$ 24,179	$ 36,723

(1) Includes 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 and marketing expense, on-site general and administrative costs, royalties and mining production taxes, net of by-product revenues earned from all metals other than the primary metal produced at each unit.

Financial Liquidity and Capital Resources

Our liquid assets include (in millions):

	March 31, 2008	December 31, 2007
Cash and cash equivalents held in U.S. dollars	$ 326.2	$ 343.1
Cash and cash equivalents held in foreign currency	31.5	30.0
Adjustable rate securities	—	4.0
Marketable equity securities, current	27.1	21.8
Marketable equity securities, non-current	7.9	8.4
Total cash, cash equivalents and investments	$ 392.7	$ 407.3

Cash and cash equivalents decreased by $15.5 million in the first quarter, as discussed below, while the value of current marketable equity securities increased due to changes in market value.

As a result of the Greens Creek acquisition discussed further below, the Company believes its cash, cash equivalents, short-term investments, non-current equity investments, and cash from operations may not be adequate to meet its obligations during the next twelve months without the potential addition of new debt or equity financing, as a portion of the acquisition was funded by $220 million drawn under a six-month bridge loan, which matures in October 2008. The Company estimates that approximately $70 million to $75 million will be committed to sustaining and growth capital expenditures through the end of the year, including capital projects attributable to its April 2008 acquisition of a 70.3% interest in the Greens Creek Joint Venture. The $750 million acquisition of this additional share of the joint venture was funded through a combination of cash, debt, and equity issuance, as further discussed below. The Company may defer some capital investment activities, engage in asset sales or secure additional capital if necessary to maintain liquidity. We also may pursue additional acquisition opportunities, which would require additional equity issuances or financing. There can be no assurances that such financing will be available to us.

	March 31, 2008	March 31, 2007
Cash provided by operating activities	**$ 11.6**	**$ 16.4**

The lower cash provided by operating activities in the first quarter of 2008, compared to the same 2007 period, primarily resulted from higher inventories in 2008 due to low sales from Greens Creek (due to the timing of vessels arriving from Asia to our port) and Venezuela (due to the timing of absorption of our volume by the local market). This was partially offset by net income, adjusted for non-cash elements, that was higher in 2008 by $0.4 million. Accounts receivable increased in both periods, reflecting the effect of increased metals prices on the value of our concentrates along with the timing of shipments.

	March 31, 2008	March 31, 2007
Cash used in investing activities	**$ 23.3**	**$ 9.0**

Cash used in investing activities was higher in the first quarter of 2008 than in 2007 primarily as a result of a $15.0 million deposit paid to Rio Tinto as a part of the acquisition of its majority interest in the Greens Creek Joint Venture, an acquisition that has since been completed by the Company. The payment was recorded in deposits on acquisition properties at March 31, 2008 pending purchase price allocation with the Company's second-quarter remaining payment to Rio Tinto. In addition, the Company invested $11.0 million cash in property, plant, and equipment, and an additional $10.5 million in non-cash acquisition of properties paid for with the Company's stock. Capital investment in our Lucky Friday unit was primarily for sustaining capital that will facilitate extension of our mine plan to deeper levels beneath which current hoisting and ventilation infrastructure must be developed. Capital investment at the Greens Creek unit was also for sustaining capital that will modernize communications and the hauling fleet, and will provide additional tailings capacity.

	March 31, 2008	March 31, 2007
Cash provided by (used in) financing activities	**$ (3.8)**	**$ 2.3**

The primary use of cash for financing activities was the payment of dividends on Series B and mandatory convertible preferred stock in the first quarter. The Company has paid $0.1 million in dividends quarterly on Series B preferred shares since 2005. However, mandatory convertible preferred shares were issued in December of 2007, and our first dividend payment occurred in the current quarter. The source of cash from investing activities in 2007 was the sale of shares issued under the Company's stock option plans, as employees were able to exercise options in a rising price environment. With the inventory of options lower in 2008, fewer options were exercised.

Acquisition of the Greens Creek Joint Venture

On April 16, 2008, the Company completed its acquisition of the remaining 70.3% of the Greens Creek Joint Venture from a subsidiary of Rio Tinto, PLC. The Company has been a partner in the Joint Venture for approximately 20 years. The remaining interest, leaving Hecla in sole control of the property, was acquired for $700 million cash and 4.4 million shares of Hecla common stock, which was valued at $53 million. The $700 million in cash paid to Rio Tinto included $220 million in proceeds from bridge financing maturing in October 2008, a $140 million three-year amortizing term loan facility maturing on March 31, 2011, and $325 million in cash which we held prior to closing, in addition to the $15 million previously provided as earnest money.

The term loan requires quarterly payments commencing September 30, 2008 of principal totaling $18.3 million through the second quarter of 2009, followed by $10.0 million through March 31 of 2010, followed by $11.5 million through March 31, 2011, along with accrued interest. We anticipate funding our obligation for the term loan facility through cash generated by operations, particularly from our incremental interest in the Greens Creek operation. However, no assurances can be made that prices will continue at current levels, nor that operations will meet their production forecasts. See the discussion of *Future Metals Prices* in the *Critical Accounting Estimates* below.

The Company expects to meet its obligation for the bridge financing through a combination of cash generated by operations and additional financing alternatives, which may involve incurring additional debt, the issuance of equity, and/or asset sales. However, no assurances can be made that operating cash flows will be realized or that these financing alternatives will be available to us.

Contractual Obligations, Contingent Liabilities and Commitments

The table below presents our fixed, non-cancelable contractual obligations and commitments primarily related to our outstanding purchase orders and certain capital expenditures and lease arrangements as of March 31, 2008 (in thousands):

	Payments Due By Period				
	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Purchase obligations (1)	$ 4,578	$ —	$ —	$ —	$ 4,578
Long-term debt (2)	—	—	—	—	—
Commitment fees (2)	225	113	—	—	338
Contractual obligations (3)	19,328	—	—	—	19,328
Operating lease commitments (4)	1,066	1,510	568	—	3,144
Total contractual cash obligations	$ 25,197	$ 1,623	$ 568	$ —	$ 27,388

(1) Consists of open purchase orders of approximately $1.6 million at the Lucky Friday unit, $2.4 million at the Greens Creek unit (our 29.7% portion) and $0.6 million at the La Camorra unit. Included in these amounts are approximately $1.4 million and $2.2 million related to various capital projects at the Lucky Friday and Greens Creek units, respectively.

(2) In September 2005, we entered into a $30.0 million revolving credit agreement subject to an interest rate of 2.25% above the London InterBank Offered Rate or an alternate base rate plus 1.25%. There was no outstanding balance under the credit agreement at March 31, 2008. Each quarter, we pay a commitment fee at an annual rate of 0.75% of the unused balance. The credit agreement was amended and restated in April 2008. See *Note 10* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)* .

(3) Includes approximately $8.9 million for various capital projects at the Lucky Friday and Greens Creek units. Total contractual obligations at March 31, 2008 also included approximately $5.0 million related to ore transportation and other non-capital cost commitments at the La Camorra unit and approximately $5.4 million for commitments relating to non-capital items at Greens Creek (our 29.7% share).

(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.

On April 16, 2008, we completed the acquisition of the remaining 70.3% of the Greens Creek mine for $750 million. The purchase price is comprised of $700 million in cash (including a $15 million nonrefundable deposit paid by us in the first quarter of 2008), $360 million of which has been funded through a debt facility, and $50 million in Hecla common stock. See the *Financial Liquidity and Capital Resources* section above for more information. Accordingly, our obligations relating to open purchase orders, capital projects, transportation and other non-capital cost commitments, and all other items relating to Greens Creek will be 100% on a going-forward basis, versus 29.7% historically.

Gold production from our La Camorra mine and Mina Isidora property in Venezuela is subject to royalties. The amount of our royalty obligations is dependent upon the number of gold ounces produced and the gold price. Based on our current projections for production at Mina Isidora, and the average gold price for the first quarter of 2008, we estimate our future royalty payments will be $1.9 million for the remainder of 2008, $3.0 million for 2009, and $0.7 million for 2010.

Within the area mined by Lucky Friday, we control the Gold Hunter property under a long-term operating agreement with Independence Lead Mines Company (“Independence”) expiring in February 2018 and renewable thereafter, that entitles us, as operator, to an 81.48% interest in the net profits from operations from the Gold Hunter property. Under the current agreement, we would be obligated to pay a net profits interest of 18.52% to Independence after we have recouped our costs to explore and develop the property. Recoupment depends on, among other factors, metals prices and the extent of capital invested in Lucky Friday. In February 2008, we announced an agreement to purchase substantially all of the assets of Independence, which would result in our ownership of 100% of the property, thus eliminating its obligation to outside third parties (See *Note 13* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)*).

We maintain reserves for costs associated with mine closure, land reclamation and other environmental matters. At March 31, 2008, our reserves for these matters totaled $105.3 million, for which no contractual or commitment obligations exist. Future expenditures related to closure, reclamation and environmental expenditures are difficult to estimate, although we anticipate we will make expenditures relating to these obligations over the next 30 years. For additional information relating to our environmental obligations, see *Note 5* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)* .

Off-Balance Sheet Arrangements

At March 31, 2008, 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 is material to investors.

Critical Accounting Estimates

Our significant accounting policies are described in *Note 1* of *Notes to Consolidated Financial Statements* in our annual report filed on Form 10-K for the year ended December 31, 2007. As described in *Note 1* , we are required to make estimates and assumptions that affect the reported amounts and related disclosures of assets, liabilities, revenue, and expenses. Our estimates are based on our experience and our interpretation of economic, political, regulatory, and other factors that affect our business prospects. Actual results may differ significantly from our estimates.

We believe that our most critical accounting estimates are related to future metals prices, obligations for environmental, reclamation, and closure matters, mineral reserves, and accounting for business combinations, as they require us to make assumptions that were highly uncertain at the time the accounting estimates were made, and changes in them are reasonably likely to occur from period to period. Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our board of directors, and the Audit Committee has reviewed the disclosures presented below. In addition, there are other items within our financial statements that require estimation, but are not deemed to be critical. However, changes in estimates used in these and other items could have a material impact on our financial statements.

Future Metals Prices

Metals prices are key components in estimates that determine the valuation of some of our significant assets and liabilities, including properties, plants and equipment, deferred tax assets, and certain accounts receivable. As shown below under *Part II, Item 1A. Risk Factors* , metals prices have been historically volatile. While average prices for all four metals we produce have performed favorably for five consecutive years, we have recorded impairments to our asset carrying value because of low prices in the past, and we can offer no assurance that prices will remain at their current levels or higher.

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

Obligations for Environmental, Reclamation and Closure Matters

The most significant liability on our balance sheet is for accrued reclamation and closure costs. We have conducted considerable remediation work at sites in the United States for which remediation requirements have not been fully determined, nor have they been agreed between us and various regulatory agencies with oversight over the properties. We have estimated our liabilities with counsel and in accordance with appropriate accounting guidance. On at least an annual basis – and more frequently if warranted – management reviews our liabilities with our Audit Committee. However, the range of liability proposed by the plaintiffs in environmental proceedings considerably exceeds the liabilities we have recognized. If substantial damages were awarded or remediation costs incurred in excess of our accruals, our financial results or condition could be materially adversely affected.

Mineral Reserves

Critical estimates are inherent in the process of determining our reserves. Our reserves are affected largely by our assessment of future metals prices, as well as by engineering and geological estimates of ore grade, accessibility and production cost. Metals prices are estimated at long-term averages, as described in *Item 2. — Property Descriptions* in our annual report on Form 10-K filed for the period ended December 31, 2007. Our assessment of reserves occurs at least annually, and periodically utilizes external audits.

Reserves are a key component in valuation of our properties, plants and equipment. Reserve estimates are used in determining appropriate rates of units-of-production depreciation, with net book value of many assets depreciated over remaining estimated reserves. Reserves are also a key component in forecasts, with which we compare future cash flows to current asset values to ensure that carrying values are reported appropriately. Reserves also play a role in the valuation of certain assets in the determination of the purchase price allocations for our acquisitions (see *Business Combinations* below). Reserves represent a culmination of many estimates, and are not guarantees that we will recover the indicated quantities of metals.

Business Combinations

In accordance with SFAS 141, "Business Combinations", we are required to allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at acquisition date. We recognize the excess of an acquired business's cost over the fair value of acquired assets, less liabilities, as goodwill. The valuation of assets acquired and liabilities assumed requires management to make significant estimates and assumptions, especially with respect to long-lived assets, including estimates of future metals prices and mineral reserves, as discussed above. In some cases, we use third-party appraisers to determine the fair values and lives of property and other identifiable assets.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion about our risk management activities includes forward-looking statements that involve risk and uncertainties, as well as summarizes the financial instruments held by us at March 31, 2008, which are sensitive to changes in interest rates, commodity prices and 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 nonfinancial or nonquantifiable (see *Part II, Item 1A. Risk Factors*).

Cash

Exchange control regulations in Venezuela have limited our ability to repatriate cash and receive dividends or other distributions without substantial cost. At March 31, 2008 and December 31, 2007, we held the U.S. dollar equivalent of approximately $30.0 million, denominated in the Venezuelan Bolívar (2,150 Bs. to $1.00). Additionally, during the next six months we plan to convert into Venezuelan currency the proceeds of Venezuelan export sales made over the past 180 days, or approximately $7 million. Exchanging our cash held in local currency into U.S. dollars can be done through specific governmental programs, or through the use of negotiable instruments at conversion rates that are higher than the official rate (parallel rate) on which we have incurred and may incur additional foreign currency losses.

During the three-month period ended March 31, 2007, we exchanged the U.S. dollar equivalent of approximately $3.2 million at the official exchange rate of 2,150 Bolívares to $1.00 for approximately $1.8 million at open market exchange rates in compliance with applicable regulations, incurring foreign exchange losses for the difference. No such conversions were made during the first quarter of 2008. Although we are making appropriate applications through the Venezuelan government, our cash balances denominated in Venezuelan Bolívares may grow and any future conversions may result in further losses when and if we decide to distribute money outside Venezuela. Converting our March 31, 2008 Bolívar-denominated cash balances to dollars at the parallel exchange rate at May 9, 2008 would result in a foreign exchange loss of approximately $10.6 million.

Short-term Investments

From time to time we hold various types of short-term investments that are subject to changes in market interest rates and are sensitive to those changes. We did not carry any such short-term investments as of March 31, 2008.

Commodity-Price Risk Management

At times, we use commodity forward sales commitments, commodity swap contracts and commodity put and call option contracts to manage our exposure to fluctuation in the prices of certain metals which we produce. Contract positions are designed to ensure that we will receive a defined minimum price for certain quantities of our production. We use these instruments to reduce risk by offsetting market exposures.

Interest-Rate Risk Management

At March 31, 2008, we had no debt outstanding. However, our revolving credit facility, if used, would be subject to changes in market interest rates. For additional information regarding our $30.0 million revolving credit facility, see *Note 10* of *Notes to the Condensed Consolidated Financial Statements (Unaudited).*

Our April 16, 2008 acquisition of the companies owning 70.3% of the Greens Creek mine was partially funded by amending and restating the $30 million revolving credit facility discussed above, to, among other things, increase it to a $380 million facility. The amended and restated facility includes a $140 million three-year term facility and a $240 million bridge facility which matures in October 2008. We utilized the entire term facility and $220 million of the bridge facility at the time of closing the Greens Creek transaction. Our $140 million term facility is not subject to material interest rate risk, as we are required to manage the effects of interest rate volatility on the facility through the use of interest rate swaps. Such interest rate swaps are not used for speculative purposes. We are exposed to interest rate risk on our $220 million bridge facility balance until it is retired within the next six months, as it involves a variable interest rate that is sensitive to changes in market interest rates. A hypothetical 100 basis-point change in the variable interest rate for the bridge facility would change our monthly interest expense by an estimated $0.2 million. See *Note 13* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)* for more information on our amended and restated debt facility.

Venezuelan Currency Exchange Rates

Effective January 1, 2007, we implemented a change in our functional currency for our Venezuelan operations from the U.S. dollar to the Bolívar, the national currency in Venezuela. As a result of this change, the U.S. dollar-equivalent value of the non-monetary assets of our Venezuela operations would fluctuate with a change in the official exchange rate of the Bolivar. Implementation of the functional currency change, using the current exchange rate of 2,150 Bolívares to $1.00, resulted in a reduction to net assets of approximately $7.1 million, with a translation adjustment for the same amount recorded to the opening balance of accumulated other comprehensive income. A 10% increase in the official exchange rate would result in an additional reduction to net assets of approximately $4.8 million. For further discussion, see *Note 18 of Notes to the Consolidated Financial Statements* in our annual report filed on Form 10-K for the year ended December 31, 2007.

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 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 were effective as of March 31, 2008, in ensuring them in a timely manner that material information required to be disclosed in this report has been properly recorded, processed, summarized and reported. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On January 1, 2008, we implemented a new business system at our corporate office to facilitate automation of our accounting processes. We believe the new system will enhance existing controls over financial reporting by decreasing manual controls inherent in our prior system.

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.

Item 1. Legal Proceedings

For information concerning legal proceedings, refer to *Note 5* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)* , which is incorporated by reference into this Item 1.

Item 1A. Risk Factors

Item 1A ("Risk Factors") of the Company's Annual Report on Form 10-K for the year ended December 31, 2007 sets forth information relating to important risks and uncertainties that could materially adversely affect the Company's business, financial condition or operating results. Those risk factors continue to be relevant to an understanding of the Company's business, financial condition and operating results. Certain of those risk factors have been updated in this Form 10-Q to provide updated information, as set forth below. References to "we", "our" and "us" in these risk factors refer to the Company.

FINANCIAL RISKS

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

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

- Speculative activities;
- Relative exchange rates of the U.S. dollar;
- Global and regional demand and production;
- Recession or reduced economic activity; and
- Other political and economic conditions.

These factors are largely beyond our control and are difficult to predict. If the market prices for these metals fall below our production or development costs for a sustained period of time, we will experience losses and may have to discontinue exploration, development or operations, or incur asset write-downs at one or more of our properties.

On April 16, 2008, we completed the acquisition of the companies owning 70.3% of the Greens Creek mine (see *Note 13* of *Notes to the Condensed Consolidated Financial Statements* of our Form 10-Q for the period ended March 31, 2008 for further discussion). The acquisition was partially funded by a $380 million debt facility, which includes a $140 million three-year term facility and a $240 million bridge facility, which matures in six months. We utilized $220 million from the bridge facility at the time of closing the Greens Creek transaction. If the market prices for the metals we produce fall below our production or development costs for a sustained period of time, our ability to service our debt obligations associated with this transaction may be adversely affected.

The following table sets forth the average daily closing prices of the following metals for the year ended December 31, 1995, 2001 and each year thereafter through 2007, and for the three months ended March 31, 2008.

	2008	2007	2006	2005	2004	2003	2002	2001	1995
Silver (1) (per oz.)	$ 17.68	$ 13.39	$ 11.57	$ 7.31	$ 6.66	$ 4.88	$ 4.60	$ 4.37	$ 5.20
Gold (2) (per oz.)	$ 926.78	$ 696.66	$ 604.34	$ 444.45	$ 409.21	$ 363.51	$ 309.97	$ 272.00	$ 384.16
Lead (3) (per lb.)	$ 1.30	$ 1.17	$ 0.58	$ 0.44	$ 0.40	$ 0.23	$ 0.21	$ 0.22	$ 0.29
Zinc (4) (per lb.)	$ 1.10	$ 1.47	$ 1.49	$ 0.63	$ 0.48	$ 0.38	$ 0.35	$ 0.40	$ 0.47

(1) London Fix

(2) London Final

(3) London Metals Exchange — Cash

(4) London Metals Exchange — Special High Grade — Cash

On May 9, 2008, the closing prices for silver, gold, lead and zinc were $16.97 per ounce, $876.00 per ounce, $1.09 per pound and $0.99 per pound, respectively.

Failure to comply with debt covenants could adversely affect our financial results or condition.

In September 2005, we entered into a $30.0 million revolving credit agreement that includes various covenants and other limitations related to our indebtedness and investments that require us to maintain customary measures of financial performance. At March 31, 2008, we did not have an outstanding balance under the credit agreement and were in compliance with our covenants. The revolving credit agreement was replaced on April 16, 2008 by a restated and amended credit agreement in connection with our acquisition of the companies owning 70.3% of the Greens Creek mine, as discussed below.

Our acquisition of the companies owning 70.3% of the Greens Creek mine (see *Note 1* 3of *Notes to the Condensed Consolidated Financial Statements* for further discussion) was partially funded by a $380 million debt facility, which includes a $140 million three-year term facility and a $240 million bridge facility, which matures in six months. We utilized $220 million from the bridge facility at the time of closing the Greens Creek transaction. The debt facility includes various covenants and other limitations related to our indebtedness and investments that require us to maintain customary measures of financial performance. We believe we will be able to comply with such requirements in the future, although failure to do so could adversely affect our results or financial condition and may limit our ability to obtain financing.

The retirement of our bridge facility may materially adversely affect us.

We utilized $220 million of a $240 million six-month bridge debt facility established in connection with our April 16, 2008 acquisition of the companies owning 70.3% of the Greens Creek mine. During the next several months, we will be evaluating various alternatives to meet our obligation for the bridge loan, which may include potential refinancing arrangements, equity issuances, deferment of capital investing activities, and/or divestitures of properties. It is currently uncertain to us which of, and to what extent, these financial sources for retiring the bridge facility will be used, and there can be no assurance that such financing will be available to us, or that our financial position and results of operations will not be materially adversely affected as a result.

OPERATION, DEVELOPMENT, EXPLORATION AND ACQUISITION RISKS

Political, social and regulatory change in Venezuela may adversely affect us.

We face continued uncertainty in Venezuela relating to political, regulatory, legal enforcement, security and economic matters, exportation and exchange controls, tax matters and the possible effects of all of these uncertainties on our operations. Risks due to changes in policy or demands of governmental agencies or their officials, litigation, labor stoppages, industry nationalization, cancellation of concessions or permits or delays or refusals to provide such, seizures of assets, relationships with small mining groups as well as community groups in the vicinity of our mining operations and the impact on commodities necessary to operate, mean there can be no assurance we will be able to operate without interruptions to our operations.

Any such factors or occurrences may have a material adverse effect on our financial results or condition. Specifically, we are currently subject to the following business risks in Venezuela, which are discussed in more detail in *MD&A* :

- On May 8, 2008, Hecla Mining Company, through its Venezuelan affiliate El Callao Gold Mining Company de Venezuela, SCS (“ECGMCV”), received notification from the Venezuelan Ministry for Basic Industries and Mining (“MIBAM”) that it was to “temporarily suspend exploration, exploitation and evaluation work on Block B.” The notification, signed by the Director of Fiscalization for MIBAM, alleges issues with:

  - Our compliance with the social commitment we have with the community close to the mine; and

  - Unsafe underground working conditions at the mine related to an inspection performed by MIBAM on April 24, 2008.

  The notification provides ECGMCV ten business days to respond to MIBAM’s assertions and lists no specific milestones for correction of the alleged problems. We disagree with the allegations in the notice and will contest the notification vigorously.

  Our ongoing mining operation, at Mina Isidora, exists within the Block B lease addressed in the MIBAM notice. If mining operations are compromised in Block B, we may face the loss of revenues, additional costs, and possible asset impairment charges. We have property, plant, and equipment at our Block B lease with book value totaling approximately $29.0 million, representing approximately 4% of our total assets at March 31, 2008, that may require write-down if future cash flows are reduced or eliminated. In addition, compromise of the Block B lease may result in write-down of our assets at the La Camorra concession as described below. Gross profit from our

Venezuelan operations represented approximately 14% of our total gross profit for the three-month period ended March 31, 2008.

- In April 2008, another mining company announced that the Venezuelan Ministry of Environment ("MinAmb") communicated its plan to rescind a recently issued permit for the commencement of the construction of their open pit gold mining project in Venezuela. Also in April 2008, and in a separate communication from the MinAmb notice discussed above, another mining company owning concessions in Venezuela announced that they received a communication from MinAmb denying a request for the authorization to affect natural resources to carry out exploration activities in the mining area of the concessions. In their communications to the companies, MinAmb referenced, among other things, sensitivities relating to the indigenous peoples in the area, the presence of small local mine operations, and the environment in the Imataca Forest Reserve. The MinAmb communications appear to be in conflict with recent permit approvals and other communications between the companies and MinAmb relating to these projects, and may indicate a general opposition by MinAmb to all mining activities in the Imataca region. Although we have not received similar communications from MinAmb relating to our La Camorra concessions and Mina Isidora lease, there can be no assurances that we will not receive such communications in the future, or that our Venezuelan operations will not be materially adversely affected as a result of MinAmb's opposition to mining activities in the region where our operations are located.

- Also in April 2008, the energy and oil minister of Venezuela denounced action taken by Exxon Mobil in a court in the Netherlands to freeze certain assets of Petroleos de Venezuela SA, the state-run oil company in Venezuela. The action by Exxon Mobil is pursuant to arbitration last year following contract changes by the government of Venezuela. The Venezuelan government seeks to challenge treaty protection by multi-national companies that establish parent companies in the Netherlands for their Venezuelan operations. Some of our assets in Venezuela are owned by a wholly-owned subsidiary of ours domiciled in the Netherlands. A successful challenge by the government of Venezuela may impair treaty protection which we believe is currently available to us.

- In January 2007, the Venezuelan government announced its intentions to nationalize certain strategic sectors, including petroleum and communications, now owned by private entities. In April 2008, president Hugo Chavez announced plans to nationalize major cement companies, and stated that he would sign an expropriation decree to acquire the majority interest in Venezuela's largest steelmaker, currently held by a Luxembourg parent, if the company and the Venezuelan government were unable to agree on a settlement. There has been no announced determination that the mining industry in Venezuela will be considered for nationalization, however, there can be no assurance that our operations in Venezuela will not be affected by the actions of the government in this capacity.

- A fixed exchange rate of Venezuelan currency with the U.S. dollar has impacted our costs and operating cash flows. The 2005 Criminal Exchange Law imposes strict sanctions, both criminal and economic, for currency exchanges outside the officially designated methods or for obtaining foreign currency under false pretenses. Effective January 1, 2007, we implemented a change in the functional currency for our Venezuelan operations from the U.S. dollar to the Bolívar, the local currency in Venezuela. For more information on the functional currency change for our Venezuelan operations, see *Note 18* of *Notes to the Consolidated Financial Statements* in our annual report filed on Form 10-K for the year-ended December 31, 2007.

- In October 2007, the Company's subsidiary, Minera Hecla Venezolana, C.A. ("MHV"), received notice from MIBAM that it would commence administrative proceedings that it said could lead to the revocation of MHV's La Camorra concession ("Notice"). The Notice said it was based upon the alleged exhaustion of the gold reserves at the La Camorra concession and upon the alleged non-payment of an extraction tax. Hecla has ongoing mining operations at Mina Isidora that process ore at the La Camorra mill and has had, and plans to continue to have, independent contractors that extract ore from the La Camorra concession on the Company's behalf. If the La Camorra concession is revoked, we may face additional costs or asset write-downs. For example, we have property, plant and equipment at our La Camorra concession with book value totaling approximately $5.4 million at March 31, 2008 which may require write-down if the concession is revoked without government compensation. In addition, we would need to process ore from our Mina Isidora mine at a different facility. While milling capacity exists with other mining companies in the vicinity of Mina Isidora, we could incur additional costs for tolling our ore as opposed to hauling it to our La Camorra mill for processing. We have not determined how much, if any, additional costs would be incurred. The Company and MHV disagree with the assertions in the Notice. We have filed a formal disagreement with MIBAM, and have not received a response. We continue to contest the Notice vigorously. However, there can be no assurance that our operations in Venezuela will not be affected by the government's proceedings addressed in the Notice.

- Venezuela has had high levels of inflation in the recent past. Continued or increased inflation there could increase the prices we pay for products and services, including wages for our employees.

- Movement of cash from Venezuela, at the official exchange rate, is regulated by the 2005 Criminal Exchange Law. We are able to repatriate cash to the U.S., however, in doing so we must utilize specific government programs that have been limited or slow, or utilize negotiable instruments on which we have incurred losses (see *Note 1* of *Notes to the Condensed Consolidated Financial Statements* for further discussion).

We may be subject to a number of risks and uncertainties if our announced acquisition agreement fails to close.

In February 2008, we announced an agreement to purchase substantially all of the assets of Independence Lead Mines Company ("Independence"). For more information, see *Note 13* of

Notes to the Condensed Consolidated Financial Statements . Failure to complete this transaction could negatively impact our stock performance and future operations. For example:

- The price of our common stock may decline to the extent that the current market price reflects an assumption that the transactions will be completed.
- We must pay expenses related to the transaction, including substantial legal and accounting fees, even if the transaction is not completed. This could affect the results of our operations for the period during which the fees are incurred.
- We would continue to own our current interest, rather than the entire future interest in the Lucky Friday mine.

We may not realize the cost savings and other benefits we currently anticipate due to challenges associated with integrating the operations, personnel and other aspects of the companies owning 70.3% of the Greens Creek mine.

Our acquisition of the companies owning 70.3% of the Greens Creek mine reflects our expectation that the transaction will result in increased metals production, earnings and cash flow. These anticipated results will depend in part on whether we can successfully integrate the acquired companies' operations in an efficient and effective manner. This will present significant challenges to management, including integration of systems and personnel, unanticipated liabilities and costs, and the potential loss of key personnel. There can be no assurance that there will be operational or other synergies realized, or that the integration of the companies' operations, management and cultures will be timely or effectively accomplished. In addition, the integration of the companies may subject us to liabilities existing at the acquired companies, some of which may be unknown. While we have conducted due diligence on the operations of, and have participated in the Greens Creek Joint Venture with the acquired companies, there can be no guarantee that we are aware of any and all liabilities of the acquired companies. These liabilities, and any additional risks and uncertainties related to the acquisition not currently known to us or that we may currently deem immaterial, could negatively impact our business, financial condition and results of operations.

Item 6. Exhibits

See the exhibit index to this Form 10-Q for the list of exhibits.

Items 2, 3, 4 and 5 of Part II are not applicable and are omitted from this report.

SIGNATURES

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

HECLA MINING COMPANY
(Registrant)

Date: May 12, 2008 By /s/ Phillips S. Baker, Jr.

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

Date: May 12, 2008 By /s/ Lewis E. Walde

Lewis E. Walde, Vice President and
Chief Financial Officer

Index to Exhibits

2.1	Stock Purchase Agreement, dated as of February 12, 2008, by and among Kennecott Minerals Holdings Company, Hecla Admiralty Company, and Hecla Mining Company. Filed as exhibit 2.1 to Registrant's Current Report on Form 8-K filed on February 16, 2008 (File No. 1-8491), and incorporated herein by reference. *
2.2	Asset Purchase Agreement, dated as of February 12, 2008, by and among Hecla Mining Company, Hecla Merger Company and Independence Lead Mines Company. * **
2.3	Exploration, Development and Mining Operating Agreement, dated February 31, 2008, by and among Emerald Mining & Leasing, LLC, Golden 8 Mining, LLC, and Rio Grande Silver, Inc. Filed as exhibit 2.1 to Registrant's Current Report on Form 8-K filed on February 26, 2008 (File No. 1-8491), and incorporated herein by reference. *
3.1	Certificate of Incorporation of the Registrant as amended to date. Filed as exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (File No. 1-8491), and incorporated herein by reference. ***
3.2	Bylaws of the Registrant as amended to date. Filed as 3.1 to Registrant's Current Report on Form 8-K filed on December 6, 2007 (File No. 1-8491), and incorporated herein by reference.
4.1(a)	Form of Certificate of Designations. Filed as exhibit 3.1 to Registrant's Current Report on Form 8-K filed on December 14, 2007 (File No. 1-8491), and incorporated herein by reference.
4.1(b)	Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock of the Registrant. Filed as exhibit 4.1(a) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 1-8491), and incorporated herein by reference.
4.1(c)	Certificate of Designations, Preferences and Rights of Series B Cumulative Convertible Preferred Stock of the Registrant. Filed as exhibit 4.1(b) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 (File No. 1-8491), and incorporated herein by reference.

10.1	Employment Agreement dated March 26, 2008, between Hecla Mining Company and James A. Sabala, incorporated by reference herein to exhibit 10.1 to Registrant's Current Report on Form 8-K filed on March 27, 2008 (File No. 1-8491). Registrant has substantially identical agreements with each of Messrs. Phillips S. Baker, Jr., Ronald W. Clayton, Philip C. Wolf, Lewis E. Walde, Michael H. Callahan, Dean W. McDonald, Don Poirier and Ms. Vicki Veltkamp. (1)
10.2	Indemnification Agreement dated March 26, 2008, between Hecla Mining Company and James A. Sabala, incorporated by reference herein to exhibit 10.2 to Registrant's Current Report on Form 8-K filed on March 27, 2008 (File No. 1-8491).
10.3	Stock Purchase Agreement, dated as of February 12, 2008, by and among Kennecott Minerals Holdings Company, Hecla Admiralty Company, and Hecla Mining Company. Filed as exhibit 2.1 to Registrant's Current Report on Form 8-K filed on February 16, 2008 (File No. 1-8491), and incorporated herein by reference. *
10.4	Asset Purchase Agreement, dated as of February 12, 2008, by and among Hecla Mining Company, Hecla Merger Company and Independence Lead Mines Company. * **
10.5	Exploration, Development and Mining Operating Agreement, dated February 31, 2008, by and among Emerald Mining & Leasing, LLC, Golden 8 Mining, LLC, and Rio Grande Silver, Inc. Filed as exhibit 2.1 to Registrant's Current Report on Form 8-K filed on February 26, 2008 (File No. 1-8491), and incorporated herein by reference. *
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **

(1) Indicates a management contract or compensatory plan or arrangement.

*   The plans filed or incorporated by reference contain a brief list identifying the contents of all omitted schedules, which schedules Hecla Mining Company agrees to furnish supplementally to the Securities and Exchange Commission upon its request.

**   Filed herewith.

***   See also Exhibits 4.1(a), 4.1(b), and 4.1(c) hereto.

EXHIBIT 2.2

ASSET PURCHASE AGREEMENT

BY AND AMONG

INDEPENDENCE LEAD MINES COMPANY,

HECLA MINING COMPANY,

and

HECLA MERGER COMPANY

Dated as of

February__, 2008

TABLE OF CONTENTS

EXHIBITS

ANNEXES

ASSET PURCHASE AGREEMENT (this " Agreement "), dated as of February __, 2008, by and among Independence Lead Mines Company, an Arizona corporation (the " Company "), Hecla Mining Company, a Delaware corporation (" Parent "), and Hecla Merger Company, a Delaware corporation and a wholly-owned direct Subsidiary (as defined below) of Parent (" Buyer "). Each of Parent, Buyer and the Company are referred to herein as a " Party " and together as " Parties ."

RECITALS

WHEREAS, the Board of Directors of the Company (the " Company Board ") has determined that it is in the best interests of the Company and its shareholders, and has declared it advisable, to enter into this Agreement with Parent and Buyer providing for the sale of substantially all of the Company's assets to, and the assumption of certain expressly identified liabilities by, Buyer on the terms and conditions set forth in this Agreement (the " Asset Sale "), and in accordance with the Business Corporation Act of the State of Arizona (" ABCA "), and the Company Board has approved this Agreement, upon the terms and subject to the conditions set forth herein, and has, upon such terms and subject to such conditions, recommended that the shareholders of the Company vote in favor of the approval of the principal terms of this Agreement and the Asset Sale;

WHEREAS, the Parties intend that the Asset Sale will qualify as a reorganization within the meaning of Section 368(a)(1)(C) of the United States Internal Revenue Code of 1986, as amended (the " Code ").

WHEREAS, the Board of Directors of Buyer has unanimously approved and declared advisable this Agreement;

WHEREAS, Parent, on its own behalf and as the sole shareholder of Buyer, has adopted this Agreement and approved the Asset Sale and the other transactions contemplated hereby;

WHEREAS, Buyer desires to purchase from the Company, and the Company desires to sell to Buyer, all of the Acquired Assets (as defined below) and the Assumed Liabilities (as defined below) of the Company for the consideration and on the terms set forth in this Agreement;

WHEREAS, as soon as practicable after receipt of the consideration for the Acquired Assets and the Assumed Liabilities sold by the Company hereunder, the Company will distribute the consideration it receives pro rata to its shareholders and subsequently liquidate;

WHEREAS, concurrently with the execution of this Agreement, and as a condition and inducement to Buyer's and Parent's willingness to enter into this Agreement, certain shareholders of the Company are entering into a Shareholder Agreement with Buyer in the form of Exhibit A attached hereto (the " Shareholder Agreement "); and

WHEREAS, Parent, Buyer and the Company wish to make certain representations, warranties, covenants and agreements in connection with the Asset Sale and also to prescribe certain conditions to the Asset Sale, as set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth in this Agreement and intending to be legally bound hereby, the Parties agree as follows:

Article 1.
Defined Terms and Interpretation

Section 1.1 Certain Definitions . For purposes of this Agreement, the term:

" Affiliate " shall mean, as to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" (including the terms "controlled by" and "under common control with"), when used with respect to a specific Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by Contract or otherwise.

" Assigned Claims " shall mean any Claims the Company has against Parent, Buyer, and any of their respective Affiliates, officers, directors, employees, shareholders, agents, representatives, or attorneys, and any other Person relating to Company Properties and Contracts relating thereto or to any Parent disclosures or non-disclosures prior to the date of this Agreement.

" Business Day " shall mean any day that is not a Saturday, Sunday, or a legal holiday under the Laws of the State of Idaho or the State of Arizona.

" Claims " means all claims, causes of action, choses in action, rights of recovery and rights of set-off of whatever kind or description against any person or entity arising out of or relating to the Acquired Assets, the Company's business, or relating to the Company or any of its Affiliates, predecessors, or Subsidiaries.

" Company Material Adverse Effect " shall mean any event, change, circumstance, trend or occurrence that, individually or in the aggregate, has a material adverse effect on the Acquired Assets or the business, prospects, results of operations, or financial condition of the Company.

" Company Stock " shall mean the common stock of the Company, par value $0.10 per share.

" Employee Benefit Plan " shall mean any "Employee Pension Benefit Plan" or "Employee Welfare Benefit Plan" as defined under ERISA (whether or not subject to ERISA), and any incentive compensation plan, benefit plan for retired employees, plan or agreement providing for bonuses, commissions, pensions, profit-sharing, stock options, stock purchase rights, restricted stock, phantom stock, deferred compensation, accident, health or sickness insurance, retirement benefits, vacation, severance, disability, compensation, employee assistance or counseling, educational assistance, §125/cafeteria/flexible benefits, adoption

assistance, group legal (taxable or nontaxable, direct or indirect), fringe, or payroll practice of any nature, covering any current or former (including retired) employees of the Company.

" Equity Interest " shall mean any share, capital stock, partnership or membership unit or similar interest in any entity and any option, warrant, right, or security convertible, exchangeable or exercisable therefor.

" ERISA " shall mean the Employee Retirement Income Security Act of 1974, as amended.

" Governmental Entity " shall mean the United States or any state, local or foreign government, or instrumentality, division, subdivision, agency, department or authority of any thereof.

" Knowledge " shall mean (a) in the case of the Company, the actual knowledge of the Persons listed in Section 1.1 of the Company Disclosure Schedule and (b) in the case of Parent or Buyer, the actual knowledge of the Persons listed in Section 1.1 of the Parent Disclosure Schedule.

" Law " shall mean any domestic or foreign law, statute, code, ordinance, rule, regulation or Order.

" Lock-up Date " shall mean March 12, 2008.

" Material Adverse Change " shall mean a change or series of changes the consequence of which is a Company Material Adverse Effect.

" Parent Common Stock " shall mean the common stock, par value $0.25 per share, of the Parent.

" Pending Litigation " shall mean any existing lawsuits the Company has pending against Buyer, Parent, or any of their Affiliates, including the Company's existing lawsuits (a) pending in the United States District Court For The District Of Idaho, Case No. CV06-495-C-EJL, with Notice Of Appeal filed on October 5, 2007, to the United States Court Of Appeals For The Ninth Circuit; and (b) pending in the District Court Of The First Judicial District Of The State Of Idaho In And For The County Of Shoshone, Case No. CV-2007-3, with Notice Of Appeal filed in the Idaho Supreme Court on July 16, 2007, Supreme Court Docket No. 34400.

" Person " shall mean an individual, corporation, limited liability company, partnership, association, trust, unincorporated organization or other entity.

" Retained Liabilities " shall mean any liabilities or obligations of the Company or any of its Affiliates or predecessors, including, without limitation, those related to or associated with the Acquired Assets or the operation or condition of the Company's business, whether due or to become due, absolute or contingent, whether direct or indirect, asserted or unasserted, known or unknown, choate or inchoate including, without limitation, any collective bargaining agreement, any debts, liabilities, Claims (but excluding Assigned Claims) or obligations of any kind or nature, including, without limitation, those of any employee or former employee or relating to or

arising out of any Employee Benefit Plan and any Claims (but excluding Assigned Claims), grievances, lawsuits, arbitrations, administrative or other legal proceedings or investigations, but excluding the Assumed Liabilities.

" Shareholder Ratification " shall mean the ratification by the Company's shareholders at the Company Shareholders' Meeting, in compliance with the Company Articles, the Company Bylaws, and all applicable Laws, including, without limitation, the ABCA (collectively, the " Voting Requirements "), of all past actions purportedly taken by the Company that, under the Voting Requirements, required the consent of the Company's shareholders at a validly called and duly held meeting of the Company's shareholders at which a valid quorum as required by the Voting Requirements was present, but which consent was obtained at a shareholders' meeting that for any reason did not comply with the Voting Requirements, including, but not limited to, because a valid quorum as required by the Voting Requirements was not present at any such meeting, including the following past actions of the Company: (i) amending the Company Articles to increase the number of authorized shares of Company Stock from 5,000,000 shares to 10,000,000 shares, as the Company attempted to do at a special shareholders meeting held on or about September 23, 2005, (ii) all issuances of Company Common Stock in excess of 5,000,000 shares, and (iii) the election of the Company's board of directors at every purported annual meeting of the Company's shareholders held between 1998 and 2007.

" Stay Order " shall mean the Stipulations and proposed Orders (if any proposed order is required) to stay the existing Pending Litigation as provided in Section 2.10 of this Agreement. The forms of such Stipulations and proposed Orders (if any proposed order is required) shall be those set forth in Exhibit D .

" Subsidiary " or " Subsidiaries " of the Company, Parent, Buyer or any other Person shall mean any corporation, limited liability company, partnership or other legal entity of which the Company, Parent, Buyer or such other Person, as the case may be (either alone or through or together with any other Affiliate or Subsidiary thereof), owns, directly or indirectly, a majority of the stock or other Equity Interests, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

" Superior Proposal " shall mean a bona fide Takeover Proposal which the Company Board determines in good faith (after consultation with its outside legal counsel and financial advisors) (a) is reasonably likely to be consummated and (b) if consummated, would result in a transaction more favorable to the holders of Company Stock than the transactions provided for in this Agreement, in each case with respect to clauses (a) and (b), taking into account, in the reasonable good faith business judgment of the Company Board after consultation with its legal counsel and financial advisors, such factors as identity, reputation, and financial wherewithal of the Third Party making such Takeover Proposal and the legal, financial, regulatory, fiduciary and other aspects of this Agreement and such Takeover Proposal, including any conditions relating to financing, regulatory approvals or other events or circumstances.

" Takeover Proposal " shall mean any inquiry, proposal or offer from any Third Party relating to, in a single transaction or series of related transactions, (a) a merger, reorganization, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or

similar transaction involving a direct or indirect acquisition of the Company, (b) the acquisition (including by way of tender or exchange offer) in any manner, directly or indirectly, of over 20 percent of (i) the Company Stock then outstanding or (ii) the consolidated total assets (based on fair market value) of the Company in each case other than the Asset Sale, or (c) the assignment of any substantial portion of the Company's existing contractual rights relating to Parent, Buyer or the Lucky Friday mine or any real estate or mining right, prospect, or property.

" Third Party " shall mean any Person or "group" (within the meaning of Section 13(d)(3) of the Exchange Act) other than the Company, Parent or Buyer or any of their Subsidiaries.

Section 1.2 Terms Defined Elsewhere . The following terms are defined elsewhere in this Agreement, as indicated below:

" 2007 Financial Statements "	*Section 6.1.4*
" ABCA "	*Recitals*
" Acquired Assets "	*Section 2.1*
" Agreement "	*Preamble*
" Asset Sale "	*Recitals*
" Assumed Contracts "	*Section 2.9*
" Assumed Liabilities "	*Section 2.3*
" Bankruptcy and Equity Exceptions "	*Section 4.3.1*
" Buyer "	*Preamble*
" Cash On Hand "	*Section 4.8*
" Closing "	*Section 2.5*
" Closing Date "	*Section 2.5*
" Code "	*Recitals*
" Company "	*Preamble*
" Company Adverse Recommendation Change "	*Section 6.4.2*
" Company Articles "	*Section 4.4.1*
" Company Board "	*Recitals*
" Company Bylaws "	*Section 4.4.1*
" Company Contract "	*Section 4.10.1*
" Company Disclosure Schedule "	*Article 4*
" Company Expenses "	*Section 8.4.3*
" Company Financial Statements "	*Section 4.6.2*
" Company Leased Premises "	*Section 4.15*

" Company Owned Properties "	*Section 4.15*
" Company Permits "	*Section 4.5*
" Company Properties "	*Section 4.15*
" Company Recommendation "	*Section 4.3.2*
" Company Representatives "	*Section 6.3.1*
" Company SEC Filings "	*Section 4.6.1*
" Company Shareholders' Meeting "	*Section 6.2.2*
" Confidentiality Agreement "	*Section 6.3.2*
" Contract "	*Section 4.4.1*
" Environmental Laws "	*Section 4.12*
" Exchange Act "	*Section 4.4.2*
" Excluded Assets "	*Section 2.2*
" GAAP "	*Section 4.6.2*
" HSR Act "	*Section 4.4.3*
" Intellectual Property "	*Section 4.13*
" Liens "	*Section 4.4.1*
" NYSE "	*Section 5.3.2*
" Order "	*Section 4.11*
" Parent "	*Preamble*
" Parent Disclosure Schedule "	*Article 5*

“ Parent Expenses ”	*Section 8.4.1*
“ Parent Representatives ”	*Section 6.3.1*
“ Parent Shares ”	*Section 2.4*
“ Party ”	*Preamble*
“ Proxy Statement ”	*Section 6.2.1*
“ Real Property Leases ”	*Section 4.15*
“ Representative ”	*Section 6.3.1*
“ S-4 Registration Statement ”	*Section 6.2.1*
“ SEC ”	*Section 4.6.4*
“ Securities Act ”	*Section 4.6.1*
“ Share Consideration ”	*Section 2.4*
“ Shareholder Approval ”	*Section 4.3.1*

“ Shareholder Agreement ”	*Recitals*
“ State Takeover Statute ”	*Section 4.23*
“ Taxes ”	*Section 4.14.12*
“ Tax Return ”	*Section 4.14.12*
“ Termination Date ”	*Section 8.1(b)(ii)*
“ Termination Fee ”	*Section 8.4.1*
“ Voting Requirements ”	*Section 1.1*

Section 1.3 Interpretation . In this Agreement, unless otherwise specified, the following rules of interpretation apply:

(a) references to Sections, Schedules, Annexes, Exhibits, clauses and Parties are references to sections or subsections, schedules, annexes, exhibits and clauses of and parties to, this Agreement;

(b) references to any Person include references to such Person’s successors and permitted assigns;

(c) words importing the singular include the plural and vice versa;

(d) words importing one gender include the other gender;

(e) references to the word “including” do not imply any limitation;

(f) references to months are to calendar months;

(g) the words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(h) references to “$” or “dollars” refer to U.S. dollars;

(i) a defined term has its defined meaning throughout this Agreement and in each Exhibit and Schedule to this Agreement, regardless of whether it appears before or after the place where it is defined; and

(j) references to any specific provision of any Law shall also be deemed to be references to any successor provisions or amendments thereof and to any rules or regulations promulgated thereunder.

Article 2.
The Asset Sale; Related Transactions

Section 2.1 Transfer of Assets . On and subject to the terms and conditions of this Agreement, the Company agrees to sell, transfer, convey and deliver, and Buyer agrees to purchase from the Company, on the Closing Date, free and clear of all Liens, all of the properties and rights listed on Annex 2.1 hereto (" Acquired Assets ").

Section 2.2 Excluded Assets . Notwithstanding anything to the contrary herein, the assets and Contracts listed on Annex 2.2 hereto (the " Excluded Assets ") are not part of the sale and purchase contemplated hereunder, are excluded from the Acquired Assets and shall remain the property of the Company after the Closing.

Section 2.3 Assumption of Liabilities . Buyer does not and will not assume any obligation or liability of the Company or the Business other than obligations under the liabilities listed on Annex 2.3 hereto (the " Assumed Liabilities "). Without limiting the foregoing, Buyer will not, and shall not be deemed to, assume or otherwise succeed to, the Retained Liabilities, even if imposed upon Buyer as a successor to the Company.

Section 2.4 Purchase Price . In consideration of the acquisition of the Acquired Assets and in addition to the assumption of the Assumed Liabilities by Buyer, Buyer agrees to pay the aggregate consideration of 6,936,884 shares of Parent Common Stock duly registered for distribution under the Securities Act (the " Share Consideration "), but subject to the restrictions set forth in Section 6.11 hereof. At the Closing, Buyer shall pay the Purchase Price by delivering to the Company the shares of Parent Common Stock that comprise the Share Consideration (" Parent Shares "). Subject to the limits set forth in Section 8.3 hereof, Buyer shall bear the fees and costs of any stock certificates representing Parent Shares that are issued to shareholders of the Company pursuant to Section 6.11 hereof.

Section 2.5 Closing . The closing of the transactions contemplated hereby (" Closing ") shall be held at the offices of Parent, 6500 North Mineral Drive, Suite 200, Coeur d'Alene, Idaho 83815, on February __, 2008, at 10:00 a.m. Pacific time or, if later, the second Business Day following waiver or satisfaction of the conditions to Closing set forth herein, or at such other time and place as may be mutually agreed upon in writing by the Parties (the " Closing Date "); *provided* , *however* , that this Agreement may be terminated pursuant to and in accordance with Section 8.1 such that the Parties shall not be required to effect the Closing.

Section 2.6 Deliveries at Closing . At the Closing, (a) the Company shall deliver to Parent and Buyer the various agreements, certificates, instruments and documents referred to in Section 7.2; (b) Parent and Buyer shall deliver to the Company the various agreements, certificates, instruments and documents referred to in Section 7.3; (c) the Company shall execute, acknowledge (if appropriate) and deliver to Buyer (i) a bill of sale and assignment and assumption agreement in substantially the form attached hereto as Exhibit B (the " Bill of Sale ") and (ii) such other instruments of sale, transfer, conveyance and assignment as Buyer and its counsel may reasonably request; (d) Buyer shall execute, acknowledge and deliver to the Company (i) the Bill of Sale and (ii) such other instruments of assumption as the Company and its counsel may reasonably request; (e) the Parties shall have delivered the documents and

performed the obligations set forth in Section 7.1 hereof; (f) the Company will deliver the Acquired Assets to Buyer; and (g) Buyer will deliver to the Company the Purchase Price payable at the Closing as specified in Section 2.4.

Section 2.7 FIRPTA Certificate . On or prior to the Closing, the Company shall deliver to Parent a certification, in a form reasonably satisfactory to Parent, that the Company is not a foreign person in accordance with Treasury Regulations under section 1445 of the Code. If the Company has not provided the certification described above to Parent on or prior to the Closing, Buyer shall be permitted to reduce the Purchase Price by an amount equal to any required withholding tax under section 1445 of the Code.

Section 2.8 Risk and Loss Prior to Closing . Possession of the Acquired Assets will be given to Buyer at the Closing, and assumption of the Assumed Liabilities will occur at the Closing. Buyer will not acquire any title to the Acquired Assets or assume any of the Assumed Liabilities until possession has been given to it in accordance with this Section 2.8, and, accordingly, all risk and loss with respect to the Acquired Assets will be borne by the Company until possession has been given to Buyer.

Section 2.9 Assignment of Assumed Contracts and Rights . Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Contract or any claim or right or any benefit arising thereunder or resulting therefrom if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach or other contravention thereof or in any way adversely affect the rights of Buyer or the Company thereunder. The Company will use its best efforts to obtain the consent of the other parties to any Contract included in the Acquired Assets (each an " Assumed Contract ") or any claim or right or any benefit arising thereunder for the assignment thereof to Buyer as Buyer may request. If such consent is not obtained, or if an attempted assignment thereof would be ineffective or would adversely affect the rights of the Company thereunder so that Buyer would not in fact receive all such rights, the Company and Buyer will cooperate in any reasonable arrangement designed to provide for Buyer all benefits under such Assumed Contract, including enforcement for the benefit of Buyer of any and all rights of the Company against any other Person arising out of breach or cancellation by such other Person and including, if so requested by Buyer, acting as an agent on behalf of Buyer or as Buyer may otherwise reasonably require. The Company will promptly pay to Buyer when received all monies received by the Company with respect to any Acquired Asset or any claim or right or any benefit arising thereunder.

Section 2.10 Stay Order . Contemporaneously with the execution hereof, the Company and Parent agree to execute Stipulations for an Order staying the existing Pending Litigation in substantially the form of Exhibit D hereto and in accordance with the applicable Rules of Procedure on the grounds that the parties have entered into this Agreement which, if successfully concluded in accordance with its terms, will result in dismissal of the pending appeals by further stipulation of the parties and notice to the courts. Such stipulation shall further provide that upon termination of this Agreement, either party may move the courts to lift the stay on the grounds of unsuccessful conclusion of the same.

Article 3.
Intentionally Omitted

Article 4.
Representations and Warranties of the Company

The Company represents and warrants to Parent and Buyer that the statements contained in this Article 4 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for date of this Agreement throughout this Article 4), except as set forth herein or in the disclosure schedule delivered by the Company to Buyer on the date hereof (the " Company Disclosure Schedule "). Nothing in the Company Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein, however, unless the Company Disclosure Schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be deemed adequate to disclose an exception to a representation or warranty made herein (unless the representation or warranty has to do with the existence of the document or other item itself). The Company Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Article 4.

Section 4.1 Organization and Qualification; Subsidiaries . The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Arizona. The Company has no Subsidiaries and never has had any Subsidiaries except for Independence Resources, Inc., a Nevada corporation. Except as set forth in Section 4.1 of the Company Disclosure Schedule, the Company has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted or contemplated as of the date hereof. Subject to Section 4.1 of the Company Disclosure Schedule, the Company is duly qualified to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or good standing necessary, except for such failures to be so qualified or in good standing that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Set forth in Section 4.1 of the Company Disclosure Schedule is a list of each jurisdiction where the Company is qualified to do business. Attached to Section 4.1 of the Company Disclosure Schedule are complete and correct copies of the Company Articles and Company Bylaws, and all amendments thereto, as currently in effect. Except as set forth in Section 4.1 of the Company Disclosure Schedule, the Company is not in violation of its organizational or governing documents.

Section 4.2 Capitalization . Except as set forth in Section 4.2 of the Company Disclosure Schedule, the entire authorized capital stock of the Company consists of 10,000,000 shares of common stock, par value $0.10 per share, of which 5,780,737 shares are issued and outstanding and no shares are held in treasury. Except as set forth in Section 4.2 of the Company Disclosure Schedule, all of the outstanding shares of Company Stock have been duly authorized, are validly issued, fully paid, and nonassessable, and have been issued in compliance with all applicable Laws. There are no outstanding or authorized options, warrants, purchase rights, preemptive rights, rights of first refusal, subscription rights, conversion rights, exchange rights,

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or other contracts or commitments that could require the Company to issue, sell, or otherwise cause to become outstanding any of its capital stock. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to the Company. Except as set forth in Section 4.2 of the Company Disclosure Schedule, the Company is not a party or subject to any agreement or understanding, and there is no agreement or understanding between any Persons, that affects or relates to the voting or giving of written consents with respect to any securities of the Company or the voting by any director of the Company. A table reflecting all sales, purchases, issuances, and redemptions by the Company of shares of its capital stock for the last three years is set forth in Section 4.2 of the Company Disclosure Schedule.

Section 4.3 Authority .

Section 4.3.1 *Company Authorization.* Except as set forth in Section 4.3.1 of the Company Disclosure Schedule, the Company has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. Except as set forth in Section 4.3.1 of the Company Disclosure Schedule, the execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, other than (i) the affirmative vote of holders of a majority of outstanding shares of Company Stock to approve the principal terms of this Agreement and the Asset Sale (the " Shareholder Approval ") and (ii) the affirmative vote of holders of that number of outstanding shares of Company Stock as required under the Voting

Requirements for the Company to validly obtain the Shareholder Ratification. Except as set forth in Section 4.3.1 of the Company Disclosure Schedule, this Agreement has been duly authorized and validly executed and delivered by the Company and, assuming this Agreement is a valid and binding obligation of Parent and Buyer, this Agreement constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to the effect of bankruptcy, insolvency (including all Laws relating to fraudulent transfers), reorganization, moratorium and similar Laws relating to or affecting creditors' rights or remedies and the effect of general principles of equity, whether considered in a proceeding in equity or at law (including the possible unavailability of specific performance or injunctive relief), and the discretion of the court before which a proceeding is brought (the " Bankruptcy and Equity Exceptions ").

Section 4.3.2 *Board Action.* Subject to Section 6.4, the Company Board, by resolutions duly adopted at meetings duly called and held, has (a) determined that this Agreement and the transactions provided for herein are fair to and in the best interest of the Company and the holders of Company Stock, (b) approved and declared advisable this Agreement and the transactions contemplated hereby, including the Asset Sale and the Shareholder Ratification, (c) determined that the Company is solvent under the ABCA and all other applicable Laws, (d) determined that the Purchase Price received by it represents fair value for the Acquired Assets, and (e) resolved to recommend in accordance with applicable Law that the holders of Company Stock vote in favor of the approval of this Agreement and the Asset Sale (the " Company Recommendation ") and the Shareholder Ratification; *provided, however* , that the

foregoing representations and warranties by the Company that the board resolutions were duly adopted at meetings called and held, are subject to the disclosure contained in Section 4.3.2 of the Company Disclosure Schedule.

Section 4.4 No Conflict; Required Filings and Consents .

Section 4.4.1 *No Conflict.* The execution, delivery and performance by the Company of this Agreement do not, and the consummation by the Company of the transactions contemplated hereby will not, (a) assuming the Shareholder Approval and the Shareholder Ratification is obtained, conflict with or violate any provision of the Articles of Incorporation of the Company (as amended), as in effect on the date hereof (the " Company Articles "), or the Bylaws of the Company (as amended), as in effect on the date hereof (the " Company Bylaws "), (b) assuming that all consents, approvals and authorizations described in Section 4.4.2 have been obtained prior to the Closing and all filings and notifications described in Section 4.4.2 have been made and any waiting periods thereunder have terminated or expired prior to the Closing, conflict with or violate any Law applicable to the Company or by which any property or asset of the Company is bound or (c) require any consent or approval under, result in any breach of or any loss of any benefit under, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any right of termination, suspension, revocation, amendment, acceleration or cancellation of, or result in the creation of any pledges, liens, charges, mortgages, encumbrances or security interests of any kind whatsoever (collectively, " Liens ") on any property or asset of the Company pursuant to, any note, bond, mortgage, indenture, lease, license, permit, concession, franchise, contract, agreement or other instrument or obligation (each, a " Contract ") to which the Company is a party or by which any of its properties or assets are bound, except, with respect to clauses (b) and (c), for matters that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

Section 4.4.2 *Consents.* Except in the case of the contingent event described in Section 6.14, the execution, delivery and performance of this Agreement by the Company do not, and the consummation of the transactions contemplated hereby will not, require the Company to obtain any consent, approval or authorization of, or make any filing with or notification to, any Governmental Entity, except (a) under the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the " Exchange Act ") (including the filing of the Proxy Statement) and any applicable state securities, takeover or "blue sky" Laws and (b) where the failure to obtain such consents, approvals or authorizations, or to make such filings or notifications would not (i) prevent or materially delay or impede performance by the Company of any of its obligations under this Agreement or (ii) individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

Section 4.4.3 *HSR Act* . The Company is its own "ultimate parent entity" as that term is defined under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the " HSR Act "), and the Company has annual net sales of less than $12 million and has total assets of less than $12 million, determined in accordance with the HSR Act.

Section 4.5 Compliance with Laws Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (i) the Company holds all permits, licenses, franchises, approvals, registrations, qualifications, rights, variances, certificates, certifications and consents granted by Governmental Entities (collectively, " Company Permits ") necessary for the ownership, use and operation of its assets and properties, and such Company Permits are in full force and effect and (ii) the Company is not in violation of any Law applicable to the Company. Section 4.5 of the Company Disclosure Schedule lists all Company Permits.

Section 4.6 SEC Filings; Financial Statements .

Section 4.6.1 *Company SEC Filings* . Except as set forth in Section 4.6.1 of the Company Disclosure Schedule, the Company has filed all reports, schedules, forms, statements or other documents required to be filed by it under the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the " Securities Act "), and the Exchange Act since January 1, 2002 (collectively, the " Company SEC Filings "). Except as set forth in Section 4.6.1 of the Company Disclosure Schedule, each Company SEC Filing (a) as of its date, complied as to form in all material respects with the applicable requirements of the Securities Act or the Exchange Act, as the case may be, as in effect on the date so filed, (b) did not, at the time it was filed (or, if subsequently amended or supplemented, at the time of such amendment or supplement), contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (c) which contains annual financial statements, such financial statements have been audited by an independent certified public accounting firm.

Section 4.6.2 *Financial Statements* . Except as set forth in Section 4.6.2 of the Company Disclosure Schedule, each of the consolidated financial statements (including, in each case, any notes thereto) of the Company contained in the Company SEC Filings (collectively, the " Company Financial Statements ") was audited (or reviewed and consented to in the case of Form 10-Q or 10-QSB) by an independent certified public accounting firm and prepared in accordance with United States generally accepted accounting principles (" GAAP "), applied (except as may be indicated in the notes thereto and, in the case of unaudited quarterly financial statements, as permitted by Form 10-Q or 10-QSB under the Exchange Act) on a consistent basis during the periods indicated (except as may be permitted or required under GAAP and indicated in the Company SEC Filings), and each of the Company Financial Statements presents fairly, in all material respects, the consolidated financial position of the Company as of the respective dates thereof and the consolidated statements of income, stockholders' equity and cash flows of the Company for the respective periods indicated therein (subject, in the case of unaudited financial statements, to normal period-end adjustments).

Section 4.6.3 *No Undisclosed Liabilities* . The Company has no contingencies, liabilities or obligations of a nature (whether accrued, absolute, contingent or otherwise), except for contingencies, liabilities or obligations (a) which would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (b) that were incurred after September 30, 2007 in the ordinary course of business, consistent with past practice, and which are disclosed in Section 4.6.3 of the Company Disclosure Schedule, (c) that were incurred under

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this Agreement or in connection with the transactions contemplated hereby or (d) that were disclosed or reserved against in the Company Financial Statements (including the notes thereto).

Section 4.6.4 *Internal Controls* . Except as set forth in Section 4.6.4 of the Company Disclosure Schedule, since January 1, 2004, the Company has not disclosed to the Company's auditors or the audit committee of the Company Board, and to the Company's Knowledge there are not any significant deficiencies or material weaknesses in the design or operation of the Company's internal control over financial reporting that are reasonably likely to adversely affect in any material respect the Company's ability to record, process, summarize and report financial information. Except as set forth in Section 4.6.4 of the Company Disclosure Schedule, since January 1, 2004, there has not been any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting. The Company maintains disclosure controls and procedures and internal control over financial reporting (as such terms are defined in paragraph (e) and (f) of Rule 13a-15 under the Exchange Act) as required by Rule 13a-15 under the Exchange Act. Except as set forth in Section 4.6.4 of the Company Disclosure Schedule, since January 1, 2004, the Company has been in compliance in all material respects with the applicable provisions of the United States Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated by the Securities and Exchange Commission (the " SEC ") thereunder.

Section 4.7 Affiliate Transactions . Except as otherwise disclosed in a Shareholder Rights Agreement, as set forth in Form 8-K, filed May 14, 2007, no executive officer or director of the Company or any Person who beneficially owns five percent or more of the Company Stock is a party to any Contract with or binding upon the Company or any of its properties or assets or has any interest in any property owned by the Company or has engaged in any transaction with the Company within the 12-month period preceding the date of this Agreement.

Section 4.8 Absence of Certain Changes . Except for the transactions contemplated hereby or related hereto, (i) from December 31, 2006 through the date of this Agreement, the Company has, in all material respects, conducted its business in the ordinary course consistent with past practice, and (ii) since December 31, 2006, there has not been any Company Material Adverse Effect. For the 90 days preceding the date of this Agreement, the Company has not issued or sold any shares of capital stock, or any options, warrants or other rights to acquire shares of capital stock. Section 4.8 of the Company Disclosure Schedule sets forth the Company's current cash, cash equivalents and marketable securities (collectively, " Cash On Hand "), and the changes (if any) to the Cash On Hand for the 90 days preceding the date of this Agreement that, in the aggregate, total more than $10,000.

Section 4.9 Employees and Benefits .

Section 4.9.1 The Company has no employees, and has not had any employees since January 1, 2000.

Section 4.9.2 The Company is not a party to or bound by any Employee Benefit Plan.

Section 4.9.3 The Company does not maintain, contribute to or have an obligation to contribute to, or have any Liability under or with respect to any Employee Benefit Plan.

Section 4.9.4 The Company does not maintain, contribute to or have an obligation to contribute to, or have any Liability under or with respect to any "multiemployer plan" (as defined in Section 3(37) of ERISA).

Section 4.10 Material Contracts; Indebtedness .

Section 4.10.1 *Contracts.* Set forth in Section 4.10 of the Company Disclosure Schedule is a list of all Contracts to which the Company is party or by which the Company is bound:

(i) which, as of the date hereof, is a "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K promulgated by the SEC);

(ii) with respect to (i) any joint venture or partnership arrangements that are material to the Company, or (ii) the purchase of any Equity Interest in any other entity;

(iii) pursuant to which any indebtedness for borrowed money of the Company is outstanding or may be incurred;

(iv) relating to a guarantee by the Company of indebtedness of any Third Party;

(v) relating to any lease or pending acquisition or disposition by the Company of properties or assets;

(vi) which contains covenants limiting the ability of the Company to engage in any of its principal lines of business, or to compete with any Person or operate at any geographic location with respect to any of its principal lines of business;

(vii) any employment or consulting agreement, contract or commitment with any officer, director, or employee of the Company;

(viii) any Contract the performance of which will involve consideration in excess of $5,000 in the aggregate; or

(ix) which relate to any interest in any real property, mining claim, mineral interest, or operating business, including any environmental claim or remediation obligation relating thereto.

Each Contract of the type described in this Section 4.10.1 is referred to herein as a " Company Contract ."

Section 4.10.2 *Binding Obligations.* Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (a) the Company and each other party thereto, has performed all obligations required to be performed by it under each Company Contract (excluding performance obligations not yet due) and (b) the Company has not received written notice of a default under any Company Contract or of any event or condition which, after notice or lapse of time or both, will constitute a default on the part of the Company under any Company Contract.

Section 4.11 Litigation Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect and the Pending Litigation, (a) there are no claims, actions, suits, proceedings or investigations pending or, to the Knowledge of the Company, threatened against the Company, (b) the Company is not subject to any outstanding order, judgment, writ, stipulation, award, injunction, decree, arbitration award or finding of any Governmental Entity (" Order "), and (c) all claims, actions, suits, proceedings or investigations pending and, to the Knowledge of the Company, threatened against the Company, and any Order to which the Company is subject, including, in all cases where the Company is or was the plaintiff, are disclosed in Section 4.11 of the Company Disclosure Schedule.

Section 4.12 Environmental Matters . Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect: (a) the Company is in compliance with all applicable Laws relating to the protection of the environment or to occupational health and safety (" Environmental Laws "), (b) the Company possesses all Company Permits issued pursuant to Environmental Laws that are required to conduct the business of the Company as it is currently conducted, and to lease, own, use and operate its properties (including the Company Properties) and assets, (c) to the Knowledge of the Company, there has been no release of any waste, material or substance defined as a "hazardous substance," "hazardous material," or "hazardous waste" under any applicable Environmental Law into the environment as a result of the operations or activities of the Company at any of the Company Properties or any properties formerly owned or operated by the Company, in each case that would reasonably be expected to result in any liability to the Company under any Environmental Law and (d) the Company has never received any written claim or notice of violation from any Governmental Entity that remains outstanding alleging that the Company is in violation of, or liable under, any Environmental Law.

Section 4.13 Intellectual Property . Section 4.13 of the Company Disclosure Schedule sets forth a list of all patents, patent applications, registered trademarks and service marks and material internet domain names owned by the Company. Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (a) the Company owns (free and clear of any Liens), or possesses valid rights to use, all Intellectual Property necessary to conduct the business of the Company as it is currently conducted or is currently contemplated, and to lease, own, use and operate its properties (including the Company Properties) and assets, (b) to the Company's Knowledge, no Third Party is currently infringing or misappropriating any material Intellectual Property owned by the Company, and (c) the Company has not infringed or misappropriated any Intellectual Property of any Third Party or received any material written claim of infringement or misappropriation of any Intellectual Property of any Third Party. For purposes of this Section 4.13, " Intellectual Property " means the (a) patents and patent applications, (b) trademarks, service marks, trade

dress, trade names, internet domain names and registrations and applications for registration thereof, (c) copyrights and registrations and applications for registration thereof, (d) trade secrets and know-how, (e) all renewals and extensions of any registrations or applications thereof, and (f) all software.

Section 4.14 Taxes .

4.14.1 Required Taxes. All Tax Returns required to be filed by or with respect to the Company have been timely filed (taking into account any extension of time within which to file) and all such Tax Returns are true, correct, and complete in all respects.

4.14.2 Tax Matters. All Taxes of the Company due and payable have been timely paid (other than Taxes being contested in good faith by appropriate proceedings). The unpaid Taxes of the Company did not, as of the date of the most recent Company Financial Statements, materially exceed the reserve for Tax liabilities (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the balance sheet (rather than in any notes thereto) contained in such Company Financial Statements, and are described in Section 4.14.2 of the Company Disclosure Schedule.

4.14.3 No Deficiency. No deficiency for any amount of Taxes has been proposed, asserted or assessed in writing by any Governmental Entity against the Company that remains unpaid or unresolved. There are no audits, examinations or other administrative or judicial proceedings currently ongoing or pending with respect to any Taxes of the Company. There are no waivers or extensions of any statute of limitations currently in effect or requested with respect to Taxes of the Company.

4.14.4 Tax Withholding. All Taxes required to be withheld or collected by the Company in connection with amounts paid or owing to any employee, independent contractor, creditor or stockholder have been withheld and collected and, to the extent required by Law, timely paid to the appropriate Governmental Entity.

4.14.5 Liens. There are no Liens for Taxes upon any property or assets of the Company (including the Company Owned Properties), except for Liens for current Taxes not yet due and payable and Liens for Taxes being contested in good faith by appropriate proceedings.

4.14.6 Section 355. The Company has never been a party to any transaction treated by the parties as a distribution to which Code Section 355 applies.

4.14.7 Treasury Regulation §1.1502-6 . The Company is not liable for the Taxes of any other Person under (i) Treasury Regulation §1.1502-6 or any similar provision of state, local or foreign Tax Law, (ii) any contract or agreement or (iii) otherwise.

4.14.8 Real Property Holding Corporation Status. The Company is a United States real property holding corporation within the meaning of Code Section 897(c)(2) during the applicable period described in Code Section 897(c)(1)(A)(ii) and its common stock is traded on the Electronic Over-the-Counter Bulletin Board.

4.14.9 Section 481 Adjustments . The Company has not agreed to make nor is it required to make any adjustment under Section 481(a) of the Code by reason of a change in accounting method or otherwise that has not yet been taken into account.

4.14.10 Section 280G or Section 162(m) Payments . There is no contract, agreement, plan or arrangement covering any individual or entity treated as an individual included in the business or assets of the Company that, individually or collectively, could give rise to the payment by the Company, Buyer or Parent of any material amount that would not be deductible by reason of Sections 280G or 162(m) of the Code.

4.14.11 Tax Basis. Section 4.14.11 of the Company Disclosure Schedule sets forth the Company's Tax basis in each of the Acquired Assets.

4.14.12 Definitions. As used in this Agreement, (a) " Taxes " shall mean any and all taxes, assessments, levies, duties, tariffs, imposts and other charges in the nature of a tax (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Entity, including income, estimated income, franchise, windfall or other profits, gross receipts, property, sales, use, net worth, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, excise, withholding, ad valorem, stamp, transfer and value-added taxes and (b) " Tax Return " shall mean any return (including any information return), report, statement, schedule, notice, form, election, estimated Tax filing, claim for refund or other document (including any attachments thereto and amendments thereof) required to be filed with any Governmental Entity with respect to any Tax.

Section 4.15 Real Estate . Section 4.15 of the Company Disclosure Schedule sets forth all of the real property owned or leased by the Company, and all of its patented and unpatented mining claims. Except as set forth in such Schedule, with respect to each item of real property set forth in (or required to be set forth in) in Section 4.15 of the Company Disclosure Schedule, the Company (i) owns fee simple title to all of the owned real property set forth thereon, (ii) owns good and marketable title to all of the patented mining claims set forth thereon, and (iii) owns and possesses in compliance with all applicable Laws, subject to the paramount title in the United States, all of the unpatented mining claims set forth thereon (the " Company Owned Properties ") and has valid leasehold interests in all of its leased real property set forth in (or required to be set forth in) Section 4.15 of the Company Disclosure Schedule (the " Company Leased Premises ," and together with the Company Owned Properties, the " Company Properties "), in each case free and clear of all Liens. Except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, (a) all leases under which the Company leases any real property (the " Real Property Leases ") are valid and in full force and effect and constitute binding obligations of the Company and the counterparties thereto, in accordance with their respective terms, (b) there is not any existing default by the Company under any of the Real Property Leases that would give the lessor under such Real Property Lease the right to terminate such Real Property Lease or amend or modify such Real Property Lease in a manner adverse to the Company, and (c) no event has occurred which, after notice or lapse of time or both, would constitute a default by the Company under any Real Property Lease where such default if uncured would give the lessor under such Real Property Lease the right to terminate such Real Property Lease or amend or modify such Real Property

Lease in a manner adverse to the Company. Attached to Section 4.15 of the Company Disclosure Schedule are true and complete copies of all Real Property Leases, and, with respect to the Company Owned Properties, true and complete copies of all deeds, title insurance policies, surveys, and similar documents.

Section 4.16 Proxy Statement . The Proxy Statement will not at the time of the mailing of the Proxy Statement to the holders of Company Stock, at the time of the Company Shareholders' Meeting, or at the time of any amendments thereof or supplements thereto, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided* that no representation is made by the Company with respect to information supplied by, or the sufficiency of disclosures supplied by, Parent, Buyer or any Parent Representative. At the time of the Company Shareholders' Meeting, the Proxy Statement will comply as to form in all material respects with the requirements of the Exchange Act.

Section 4.17 Brokers . No broker, finder, financial advisor, investment banker or other Person is entitled to any brokerage, finder's, financial advisor's or other similar fee or commission in connection with the Asset Sale based upon arrangements made by or on behalf of the Company.

Section 4.18 Title to Acquired Assets; Condition of Acquired Assets .

Section 4.18.1 The Company owns and possesses all right, title and interest in and to the Acquired Assets free and clear of all Liens or other restrictions on transfer. The Company has the right, power and capacity to convey, transfer, assign and deliver to Buyer the Acquired Assets free and clear of any Lien or other restrictions on transfer, and the Company enjoys peaceful and quiet possession of the Acquired Assets. As of the Closing, Buyer will enjoy peaceful and quiet possession of and will have good and marketable title to the Acquired Assets, free and clear of all Liens. The Acquired Assets comprise all assets of any kind or character necessary or useful for the conduct and operation of the Company's business as it was operated by the Company during the twelve (12) month period prior to the Closing. The Acquired Assets to be transferred to Buyer will constitute at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets held by the Company immediately prior to the Closing.

Section 4.18.2 The Acquired Assets are in good condition and repair, and are useable in the ordinary course of business.

Section 4.18.3 Section 4.18.3 of the Company Disclosure Schedule sets forth a true, correct and complete list and description of all equipment, owned or leased, by the Company or otherwise pertaining to the Acquired Assets and true, correct and complete copies of all leases pertaining to leased equipment have been delivered to Buyer.

Section 4.19 Access to Information; Disclaimer . The Company acknowledges and agrees that it (a) has had an opportunity to discuss the business of Parent with the management of Parent, (b) has had reasonable access to the books and records of Parent for purposes of the

transactions contemplated by this Agreement, (c) has been afforded the opportunity to ask questions of and receive answers from the management of Parent, and (d) has conducted its own independent investigation of Parent, its businesses and the Asset Sale and the other transactions contemplated hereby, and the Company has not relied on any representation, warranty or other statement by any Person on behalf of Parent or Buyer, other than the representations and warranties of Parent and Buyer expressly contained in Article 5.

Section 4.20 Investment . The Company is not acquiring the Parent Shares or the Subsidiary with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act, except in connection with the pro rata distribution of the Parent Shares to the holders of Company Stock as soon as possible after the Closing Date in accordance with Section 6.11.

Section 4.21 Affiliate Status . Neither the Company nor any of its directors or officers own any shares of Parent Common Stock or any other Equity Interests of Parent.

Section 4.22 Solvency . The Company is solvent under the ABCA and all other applicable Laws.

Section 4.23 State Takeover Statutes . The Company has, or will have prior to the Closing, taken all necessary action so that, assuming compliance by Parent and Buyer with its obligations hereunder and the accuracy of the representations and warranties made by Parent and Buyer herein, no “business combination,” “moratorium,” “fair price,” “control share acquisition” or other state antitakeover statute or regulation (each a “ State Takeover Statute ”), nor any takeover-related provision in the Company Articles or the Company By-laws or any shareholder rights or similar plan, would (i) prohibit or restrict the Company’s ability to perform its obligations under this Agreement or any related agreement or its ability to consummate the transactions contemplated hereby and thereby, (ii) have the effect of invalidating or voiding this Agreement or any provision hereof or thereof, or (iii) adversely affect Buyer, Parent, or the cost of the Acquired Assets and Assumed Liabilities or Buyer’s ability to utilize the Acquired Assets or Assumed Liabilities post-Closing.

Section 4.24 Representations . The representations and warranties of the Company contained in this Agreement (including the Company Disclosure Schedule and all other certificates and instruments delivered pursuant to this Agreement), are true and correct, and do not omit to state any fact necessary in order to make any statement contained therein not false or misleading.

Article 5.
Representations and Warranties of Parent and Buyer

Parent and Buyer each severally represent and warrant to the Company that the statements contained in this Article 5 relating to it are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for date of this Agreement throughout this Article 5), except as set forth herein or in the disclosure schedule delivered by the Company to Parent on the date hereof (the “ Parent Disclosure Schedule ”). Nothing in the Parent Disclosure Schedule

shall be deemed adequate to disclose an exception to a representation or warranty made herein, however, unless the Parent Disclosure Schedule identifies the exception with reasonable particularity and describes the relevant facts in reasonable detail. Without limiting the generality of the foregoing, the mere listing (or inclusion of a copy) of a document or other item shall not be deemed adequate to disclose an exception to a representation or warranty made herein (unless the representation or warranty has to do with the existence of the document or other item itself). The Parent Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Article 5.

Section 5.1 Organization and Qualification . Parent is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Each of Parent and Buyer, as the case may be, has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. Each of Parent and Buyer, as the case may be, is duly qualified to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or good standing necessary, except for such failures to be so qualified or in good standing that would not, individually or in the aggregate, prevent or materially delay or impede performance by Parent or Buyer, as the case may be, of any of their material obligations under this Agreement. Parent has heretofore made available to the Company complete and correct copies of the certificate (or articles) of incorporation and bylaws of Parent and Buyer, and all amendments thereto, as currently in effect. Neither Parent nor Buyer, as the case may be, is in violation of its certificate (or articles) of incorporation or bylaws.

Section 5.2 Authority . Each of Parent and Buyer, as the case may be, has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by each of Parent and Buyer, as the case may be, and the consummation by Parent and Buyer, as the case may be, of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Parent and Buyer, as the case may be, and no other corporate proceedings on the part of Parent or Buyer, as the case may be, are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly authorized and validly executed and delivered by Parent and Buyer, as the case may be, and, assuming this Agreement is a valid and binding obligation of the Company, this Agreement constitutes a legal, valid and binding obligation of Parent and Buyer, as the case may be, enforceable against it in accordance with its terms, subject to the Bankruptcy and Equity Exceptions.

Section 5.3 No Conflict; Required Filings and Consents .

Section 5.3.1 *No Conflict.* The execution, delivery and performance by Parent and Buyer, as the case may be, of this Agreement do not, and the consummation by Parent and Buyer, as the case may be, of the transactions contemplated hereby will not, (a) conflict with or violate any provision of the certificate (or articles) of incorporation or bylaws of Parent or Buyer, as the case may be, (b) assuming that all consents, approvals and authorizations described in Section 5.3.2 have been obtained prior to the Closing and all filings and notifications described

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in Section 5.3.2 have been made and any waiting periods thereunder have terminated or expired prior to the Closing, conflict with or violate any Law applicable to Parent and Buyer, as the case may be, or by which any property or asset of Parent or Buyer, as the case may be, is bound or (c) require any consent or approval under, result in any breach of or any loss of any benefit under, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of any Liens on any property or asset of Parent or Buyer, as the case may be, pursuant to, any Contract to which Parent or Buyer, as the case may be, is a party or by which any of their respective properties or assets are bound, except with respect to clauses (b) and (c), for (i) consents which will have been obtained by the Closing Date, or (ii) matters that, individually or in the aggregate, would not prevent or materially delay or impede performance by Parent or Buyer, as the case may be, of any of their material obligations under this Agreement.

Section 5.3.2 *Consents.* The execution, delivery and performance of this Agreement by Parent and Buyer, as the case may be, do not, and the consummation of the transactions contemplated hereby will not, require Parent or Buyer, as the case may be, to obtain any consent, approval, or authorization of, or make any filing with or notification to, any Governmental Entity, except (a) under the Exchange Act (including a Schedule 13D with respect to the Shareholder Agreement), any applicable state securities, takeover or “blue sky” Laws, and the New York Stock Exchange (“ NYSE ”), or (b) where the failure to obtain such consents, approvals or authorizations, or to make such filings or notifications would not prevent or materially delay or impede performance by Parent or Buyer, as the case may be, of any of their material obligations under this Agreement.

Section 5.4 Orders . No Order has been entered or issued which restrains, enjoins or prohibits the consummation of the Asset Sale or any of the other transactions provided for herein.

Section 5.5 Ownership of Buyer . Parent owns 100 percent of the issued and outstanding Equity Interests of Buyer.

Section 5.6 Vote Required . No vote of the holders of any class or series of capital stock or other Equity Interests of Parent or Buyer, as the case may be, is necessary to approve or adopt this Agreement or the transactions contemplated hereby, other than the vote of Parent as the sole stockholder of Buyer, which has been received as of the date of this Agreement.

Section 5.7 Brokers . No broker, finder, financial advisor, investment banker or other Person is entitled to any brokerage, finder’s, financial advisor’s or other similar fee or commission payable by the Company in connection with the Asset Sale based upon arrangements made by or on behalf of Parent or Buyer, as the case may be.

Section 5.8 Proxy Statement . The information supplied or to be supplied by Parent or Buyer, as the case may be, for inclusion or incorporation by reference in the Proxy Statement, considered as a whole, will not at the time of the mailing of the Proxy Statement to holders of Company Stock, at the time of the Company Shareholders’ Meeting, or at the time of any amendments thereof or supplements thereto, contain any untrue statement of a material fact or

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omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Parent and Buyer, as the case may be, will use their reasonable best efforts to supply information about Parent or Buyer necessary for the preparation of the Proxy Statement (or any amendment thereof or supplement thereto) as promptly as practicable.

Section 5.9 Access to Information; Disclaimer. Each of Parent and Buyer acknowledges and agrees that it (a) has had an opportunity to discuss the business of the Company with the management of the Company, (b) has had reasonable access to the books and records of the Company for purposes of the transactions contemplated by this Agreement, (c) has been afforded the opportunity to ask questions of and receive answers from the management of the Company, and (d) has conducted its own independent investigation of the Company, its respective businesses and the Asset Sale and the other transactions contemplated hereby, and neither Parent nor Buyer has relied on any representation, warranty or other statement by any Person on behalf of the Company, other than the representations and warranties of the Company expressly contained in Article 4.

Section 5.10 Solvency. The Parent is solvent under the Delaware Business Corporation Act and all other applicable Laws.

Article 6.
Covenants

Section 6.1 Conduct of Business Pending the Closing.

Section 6.1.1 *Conduct of Business of the Company*. The Company agrees that, between the date of this Agreement and the Closing, except as permitted or contemplated by this Agreement or as consented to in writing by Buyer, the Company will in all material respects (it being understood that in no event shall the Company's participation in the negotiation (including activities related to due diligence), execution, delivery, public announcement or pendency of this Agreement or any of the transactions contemplated herein or any actions taken in compliance herewith or otherwise with the consent of Buyer be considered a breach of any of the provisions of this Section 6.1), conduct its business in the ordinary course consistent with past practice, provided that, except as permitted or contemplated by this Agreement, as required by applicable Law or as consented to in writing by Buyer, the Company shall not, between the date of this Agreement and the Closing, directly or indirectly, do, or agree to do, any of the following:

(a) amend or otherwise change any material provision of the Company Articles or the Company Bylaws, except as contemplated by the Shareholder Ratification;

(b) issue, deliver, sell, pledge or encumber, or authorize, propose or agree to the issuance, delivery, sale, pledge or encumbrance of, any shares of the capital stock of the Company, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of any class or series of the capital stock of the Company;

(c) declare, set aside, make or pay any dividend or other distribution (whether payable in cash, stock, property or a combination thereof) with respect to any of its capital stock;

(d) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock;

(e) acquire (including by merger, consolidation, or acquisition of stock or assets) or make any investment in any Equity Interest in any Person or any assets, loans or debt securities thereof, acquire or divest any Real Property Leases or other interest in real estate or enter into any material Contract, partnership, arrangement, joint development agreement or strategic alliance;

(f) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for, the indebtedness of any Person for borrowed money;

(g) grant any Lien in any of the Acquired Assets;

(h) enter into any new line of business outside of its existing business;

(i) pay, discharge, settle or satisfy any material claims, liabilities or obligations (absolute, accrued, contingent or otherwise), other than (i) performance of contractual obligations in accordance with their terms, (ii) payment, discharge, settlement or satisfaction in the ordinary course of business or (iii) payment, discharge, settlement or satisfaction in accordance with their terms, of claims, liabilities or obligations that have been (A) disclosed in the most recent Company Financial Statements (or the notes thereto) included in the Company SEC Filings filed prior to the date hereof or contemplated by documents made available to Parent prior to the date hereof or (B) incurred since the date of such financial statements in the ordinary course of business;

(j) adopt or enter into a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company (other than the Asset Sale);

(k) commence any litigation other than where the Company in good faith determines that failure to commence suit prior to the anticipated Closing Date would result in the material impairment of a valuable aspect of the business of the Company, provided that the Company consults with the Parent prior to the filing of such a suit and keeps Parent advised of the status and details of such litigation;

(l) sell, transfer, assign, lease, license, encumber or otherwise dispose of any of the Acquired Assets or terminate or waive any Assumed Contracts, claims, or rights;

(m) except as required by applicable Tax law, make or change any material election in respect of Taxes, adopt or change in any material respect any accounting method in respect of Taxes, file any material Return or any amendment to a material Return, enter into any closing agreement, settle any claim or assessment in respect of

Taxes (except settlements effected solely through payment of immaterial sums of money), or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes; or

(n) knowingly commit or agree to take any of the actions described in Sections 6.1.1(a) through 6.1.1(m) above or any action which would reasonably be expected to result in any of the conditions to the Asset Sale set forth in Article 7 not being satisfied.

Section 6.1.2 Conduct of Business of Parent and Buyer . Each of Parent and Buyer agrees that, between the date of this Agreement and the Closing, it shall not, and it shall cause its Subsidiaries not to, directly or indirectly, take any action that would, or would reasonably be expected to, individually or in the aggregate, materially delay or impede the consummation of the Asset Sale.

Section 6.1.3 No Control of Other Party's Business . Nothing contained in this Agreement shall give Parent or Buyer, directly or indirectly, the right to control or direct the Company's operations prior to the Closing, and nothing contained in this Agreement shall give the Company, directly or indirectly, the right to control or direct Parent's or Buyer's operations prior to the Closing. Prior to the Closing, each of the Company, Parent and Buyer shall exercise, consistent with the terms and conditions of this Agreement, complete and independent control and supervision over its and its Subsidiaries' respective operations.

Section 6.1.4 Audit of the Company's 2007 Financial Statements . The Company agrees that, between the date of this Agreement and the mailing of the Proxy Statement, it shall obtain and deliver a copy thereof to Parent, an audit by an independent certified public accounting firm and prepared in accordance with GAAP applied (except as may be indicated in the notes thereto) on a consistent basis during the periods indicated (except as may be permitted or required under GAAP) of each of the consolidated financial statements (including, in each case, any notes thereto) of the Company that will be required to be contained in the Company's Annual Report on Form 10-K (or 10-KSB if appropriate) for 2007 due to be filed with the SEC in March 2008 (collectively, the " 2007 Financial Statements "), and each of the 2007 Financial Statements will present fairly, in all material respects, the consolidated financial position of the Company as of the respective dates thereof and the consolidated statements of income, stockholders' equity and cash flows of the Company for the respective periods indicated therein (subject, in the case of unaudited financial statements, to normal period-end adjustments).

Section 6.2 Proxy Statement; Company Shareholders' Meeting .

Section 6.2.1 Proxy Statement . Subject to the terms and conditions of this Agreement, as promptly as reasonably practicable after the date hereof, the Company and Parent shall prepare and file with the SEC a proxy statement/prospectus and a form of proxy that will be part of Parent's previously filed registration statement on Form S-4 (the " S-4 Registration Statement ") in connection with the vote of the Company's shareholders with respect to the adoption of this Agreement and approval of the Asset Sale and the Shareholder Ratification, and in order to offer and sell under the Securities Act the Parent Shares issuable to the Company in connection with the Asset Sale (such proxy statement/prospectus, together with any amendments

thereof or supplements thereto, in each case in the form or forms mailed to the Company's shareholders is herein called the " Proxy Statement "). The Company, after consultation with Parent, will use reasonable best efforts to respond promptly to any comments made by the SEC with respect to the Proxy Statement. Parent and Buyer shall furnish all information relating to Parent and Buyer as the Company may reasonably request (or as may be required to be included in the Proxy Statement) in connection with such actions and the preparation of the Proxy Statement. Subject to the terms and conditions of this Agreement, as promptly as reasonably practicable after the clearance of the Proxy Statement by the SEC, the Company shall mail the Proxy Statement to the holders of shares of Company Stock. Subject to and without limiting the rights of the Company Board pursuant to Section 6.4.2, the Proxy Statement shall include the Company Recommendation. The Company will advise Parent, as promptly as reasonably practicable, after it receives notice thereof, of any request by the SEC for amendment of the Proxy Statement or comments thereon and responses thereto or requests by the SEC for additional information. If at any time prior to the Closing, any information, event or circumstance relating to any Party hereto, or their respective officers, directors, Affiliates or Representatives, should be discovered by any Party hereto which should be set forth in an amendment or a supplement to the Proxy Statement so that the Proxy Statement does not contain any untrue statement of material fact, or omit to state any material fact required to be stated therein in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the Party discovering such information, event or circumstance shall promptly inform the other Parties hereto and, to the extent required by Law, an appropriate amendment or supplement describing such information, event or circumstance shall be promptly prepared and filed by the Company with the SEC and, if required, disseminated to the holders of shares of Company Stock. Parent shall also take any action required to be taken under state blue sky or other securities laws in connection with the issuance of Parent Shares to the Company in connection with the Asset Sale.

Section 6.2.2 Company Shareholders' Meeting . Subject to Section 6.4, the Company shall call and hold a meeting of the holders of Company Stock (the " Company Shareholders' Meeting ") as promptly as reasonably practicable following the date on which the Proxy Statement is cleared by the SEC (but taking into account any advance notice or other requirements under applicable Law) for the purpose of obtaining the Shareholder Approval and the Shareholder Ratification. Subject to Section 6.4.2, the Company shall use its best efforts to obtain Shareholder Approval and the Shareholder Ratification and the vote necessary to approve the Asset Sale at the Company Shareholders' Meeting or any adjournment thereof. The Company will deliver to Buyer promptly after the conclusion of the Company Shareholders' Meeting a certificate of its Secretary stating the number of shares voted for and against the Asset Sale proposal and the Shareholder Ratification proposal, as well as, for both proposals, the number of abstentions and broker non-votes.

Section 6.3 Access to Information; Confidentiality .

Section 6.3.1 Access to Information . Subject to Section 6.3.2, from the date of this Agreement to the Closing or the earlier termination of this Agreement pursuant to Section 8.1, the Company shall, and shall instruct each of its directors, officers, employees, accountants, consultants, legal counsel, advisors, and agents and other representatives (collectively, " Company Representatives ") to: (a) provide to Parent and Buyer and each of their respective

officers, directors, employees, accountants, consultants, legal counsel, advisors, agents and other representatives (collectively, " Parent Representatives ," and, each, together with each of the Company Representatives, a " Representative ") access at reasonable times and upon reasonable prior notice to the Company, to the officers, employees, agents, properties, offices and other facilities of the Company and to the books and records thereof and (b) furnish, or cause to be furnished, such reasonably available information concerning the business, properties, Contracts, assets, liabilities, personnel and other aspects of the Company as Parent, Buyer or the Parent Representatives may reasonably request. Notwithstanding the foregoing, the Company shall not be required to provide access to or disclose information where such access or disclosure would contravene any Law, privilege recognized by Law, binding Contract to which the Company is party or any privacy policy applicable to the Company's customer information.

Section 6.3.2 Confidentiality and Restrictions . With respect to any information (i) disclosed or provided by the Company or any Company Representative to Parent, Buyer or any Parent Representative, and (ii) disclosed or provided by Parent or any Parent Representative to the Company or any Company Representative pursuant to, or in accordance with, this Agreement, the Parties shall comply with, and shall cause the Parent Representatives and the Company Representatives, respectively, to comply with, that certain confidentiality letter agreement, dated as of October 2, 2007, between the Company and Parent (as such agreement may be amended from time to time, the " Confidentiality Agreement "). The Confidentiality Agreement shall survive any termination of this Agreement.

Section 6.4 No Solicitation of Transactions .

Section 6.4.1 Limitations on Solicitation. The Company shall, and shall instruct the Company Representatives to, immediately cease and cause to be terminated any discussions or negotiations with any Third Parties (other than the Parent Representatives) that may be ongoing as of the date hereof with respect to a Takeover Proposal. The Company shall not, and shall instruct the Company Representatives not to, (a) directly or indirectly solicit, initiate, or knowingly encourage any Takeover Proposal, (b) enter into any agreement or agreement in principle with respect to a Takeover Proposal or (c) engage in any negotiations or discussions regarding, or furnish or disclose to any Third Party any information with respect to, any Takeover Proposal; *provided* , *however* , that at any time prior to obtaining the Shareholder Approval, in response to a bona fide Takeover Proposal received by the Company after the date hereof that was not solicited in violation of this Section 6.4.1 and that the Company Board determines in good faith (after consultation with its outside legal counsel and financial advisors) constitutes, or could reasonably be expected to lead to, a Superior Proposal and after the Company gives Parent written notice of its intention to do so, the Company may, subject to compliance with Section 6.4.2, (x) provide access to its properties, Contracts, personnel, books and records and furnish information, data and/or draft agreements with respect to the Company to the extent Parent, Buyer or the Parent Representatives had the right to such access to the Person making such Takeover Proposal (and its officers, directors, employees, accountants, consultants, legal counsel, advisors, agents and other representatives) if the Company Board receives from such Person a customary confidentiality agreement and (y) participate in discussions or negotiations with the Person making such Takeover Proposal (and its officers, directors, employees, accountants, consultants, legal counsel, advisors, agents and other representatives) regarding such Takeover Proposal.

Section 6.4.2 *Company Adverse Recommendation Change.* Notwithstanding any provision of this Section 6.4 or Section 6.2 to the contrary, the Company Board may (a) withdraw (or not continue to make) or modify, or publicly propose to withdraw (or not continue to make) or modify, the Company Recommendation, (b) approve, recommend or adopt, or publicly propose to approve, recommend or adopt, a Superior Proposal (any action described in the foregoing clause (a) or this clause (b), a " Company Adverse Recommendation Change ") and/or (c) enter into an agreement regarding a Superior Proposal, if (w) in the case of an action described in clause (a), clause (b) or clause (c) above, (A) the Company Board has determined in good faith (after consultation with its outside legal counsel) that the failure to take such action is reasonably likely to be inconsistent with the fiduciary duties of the members of the Company Board to the holders of shares of Company Stock under applicable Law and (B) the Company Board shall have considered in good faith (after consultation with its outside legal counsel and financial advisors) any changes or revisions to this Agreement proposed in writing by Parent and shall have determined in good faith (after consultation with its outside legal counsel and financial advisors) that the Superior Proposal would still constitute a Superior Proposal if such changes were to be given effect, (x) in the case of the Company Board's withdrawal or modification of the Company Recommendation, the Company has given Parent prior notice of its intention to take such action, (y) in the case of an action described in clause (b) or clause (c) above, (A) the Company has given Parent two Business Days' prior written notice of its intention to take such action and (B) the Company has complied in all material respects with its obligations under this Section 6.4 and (z) in the case of an action described in clause (c) above, the Company shall have terminated this Agreement in accordance with the provisions of Section 8.1(c)(ii) hereof and (*provided* that neither Parent nor Buyer is in material default hereunder) the Company pays Parent the Company Termination Fee and the Parent Expenses in accordance with Section 8.4.1.

Section 6.4.3 *Notice.* The Company shall promptly (and in any event within twenty-four (24) hours) advise Parent of the Company's receipt of any bona fide Takeover Proposal and the material terms thereof and promptly keep Parent informed of the status thereof including any material change to the terms of any Takeover Proposal. Following determination by the Company Board that a Takeover Proposal constitutes a Superior Proposal pursuant to Section 6.4.2, the Company shall deliver to Parent a written notice advising it that the Company Board has made such determination and specifying the material terms of such Superior Proposal.

Section 6.4.4 *Rule 14d-9, Etc.* Notwithstanding anything to the contrary contained herein, nothing in this Section 6.4 shall prohibit or restrict the Company or the Company Board from (a) taking and/or disclosing to the shareholders of the Company a position contemplated by Rule 14d-9 or Rule 14e-2 promulgated under the Exchange Act or (b) making any disclosure to the shareholders of the Company if, in the good faith judgment of the Company Board, such disclosure would be reasonably necessary under applicable Law (including Rule 14d-9 and Rule 14e-2 promulgated under the Exchange Act); *provided* , *however* , that in no event shall this Section 6.4.4 affect the obligations of the Company specified in Section 6.4.2.

Section 6.5 Reasonable Best Efforts; Further Assurances . Subject to the terms and conditions of this Agreement, including Section 6.4, each Party shall use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable under applicable Laws to consummate and make effective the Asset Sale and the other transactions

contemplated hereby. Without limiting the generality of the foregoing, at or after the Closing, at the request of Buyer, the Company shall (i) promptly execute and deliver or cause to be executed and delivered to Buyer all such deeds, assignments, bills of sale, endorsements, contract amendments, powers of attorney, and other documents, in addition to those otherwise required by this Agreement and (ii) take or cause to be taken such actions, in form and substance reasonably satisfactory to Buyer and its counsel, as Buyer may reasonably request in order to (a) vest in Buyer title to and possession of the Acquired Assets (including, but not limited to, obtaining consents of third parties under any of the Contracts) and (b) perfect and record, if necessary, the sale, transfer, assignment, conveyance, and delivery to Buyer of the Acquired Assets.

Section 6.6 Certain Notices . From and after the date of this Agreement until the earlier of the Closing or the termination of this Agreement pursuant to Section 8.1, the Company shall give prompt written notice to Buyer, and Buyer and Parent shall give prompt written notice to the Company, of (a) any material notice or other material communication received by such Party from any Governmental Entity in connection with this Agreement, the Asset Sale or the other transactions contemplated hereby or from any Person alleging that the consent of such Person is or may be required in connection with this Agreement, the Asset Sale or the other transactions contemplated hereby, (b) any material claims, actions, suits, proceedings or investigations commenced or, to such Party's knowledge, threatened against, relating to or involving or otherwise affecting such Party or any of its Subsidiaries which relate to this Agreement, the Asset Sale or the other transactions contemplated hereby and (c) any fact, event or circumstance known to such Party that would cause or constitute, or would reasonably be expected to cause or constitute, a breach in any material respect of such Party's representations, warranties, covenants or agreements contained herein or would prevent, delay or impede, or would reasonably be expected to prevent, delay or impede, the consummation of the Asset Sale or any other transaction contemplated by this Agreement; *provided* , *however* , that the delivery of any notice pursuant to this Section 6.6 shall not limit or otherwise affect any remedies available to the Party receiving such notice or prevent or cure any misrepresentations, breach of warranty or breach of covenant or failure to satisfy the conditions to the obligations of the Parties under this Agreement.

Section 6.7 Public Announcements . Except as set forth in this Section 6.7, the Parties agree that Parent will prepare and disseminate any press release or public announcement pertaining to the Asset Sale, and Parent shall consult in good faith with the Company as to the text of any such press release or public announcement, provided that all decisions with respect to such press releases and public announcements shall ultimately rest with Parent. Notwithstanding the foregoing, nothing herein shall prevent Company from meeting its disclosure requirements under the Exchange Act of this Asset Sale. The Company shall not issue any press release or public statement pertaining to the Asset Sale without consulting with, and obtaining the consent of Parent, which consent shall not be unreasonably withheld or delayed, except as required to comply with any Law. The Parties will prepare a joint release for the announcement of the execution of this Agreement.

Section 6.8 NYSE Listing . Parent agrees to authorize for listing on the NYSE the shares of Parent Common Stock issuable in connection with the Asset Sale, upon official notice

of issuance. Parent shall take all steps reasonably necessary to maintain the listing of the Parent Common Stock on the NYSE.

Section 6.9 Transfer Taxes . The Company shall cause to be paid promptly when due all Taxes and/or amounts owed by the Company by reason of the consummation of the transactions contemplated hereby under any applicable tax Law of any jurisdiction, foreign or domestic.

Section 6.10 State Takeover Statutes . If any State Takeover Statute or similar statute becomes applicable to this Agreement (including the Asset Sale and the other transactions contemplated hereby), each of Parent, Buyer, the Company and their respective Boards of Directors shall take all reasonable action necessary so that such transactions may be consummated as promptly as practicable on the terms contemplated hereby or otherwise act to eliminate or minimize the effect of such statute or regulation on this Agreement or the transactions contemplated hereby.

Section 6.11 Pro Rata Distribution of the Parent Shares . As soon as possible after the Closing Date, unless the Closing Date shall occur before the Lock-up Date, in which case as soon as possible after the Lock-up Date, and in any event, within 10 days after the later to occur of the Closing Date and the Lock-up Date, the Company shall distribute pro rata the Parent Shares to the holders of Company Common Stock. In no event will the Company sell any of the Parent Shares. In no event will the Parent or its affiliates, unreasonably impede or restrict the sale or other disposition of the Parent Shares by the holders of Company Common Stock, except as may be required under any applicable Law. The Company agrees to effect the distribution of Parent Shares to the holders of Company Common Stock in compliance with all applicable Laws and as Parent and its counsel may reasonably request, including by executing, acknowledging, and delivering such instruments necessary or useful to deliver the Parent Shares to the holders of Company Common Stock as Parent and its counsel may reasonably request, and at the Company's sole expense.

Section 6.12 Liquidation of the Company . The Company agrees that it will liquidate and dissolve promptly following the later to occur of the Closing or the Lock-up Date in compliance with all applicable Laws.

Section 6.13 Court Order . In the event the Company is unable to obtain either (or both) the Shareholder Approval or the Shareholder Ratification because it is unable to obtain a valid quorum under the Voting Requirements at the Company Shareholders' Meeting, including any adjournment thereof, and in the further event that Parent elects not to terminate this Agreement, the Company shall use its best efforts to obtain from the Superior Court of the State of Arizona in the County of Maricopa, an order in form and substance satisfactory to Parent in its sole discretion, that orders that the transactions contemplated by this Agreement, including the Asset Sale and the Shareholder Ratification, be approved by the actions of the Company's shareholders taken at the Company Shareholders' Meeting, despite there not being a valid quorum under the Voting Requirements at such meeting.

Article 7.
Closing Conditions

Section 7.1 Conditions to Obligations of Each Party Under This Agreement . The respective obligations of each Party to effect the Asset Sale and the other transactions contemplated hereby shall be subject to the satisfaction, or waiver, at or prior to the Closing Date, of the following conditions:

Section 7.1.1 *Shareholder Approval* . The Shareholder Approval shall have been obtained.

Section 7.1.2 *No Injunctions or Restraints* . No Law or Order issued by any court or other Governmental Entity of competent jurisdiction preventing the consummation of the Asset Sale or any other transaction contemplated by this Agreement shall be in effect; *provided* , *however* , that the right to assert that this condition has not been satisfied shall not be available to any Party who has not used its reasonable best efforts to prevent, resist, appeal, obtain consent under, resolve or lift, as applicable, such Law or Order or who has not complied in all material respects with its obligations under Section 6.5.

7.1.3 *SEC Matters.* No stop order suspending the effectiveness of the S-4 Registration Statement or any part thereof shall have been issued and no proceeding for that purpose, and no similar proceeding in respect of the Proxy Statement, shall have been initiated or threatened in writing by the SEC; and all requests for additional information on the part of the SEC shall have been complied with to the reasonable satisfaction of the Parties.

7.1.4 NYSE Matters. The Parent Shares issuable to the Company pursuant to this Agreement shall have been authorized for listing on the NYSE upon official notice of issuance.

Section 7.2 Additional Conditions to Obligations of Parent and Buyer . The obligations of Parent and Buyer to effect the Asset Sale and the other transactions contemplated hereby are also subject to the satisfaction of the following conditions, any one or more of which may be waived in writing by Parent in accordance with Section 8.5.

Section 7.2.1 Representations and Warranties . The representations and warranties of the Company set forth in Article 4 shall be true and correct as of the Closing Date as if made at and as of the Closing Date (except for those representations and warranties which address matters only as of an earlier date which shall have been true and correct as of such earlier date).

Section 7.2.2 Agreements and Covenants . The Company shall have performed or complied in all material respects with all material agreements and covenants required by this Agreement to be performed or complied with by the Company on or prior to the Closing Date.

Section 7.2.3 Litigation Dismissal and Release. The Company shall have dismissed all of the existing Pending Litigation it has instituted against Parent, Buyer and any of their Affiliates, and the Company shall have delivered a release to Parent and Buyer in the form of Exhibit C attached hereto.

Section 7.2.4 No Material Adverse Changes. There shall have been no Material Adverse Change.

Section 7.2.5 Instruments of Transfer. The Company shall have executed and delivered to the Buyer good and sufficient instruments of transfer transferring to Buyer title to all of the Acquired Assets as required pursuant to Section 2.6. The instruments of transfer must be in form and substance reasonably satisfactory to Buyer and its counsel, which form is usual and customary for transferring the type of property involved under the Laws of the jurisdictions applicable to such transfer.

Section 7.2.6 Evidence of Board and Shareholder Action . Parent shall have received evidence of the authorization of this Agreement and the transactions contemplated or required under this Agreement by the Company Board and the holders of Company Stock.

Section 7.2.7 Officer's Certificate . Parent shall have received a certificate of an officer of the Company confirming the satisfaction of the conditions set forth in Sections 7.2.1 through 7.2.6.

Section 7.2.8 Due Diligence . Parent shall be satisfied, in its sole discretion, with the results of its continuing business, legal, environmental, and accounting due diligence regarding the Company.

Section 7.2.9 Shareholder Agreement . Each of the following individuals shall have entered into a Shareholder Agreement with Parent in the form of Exhibit A attached hereto: Bernard C. Lannen, Wayne L. Schoonmaker, Gordon Berkhaug, and Robert Bunde.

Section 7.2.10 Shareholder Ratification . The Shareholder Ratification shall have been obtained.

Section 7.3 Additional Conditions to Obligations of the Company . The obligation of the Company to effect the Asset Sale and the other transactions contemplated hereby are also subject to the satisfaction of the following conditions, any one of which may be waived in writing by the Company in accordance with Section 8.5.

Section 7.3.1 Representations and Warranties . The representations and warranties of Parent and Buyer set forth in Article 5 shall be true and correct as of the Closing Date as if made at and as of the Closing Date (except for those representations and warranties which address matters only as of an earlier date which shall have been true and correct as of such earlier date).

Section 7.3.2 Agreements and Covenants . Parent and Buyer shall have performed or complied in all material respects with all material agreements and covenants required by this Agreement to be performed or complied with by Parent and/or Buyer, as applicable, on or prior to the Closing Date.

Section 7.3.3 Officer's Certificate . The Company shall have received a certificate of an officer of Parent confirming the satisfaction of the conditions set forth in Sections 7.3.1 and 7.3.2.

Section 7.3.4 *Litigation Dismissal and Release* . The Parent shall have dismissed all of the existing Pending Litigation they have instituted against the Company and any of their Affiliates, and the Parent shall have delivered a release to the Company in the form of Exhibit C attached hereto.

Section 7.4 Frustration of Closing Conditions . None of the Company, Parent or Buyer may rely on the failure of any condition set forth in Article 7 to be satisfied if such failure was caused by such Party's failure to act in good faith to comply with this Agreement or use its reasonable best efforts to consummate and make effective the transactions provided for herein.

Article 8.
Termination, Amendment and Waiver

Section 8.1 Termination . This Agreement may be terminated, and the Asset Sale contemplated hereby may be abandoned, at any time prior to the Closing, by action taken or authorized by the Board of Directors of the terminating Party, whether before or after the Shareholder Approval:

(a) by mutual written consent of Parent and the Company;

(b) by either Parent or the Company:

(i) if the Shareholder Approval is not obtained at the Company Shareholders' Meeting or any adjournment or postponement thereof at which adoption of this Agreement is voted upon; provided that the Company's right to terminate this Agreement under this Section 8.1(b)(i) shall not be available to the Company if the Company has not complied in all material respects with its obligations under Sections 6.2, 6.4 and 6.13 or Shareholder Approval is not obtained because of a breach of a Shareholder Agreement;

(ii) if the Asset Sale shall not have been consummated by the date that is six (6) months from the date hereof (the " Termination Date "); *provided* , *however* , that the right to terminate this Agreement under this Section 8.1(b)(ii) shall not be available to any Party if any action of such Party or the failure by any Party to perform any of its obligations under this Agreement has been the cause of, or resulted in, the failure of the Asset Sale and the other transactions contemplated by this Agreement to be consummated on or before the Termination Date; or

(iii) if (A) any Law prohibits or makes illegal the consummation of the Asset Sale or (B) any Order of any Governmental Entity having competent jurisdiction is entered enjoining the Company, Parent or Buyer from consummating the Asset Sale and such Order has become final and nonappealable, and, in either case, prior to termination pursuant to this Section 8.1(b)(iii), the Party terminating this Agreement shall have used its reasonable best efforts to prevent, resist, appeal, obtain consent under, resolve or lift, as applicable, the Law or Order and shall have complied in all material respects with its obligations under Section 6.5; *provided* , *however* , that the right to terminate this Agreement pursuant to this Section 8.1(b)(iii) shall not be available to any Party if any action of such Party or the failure by any Party to perform any of its obligations under

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this Agreement has been the cause of, or resulted in, the imposition of any such Order or the failure of such Order to be resisted, resolved or lifted, as applicable;

(c) by the Company:

(i) if (A) Parent or Buyer shall have breached any of the covenants or agreements contained in this Agreement to be complied with by Parent or Buyer such that the closing condition set forth in Section 7.3.2 would not be satisfied or (B) there exists a breach of any representation or warranty of Parent or Buyer contained in this Agreement such that the closing condition set forth in Section 7.3.1 would not be satisfied, and, in the case of clause (A) or clause (B), such breach is incapable of being cured or, if capable of being cured, shall not have been cured prior to the earlier of (x) the Termination Date, and (y) 30 Business Days after Parent or Buyer receives written notice of such breach from the Company; *provided* , *however* , that the Company shall not have the right to terminate this Agreement pursuant to this Section 8.1(c)(i) if the Company is then in material breach of any of its covenants or agreements contained in this Agreement or there exists a breach of any representation or warranty of the Company such that the closing condition set forth in Section 7.2.1 would not be satisfied if the Closing Date were at the time of such termination; or

(ii) if, prior to the obtaining of the Shareholder Approval, (A) the Company Board has received a Superior Proposal, (B) the Company Board has determined in good faith (after consultation with its outside legal counsel) that the failure to accept such Superior Proposal is reasonably likely to be inconsistent with the fiduciary duties of the members of the Company Board to the holders of shares of Company Stock under applicable Law, (C) the Company has complied in all material respects with Section 6.4 and (D) the Company pays the Parent Expenses to Parent in accordance with Section 8.4; or

(d) by Parent:

(i) if (A) the Company shall have breached any of the covenants or agreements contained in this Agreement to be complied with by the Company such that the closing condition set forth in Section 7.2.2 would not be satisfied or (B) there exists a breach of any representation or warranty of the Company contained in this Agreement such that the closing condition set forth in Section 7.2.1 would not be satisfied, and, in the case of clause (A) or clause (B), such breach is incapable of being cured or, if capable of being cured, shall not have been cured prior to the earlier of (x) the Termination Date, and (y) 30 Business Days after the Company receives written notice of such breach from Parent; *provided* , *however* , that Parent shall not have the right to terminate this Agreement pursuant to this Section 8.1(d)(i) if Parent or Buyer is then in material breach of any of its covenants or agreements contained in this Agreement or there exists a breach of any representation or warranty of Parent or Buyer such that the closing condition set forth in Section 7.3.1 would not be satisfied if the Closing Date were at the time of such termination;

(ii) if (A) prior to the obtaining of the Shareholder Approval, (1) a Company Adverse Recommendation Change shall have occurred, (2) the Company has failed to include the Company Recommendation in the Proxy Statement or (3) the Company Board approves, recommends or adopts, or publicly proposes to approve, recommend or adopt, a Takeover Proposal or approves or recommends that holders of Company Stock tender their shares of Company Stock in any tender offer or exchange offer that is a Takeover Proposal or (B) the Company shall not have obtained the Shareholder Ratification;

(iii) at any time if under Sections 7.2.4 or 7.2.8, Parent shall decide in good faith that the Asset Sale is not in its best interests; or

(iv) there exists any Order against Parent, which causes Parent to determine, in good faith, that the Asset Sale is not in its best interests.

Section 8.2 Effect of Termination . Except as otherwise set forth in this Section 8.2, in the event of a termination of this Agreement by either the Company or Parent as provided in Section 8.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Parent, Buyer or the Company hereunder; *provided* , *however* , that the provisions of this Section 8.2, Sections 6.3.2, 8.3, 8.4, 8.5 and Article 9 and the Confidentiality Agreement shall remain in full force and effect and survive any termination of this Agreement; *provided* , *further* , that no Party shall be relieved or released from any liabilities or damages arising out of its willful and material breach of any provision of this Agreement. In no event shall any Party be liable for punitive damages.

Section 8.3 Fees and Expenses . Except as otherwise expressly set forth in this Agreement, all fees and expenses incurred in connection herewith and the transactions contemplated hereby shall be paid by the Party incurring, or required to incur, such expenses, whether or not the Asset Sale is consummated, except that Buyer shall bear and pay 50 percent of the fees, costs and expenses of the Company incurred in connection with the negotiation and execution of this Agreement that are incurred on or before the Closing (" Company Transaction Fees "), including, but not limited to the filing, printing and mailing of the Proxy Statement (including any SEC filing fees) and the opinions described in Annex 8.3; *provided* , *however* , the Company Transaction Fees payable by Buyer shall not include any fees or payments to any director, officer, shareholder, independent auditor or Affiliate of the Company or any Affiliate of the foregoing; *further* , *provided* , that under no circumstances will the Buyer be liable to pay more than the lesser of (i) 50 percent of the aggregate amount of the Company Transaction Fees, or (ii) $100,000 of the Company Transaction Fees. The Company shall promptly provide detailed documentation in a form reasonably acceptable to Buyer evidencing (1) the Company Transaction Fees for which the Company seeks payment from Buyer under this Section 8.3, and (2) the Company's satisfaction of the Company Transaction Fees for which it is responsible under this Section 8.3.

Section 8.4 Termination Fee and Expenses .

Section 8.4.1 *Termination Fee.* If this Agreement is terminated by the Company pursuant to Section 8.1(c)(ii) or by Parent pursuant to Section 8.1(b)(i) (but only if

Shareholder Approval is not obtained because of a breach of a Shareholder Agreement) or Section 8.1(d)(ii), and neither Parent nor Buyer is in material default under this Agreement at the time of such termination, then the Company shall pay to Parent (or as directed by Parent), by wire transfer of same day funds, (x) $1,250,000 (the " Termination Fee ") plus (y) all of Parent's actual and reasonably documented fees and expenses (including legal fees and expenses) incurred by Parent and its Affiliates in connection with the transactions contemplated by this Agreement (the " Parent Expenses ") as promptly as reasonably practicable (and, in any event, within ten Business Days following such termination).

Section 8.4.2 *Parent Expenses.* If this Agreement is terminated by either the Company or Parent (subject to Section 8.4.1) pursuant to Section 8.1(b)(i) or by Parent pursuant to Section 8.1(d)(i), and neither Parent nor Buyer is in material default under this

Agreement at the time of such termination, then the Company shall pay to Parent (or as directed by Parent), by wire transfer of same day funds, all of the Parent Expenses as promptly as reasonably practicable (and, in any event, within ten Business Days following such termination).

Section 8.4.3 *Company Expenses.* If this Agreement is terminated by Parent pursuant to Section 8.1(d)(iii) or by the Company pursuant to Section 8.1(c)(i), and the Company is not in material default under this Agreement at the time of such termination, then Parent shall pay to the Company (or as directed by Parent), by wire transfer of same day funds, all of the Company's actual and reasonably documented fees and expenses (including legal fees and expenses) incurred by the Company in connection with the transactions contemplated by this Agreement (the "Company Expenses") as promptly as reasonably practicable (and, in any event, within ten Business Days following such termination).

Section 8.4.4 *Acknowledgement.* The Parties acknowledge that the agreements contained in this Section 8.4 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the Parties would not enter into this Agreement. If the Company fails to pay the Termination Fee and/or Parent Expenses when due, and, in order to obtain such payment Parent commences a suit which results in a judgment against the Company for all or any portion of the Parent Expenses, the Company shall pay to Parent its reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) in connection with such suit. If Parent fails to pay the Company Expenses when due, and, in order to obtain such payment the Company commences a suit which results in a judgment against Parent for all or any portion of the Company Expenses, Parent shall pay to the Company its reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) in connection with such suit.

Section 8.5 Extension; Waiver. At any time prior to the Closing, Parent or the Company may, to the extent permitted by applicable Law, (a) extend the time for the performance of any of the obligations or other acts of the other Party under this Agreement, (b) waive any inaccuracies in the representations and warranties of the other Party contained herein or in any instrument delivered pursuant hereto or (c) waive compliance with any of the covenants or agreements of the other Party or conditions to the obligations of the waiving Party contained herein; *provided*, *however*, that after any approval of this Agreement by the shareholders of the Company, no extension or waiver that, by Law or in accordance with the rules of any relevant stock exchange, requires further approval by such shareholders may be made without such shareholder approval. Any agreement on the part of a Party to any such

extension or waiver shall be valid only if set forth in a written instrument signed by such Party. The failure or delay of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights, nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise of any rights hereunder.

Section 8.6 Amendment. At any time prior to the Closing, this Agreement may be amended by the Parties by action taken by or on behalf of their respective Boards of Directors; *provided*, *however*, that, after approval of the Agreement by the shareholders of the Company, no amendment that, by Law or in accordance with the rules of any relevant stock exchange, requires further approval by such shareholders may be made without such shareholder approval. This Agreement may not be amended except by an instrument in writing signed by Parent, Buyer and the Company.

Section 8.7 Acknowledgment. The Parties acknowledge that neither the Company Termination Fee nor the Parent Termination Fee shall be relevant in terms of determining levels of materiality for purposes of this Agreement.

Article 9.
General Provisions

Section 9.1 Survival of Representations and Warranties. With the exception of the representations and warranties of the Company contained in Sections 4.1 (Organization and Qualification; Subsidiaries), 4.2 (Capitalization), 4.3 (Authority), 4.6.3 (No Undisclosed Liabilities), 4.8 (Absence of Certain Changes), and 4.20 (Investment), each of which shall survive the Closing for a period of six (6) months after the Closing Date, none of the representations and warranties of the Parties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Closing. None of the covenants or agreements of the Parties in this Agreement shall survive the Closing, other than (a) the covenants and agreements of the Parties contained in this Article 9 and in Section 6.3.2 and (b) those other covenants and agreements contained herein that by their terms apply, or that are to be performed in whole or in part, after the Closing, which shall survive the consummation of the Asset Sale until fully performed.

Section 9.2 Notices. Any notices or other communications required or permitted under, or otherwise made in connection with, this Agreement, shall be in writing and shall be deemed to have been duly given (a) when delivered in person, (b) upon confirmation of receipt when transmitted by facsimile transmission or by electronic mail (but, in the case of electronic mail, only if followed by transmittal by national overnight courier or hand for delivery on the next Business Day), (c) upon receipt after dispatch by registered or certified mail, postage prepaid or (d) on the next Business Day if transmitted by national overnight courier (with confirmation of delivery), in each case, addressed as follows:

If to the Company, addressed to it at:

Independence Lead Mines Company

510 Cedar Street
Wallace, ID 83873

Attention: Bernard Lannen
Facsimile: (208) 753-2525

with a mandated copy (which shall not constitute notice) to:

Charles A. Cleveland, P.S.
Suite 660, 316 West Boone Avenue
Spokane, WA 99201-2353
Attention: Charles A. Cleveland
Facsimile: (509) 326-1872

If to Parent or Buyer, addressed to it at:

6500 North Mineral Drive, Suite 200
Coeur d' Alene, ID 83815
Attention: Philip C. Wolf
Facsimile: (208) 282-5525

with a mandated copy (which shall not constitute notice) to:

Bell, Boyd & Lloyd LLP
70 West Madison Street, Suite 3100
Chicago, IL 60602
Attention: Donald J. Bingle
Facsimile: (312) 827-4248

Section 9.3 Headings . The headings and table of contents contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 9.4 Severability . If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon a determination that any term or other provision of this Agreement is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the greatest extent possible.

Section 9.5 Entire Agreement; Parties in Interest . This Agreement (together with the Annexes, Exhibits, Parent Disclosure Schedule, Company Disclosure Schedule and the other instruments delivered pursuant hereto) and the Confidentiality Agreement constitute the entire agreement of the Parties and supersede all prior agreements and undertakings, both written and oral, among the Parties, or any of them, with respect to the subject matter hereof and thereof. Nothing in this Agreement, express or implied, shall confer upon any other Person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 9.6 Assignment . Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties (whether by operation of Law or otherwise) without the prior written consent of the other Parties, and any such assignment shall be null and void. No assignment by any Party shall relieve such Party of any of its obligations hereunder. Subject to the foregoing, this Agreement will be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and permitted assigns.

Section 9.7 Mutual Drafting . Each Party has participated in the drafting of this Agreement, which each Party acknowledges is the result of extensive negotiations between the Parties.

Section 9.8 Governing Law; Consent to Jurisdiction; Enforcement; Waiver of Trial by Jury .

Section 9.8.1 *Delaware Law*. This Agreement, and all claims and causes of action arising out of, based upon, or related to this Agreement or the negotiation, execution or performance hereof, shall be governed by, and construed, interpreted and enforced in accordance with, the Laws of the State of Delaware, without regard to choice or conflict of law principles that would result in the application of any Laws other than the Laws of the State of Delaware, except and only to the extent that the ABCA mandatorily applies.

Section 9.8.2 Exclusive Jurisdiction. THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE DISTRICT COURT OF THE STATE OF IDAHO AND THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE STATE OF IDAHO SOLELY IN CONNECTION WITH ANY DISPUTE THAT ARISES IN RESPECT OF THE INTERPRETATION AND ENFORCEMENT OF THE PROVISIONS OF THIS AGREEMENT AND THE DOCUMENTS REFERRED TO IN THIS AGREEMENT OR IN RESPECT OF THE TRANSACTIONS CONTEMPLATED HEREBY, AND HEREBY WAIVE, AND AGREE NOT TO ASSERT, AS A DEFENSE IN ANY ACTION, SUIT OR PROCEEDING FOR INTERPRETATION OR ENFORCEMENT HEREOF OR ANY SUCH DOCUMENT THAT IT IS NOT SUBJECT THERETO OR THAT SUCH ACTION, SUIT OR PROCEEDING MAY NOT BE BROUGHT OR IS NOT MAINTAINABLE IN SAID COURTS OR THAT VENUE THEREOF MAY NOT BE APPROPRIATE OR THAT THIS AGREEMENT OR ANY SUCH DOCUMENT MAY NOT BE ENFORCED IN OR BY SUCH COURTS, AND THE PARTIES HERETO IRREVOCABLY AGREE THAT ALL CLAIMS WITH RESPECT TO SUCH ACTION, SUIT OR PROCEEDING SHALL BE HEARD AND DETERMINED EXCLUSIVELY BY SUCH AN IDAHO STATE OR FEDERAL COURT. THE PARTIES HEREBY CONSENT TO AND GRANT ANY SUCH COURT JURISDICTION OVER THE PERSON OF SUCH PARTIES AND OVER THE SUBJECT MATTER OF SUCH DISPUTE AND AGREE THAT MAILING OF PROCESS OR OTHER PAPERS IN CONNECTION WITH SUCH ACTION, SUIT OR PROCEEDING IN THE MANNER PROVIDED IN SECTION 9.2 OR IN SUCH OTHER MANNER AS MAY BE PERMITTED BY LAW SHALL BE VALID AND SUFFICIENT SERVICE THEREOF.

Section 9.8.3 Right to Injunctive Relief. The Parties agree that irreparable damage would occur in the event that any provision of this Agreement were not performed in

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accordance with its specific terms or was otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in any state or federal court within the State of Idaho and any state appellate court therefrom within the State of Idaho, and any such injunction shall be in addition to any other remedy to which any Party is entitled, at law or in equity.

Section 9.8.4 Waiver of Jury Trial. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY AND ALL RIGHT SUCH PARTY MAY HAVE TO TRIAL BY JURY IN ANY LEGAL ACTION, SUIT OR PROCEEDING BETWEEN THE PARTIES HERETO ARISING OUT OF, BASED UPON OR RELATING TO THIS AGREEMENT OR THE NEGOTIATION, EXECUTION OR PERFORMANCE HEREOF.

Section 9.8.5 Attorneys' Fees. If any party to this Agreement brings an action to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its costs and expenses, including without limitation reasonable legal fees, incurred in connection with such action, including any appeal of such action.

Section 9.9 <u>Counterparts.</u> This Agreement may be executed by facsimile and in one or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement, and which shall become effective when one or more counterparts have been signed by each of the Parties and delivered (by facsimile or otherwise) to the other Parties.

* * * * *

(signature page follows)

IN WITNESS WHEREOF, Parent, Buyer and the Company have caused this Agreement to be executed and delivered as of the date first written above.

INDEPENDENCE LEAD MINES COMPANY

By: /s/ Bernard Lannen
Name: Bernard Lannen
Title: President

HECLA MINING COMPANY

By: /s/ Phillips S. Baker, Jr.
Name: Phillips S. Baker, Jr.
Title: President & CEO

HECLA MERGER COMPANY

By: /s/ Philip C. Wolf

Name: Philip C. Wolf

Title: Vice President

Exhibit 31.1

Hecla Mining Company and Subsidiaries

CERTIFICATIONS

I, Phillips S. Baker, Jr., President, Chief Executive Officer and Director of Hecla Mining Company (“Hecla”), 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 we 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 that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

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

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

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

Date: May 12, 2008

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

Exhibit 31.2

Hecla Mining Company and Subsidiaries

CERTIFICATIONS

I, Lewis E. Walde, Vice President and Chief Financial Officer of Hecla Mining Company (“Hecla”), 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 we 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 that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

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

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

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

Date: May 12, 2008

/s/ Lewis E. Walde

Lewis E. Walde

Vice President and Chief Financial Officer

EXHIBIT 32.1

Hecla Mining Company and Subsidiaries

CERTIFICATIONS

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

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

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

Date: May 12, 2008

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

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

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

EXHIBIT 32.2

Hecla Mining Company and Subsidiaries

CERTIFICATIONS

I, Lewis E. Walde, Vice President and Chief Financial Officer of Hecla Mining Company (“Hecla”), certify that to my knowledge:

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

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

Date: May 12, 2008

/s/ Lewis E. Walde
Lewis E. Walde
Vice President and Chief Financial Officer

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

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