



PDAC 2012 - Technical Program
Silver Market Outlook

March 4th, 2012

Hecla MINING COMPANY

Cautionary Statements

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Statements made which are not historical facts, such as anticipated payments, litigation outcome, production, sales of assets, exploration results and plans, prospects and opportunities including reserves, resources, and mineralization, costs, and prices or sales performance are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may”, “will”, “should”, “expects”, “intends”, “projects”, “believes”, “estimates”, “targets”, “anticipates” and similar expressions are used to identify these forward-looking statements. Forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those projected, anticipated, expected or implied. These risks and uncertainties include, but are not limited to, metals price volatility, volatility of metals production and costs, environmental and litigation risks, operating risks, project development risks, political and regulatory risks, labor issues, ability to raise financing and exploration risks and results. Refer to the company's Form 10-K and 10-Q reports for a more detailed discussion of factors that may impact expected future results. The company undertakes no obligation and has no intention of updating forward-looking statements other than as may be required by law.

Cautionary Statements to Investors on Reserves and Resources

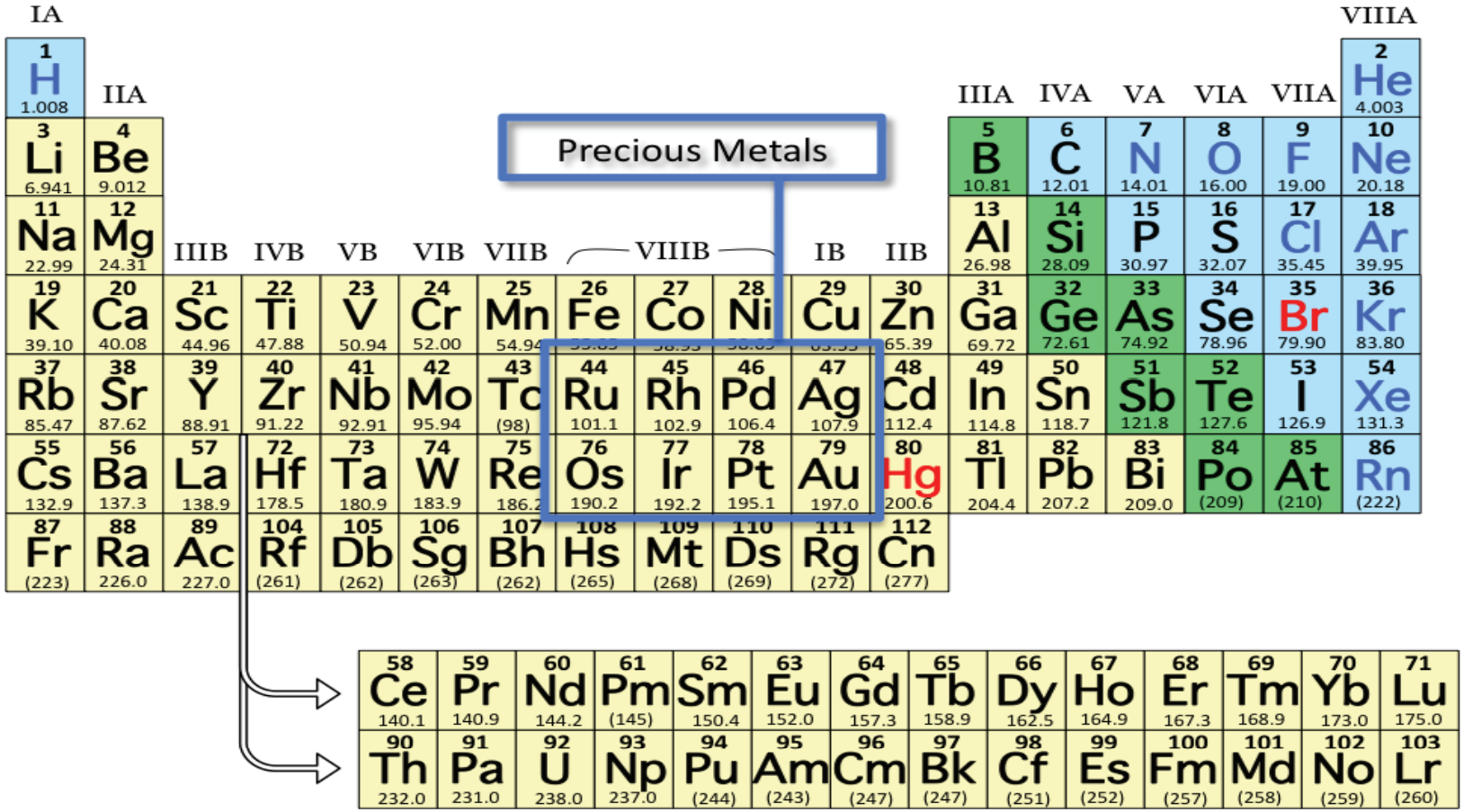
The United States Securities and Exchange Commission permits mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce. We use certain terms on this release, such as “resource,” “other resources,” and “mineralized materials” that the SEC guidelines strictly prohibit us from including in our filings with the SEC. U.S. investors are urged to consider closely the disclosure in our Form 10-K and Form 10-Q. You can review and obtain copies of these filings from the SEC's website at www.sec.gov.

Cautionary Note Regarding Non-GAAP measures

Total cash cost per ounce of silver and earnings before adjustments represent non-U.S. Generally Accepted Accounting Principles (GAAP) measurements. A reconciliation of total cash cost to cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP) can be found in the Appendix.

Properties of Silver

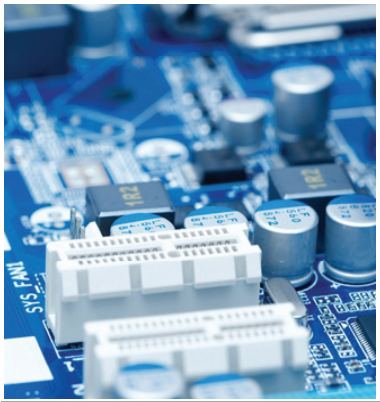
A Precious Metal…A Currency…A Lifestyle Metal



Source – Clear Science 2010

Properties of Silver

- Has the highest electrical conductivity of all the metals
  - 80% more conductive than aluminum
  - 50% more conductive than gold, 6% more conductive than copper
  - Critically important in the miniaturization of circuits as electronic items become increasingly compact and users expect more power or utility
- Has superior thermal conductivity
  - Transfers heat efficiently; doesn't overheat
- Highest reflectivity (94%) in visible light of the metals
  - Gold 72%, Aluminum 92%






Source –The Silver Institute 2011

Outline

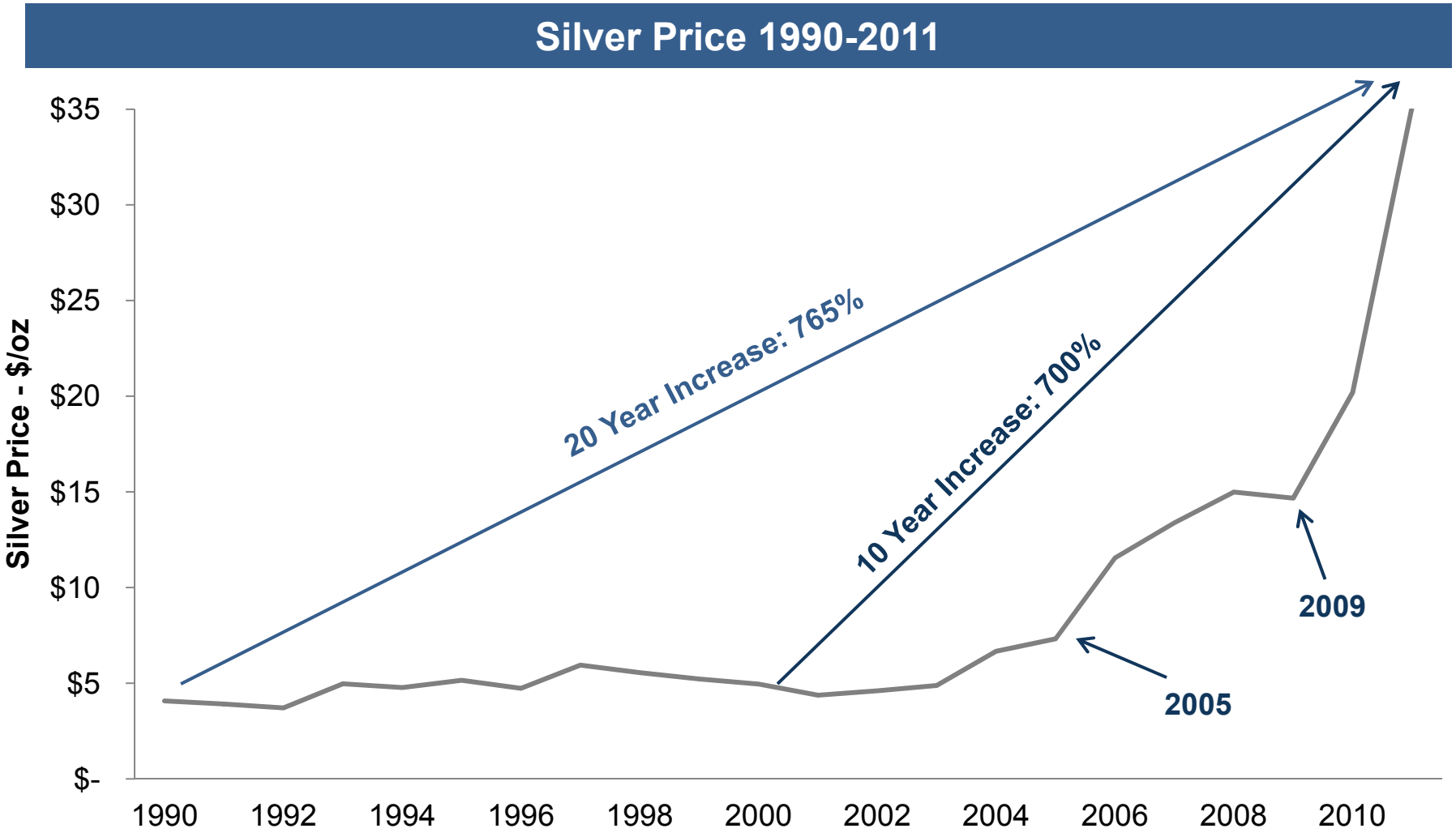
Silver Price

Supply

Demand



Silver Price since 1990

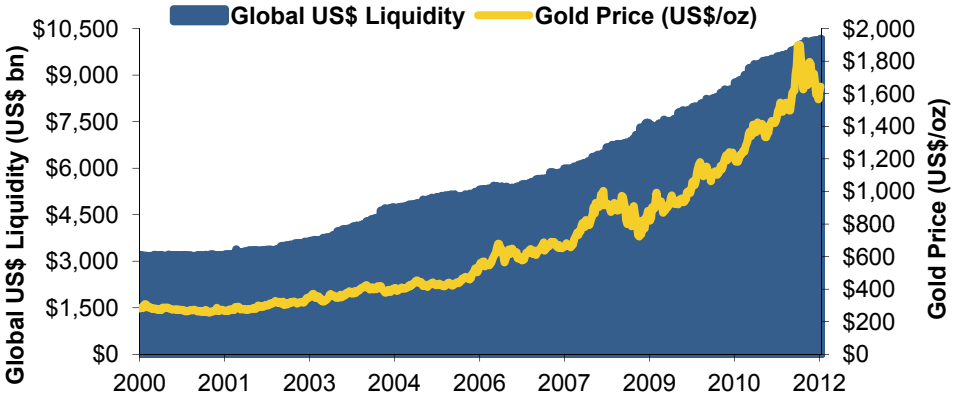


Source: Kitco

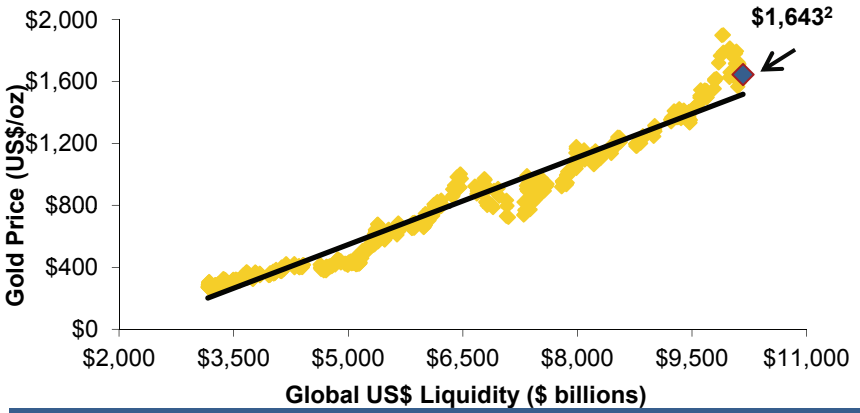
Precious Metals & U.S. Global Liquidity

- Silver & gold prices have historically exhibited a strong correlation to global US$ liquidity

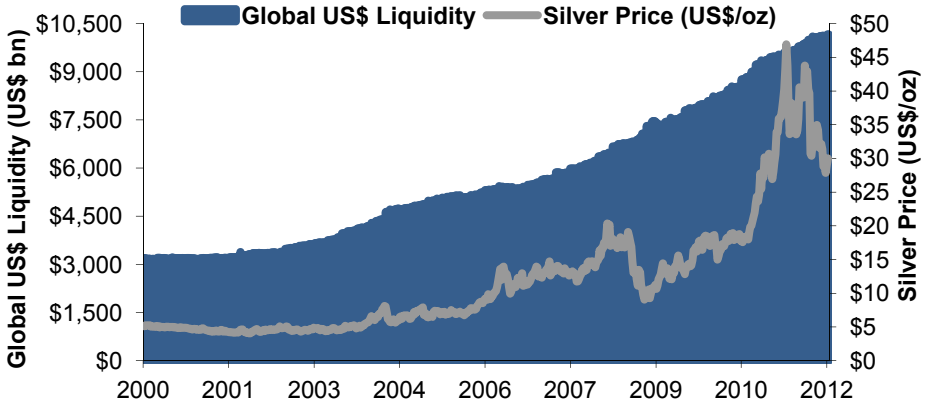
Gold & Global US$ Liquidity[1]



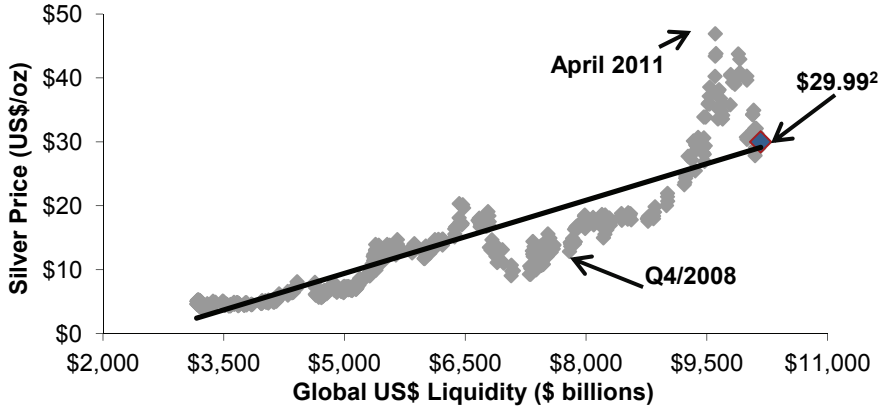
Correlation of Gold & Global US$ Liquidity[1]



Silver & Global US$ Liquidity[1]



Correlation of Silver & Global US$ Liquidity[1]



1. Global liquidity defined as sum of U.S. Monetary Base, Monetary Base, U.S. Treasuries held outside U.S. and allocated U.S. dollars held by non- U.S. governments. Source: Bloomberg and Federal Reserve Bank of St. Louis.
2. As of January 16, 2012,

Silver Price

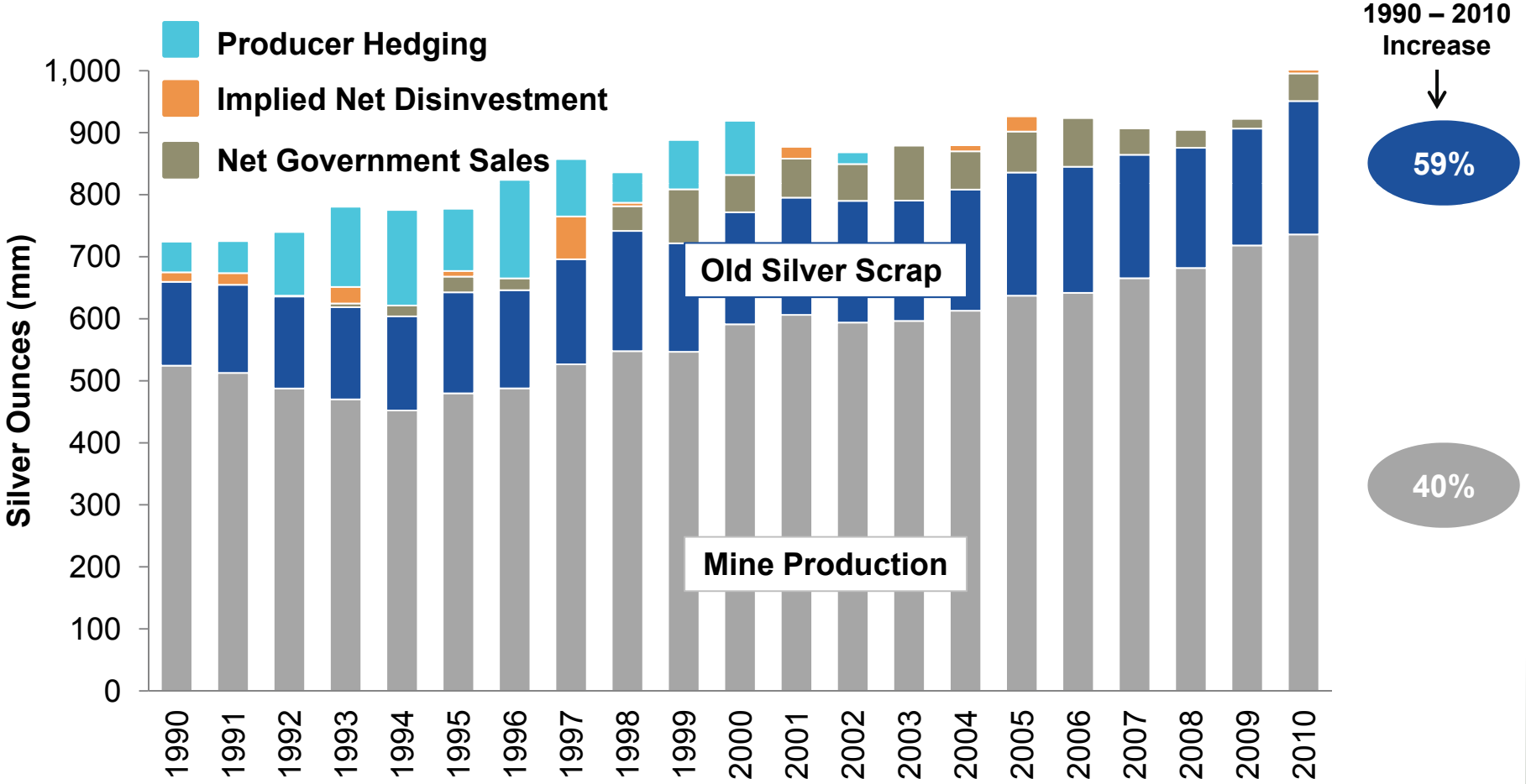
Supply

Demand



Annual Silver Supply

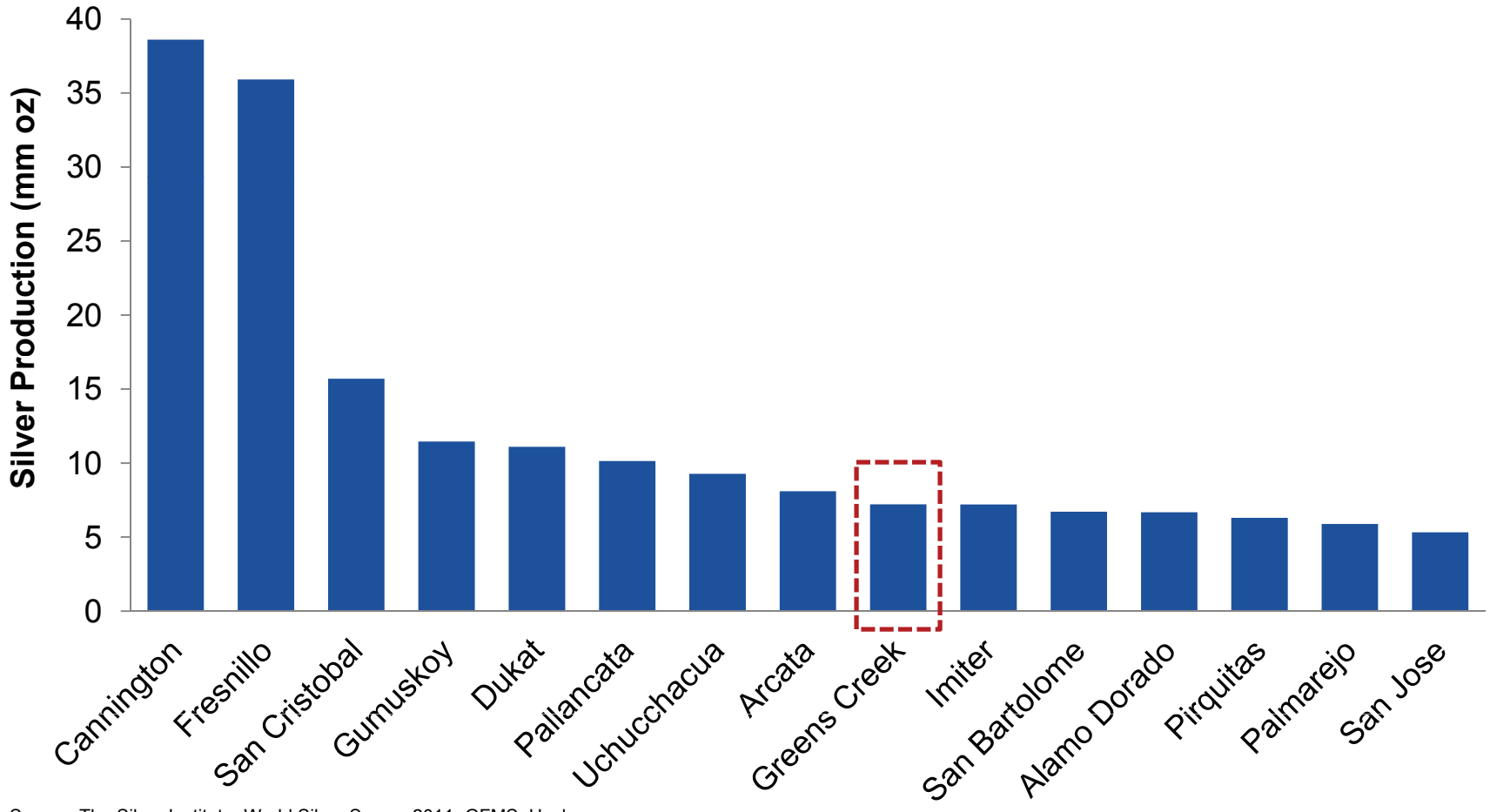
Mine Production is Key to Silver Supply



Source - GFMS

Top 15 Producing Primary Silver Mines in 2010

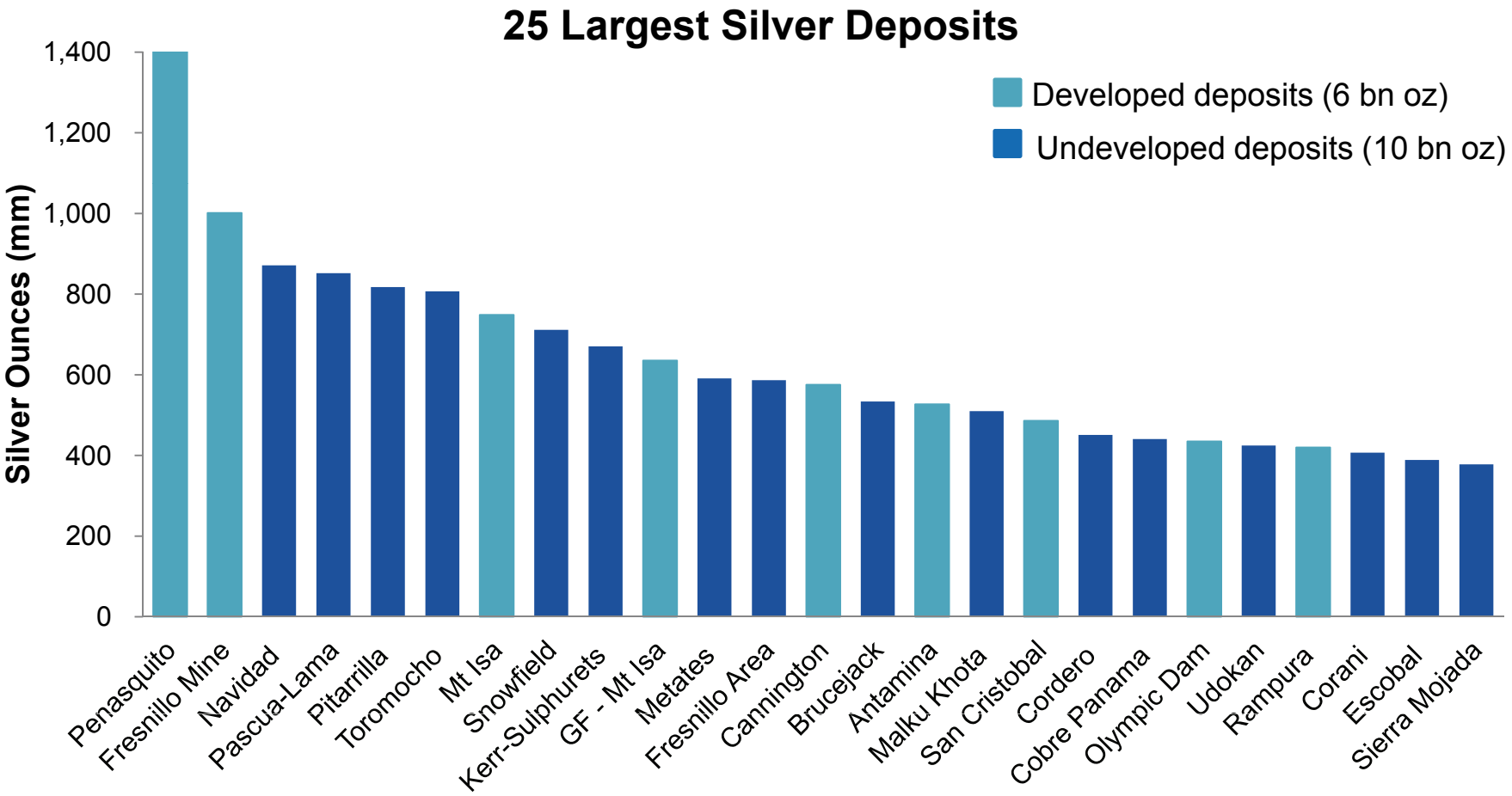
Top 15 Primary Silver Mines Produced 186 mm oz or 84% of Total Primary



Source: The Silver Institute: World Silver Survey 2011, GFMS, Hecla

Top 25 Largest Silver Deposits

Contain 16 Billion Ounces of Silver



Source: Intierra and public filings; * Data includes reserves & resources

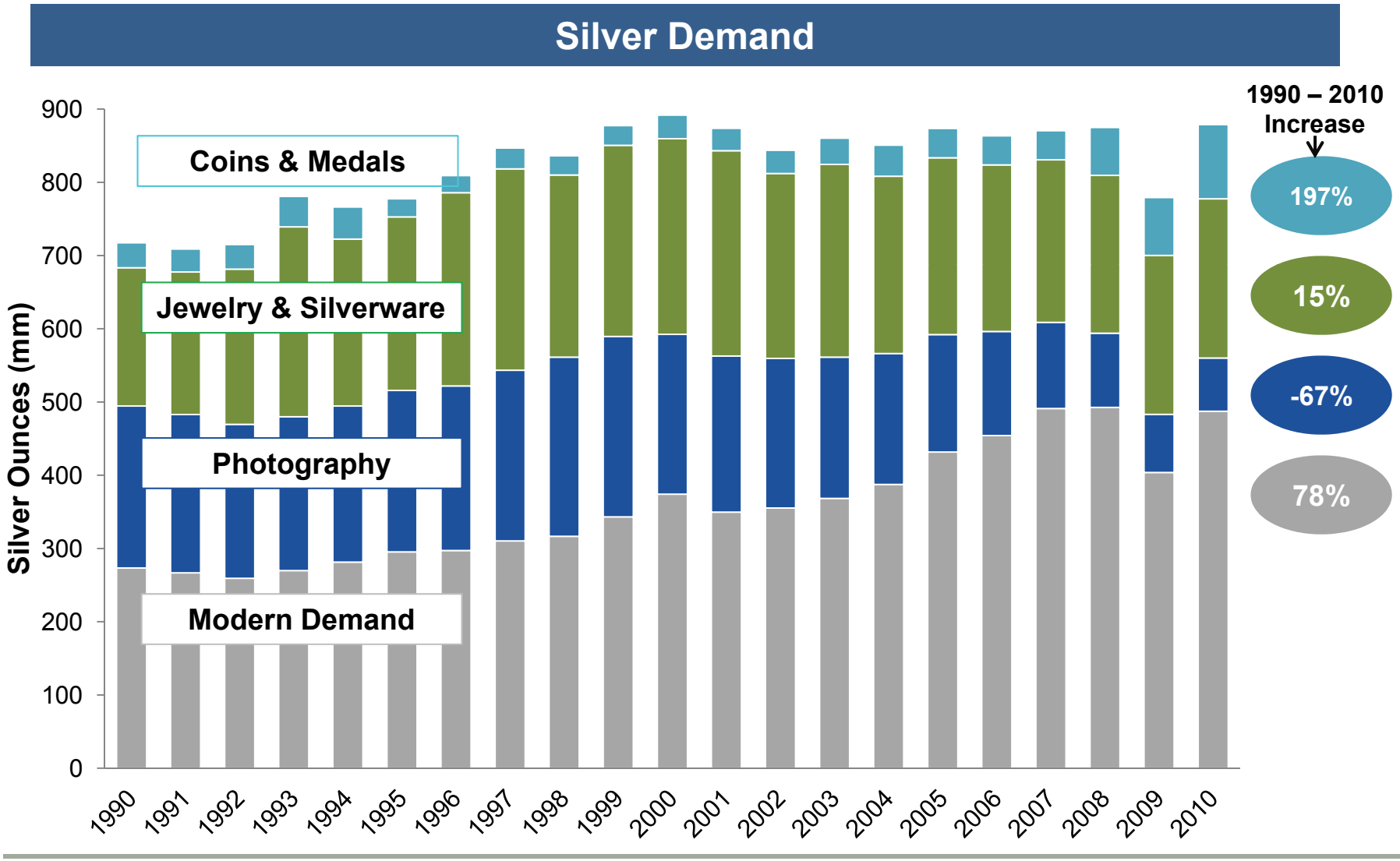
Silver Price

Supply

Demand



Silver Demand

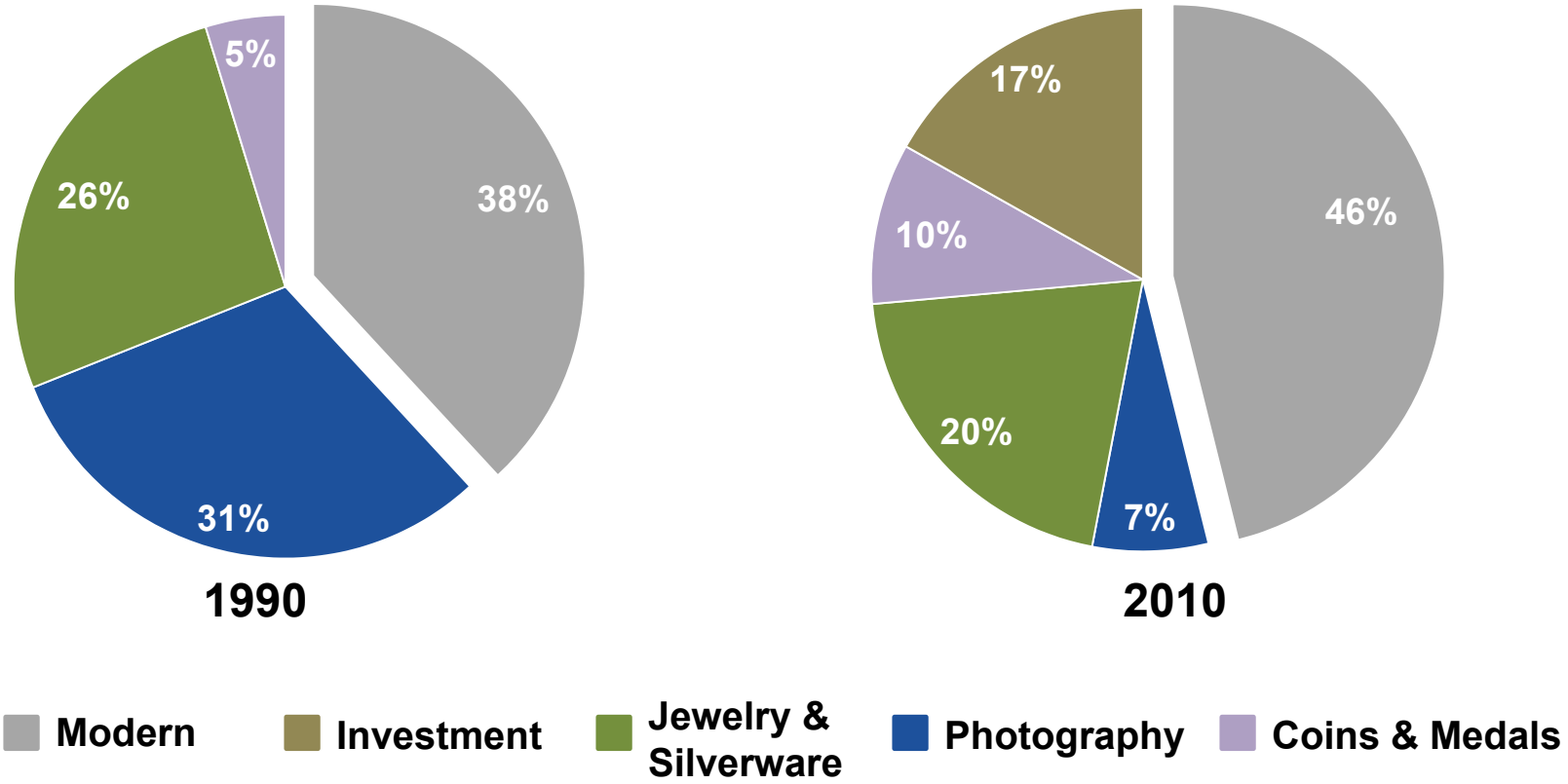


Source - GFMS

Silver Demand

Increasing Share of Modern Demand

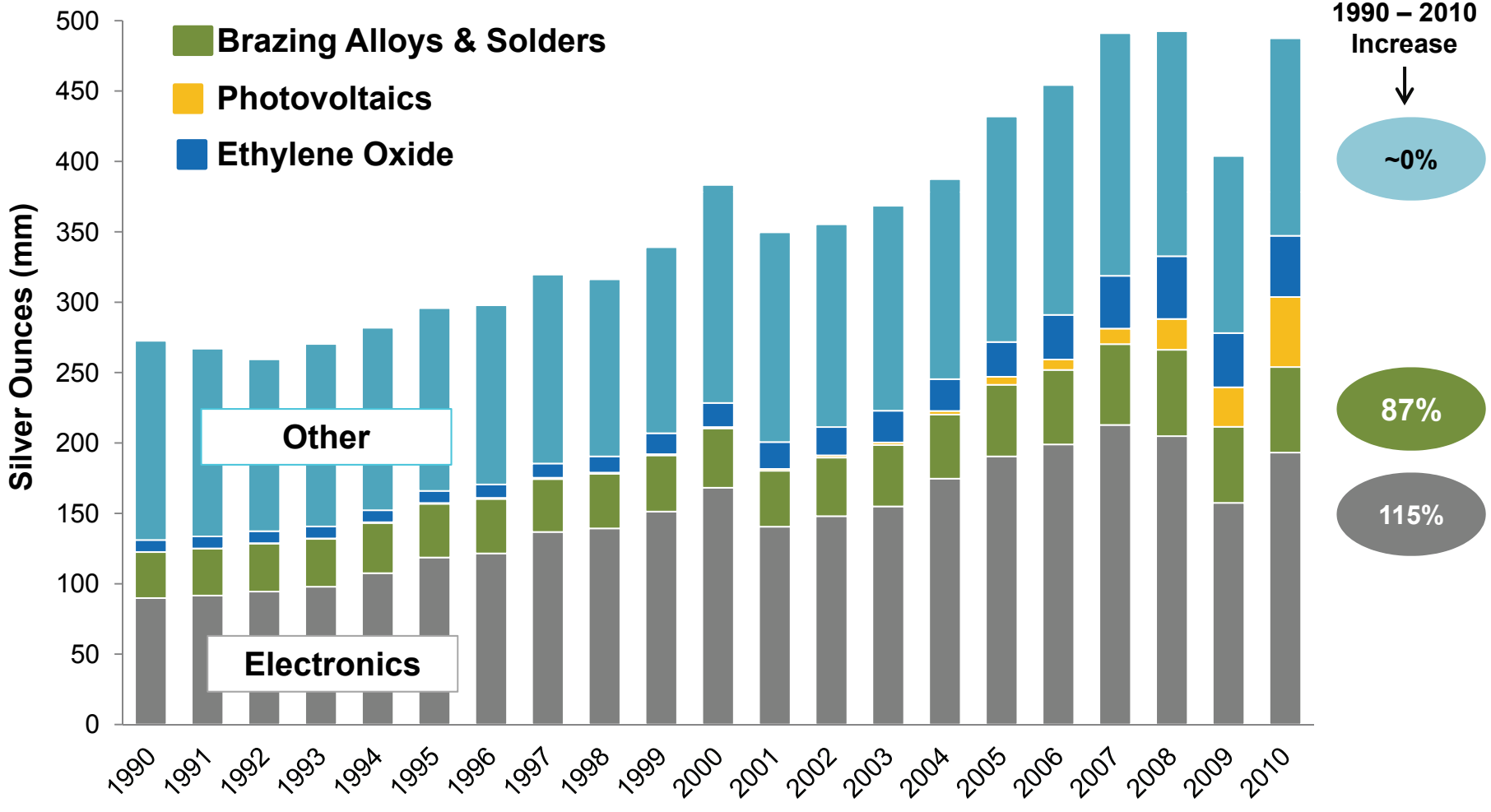
- Modern demand increased from 274 mm oz in 1990 to 487 mm oz in 2010, an increase of 78%, and an annualized increase of 3.5%



Source - GFMS

Modern Demand

Components of Modern Demand



Source – GFMS

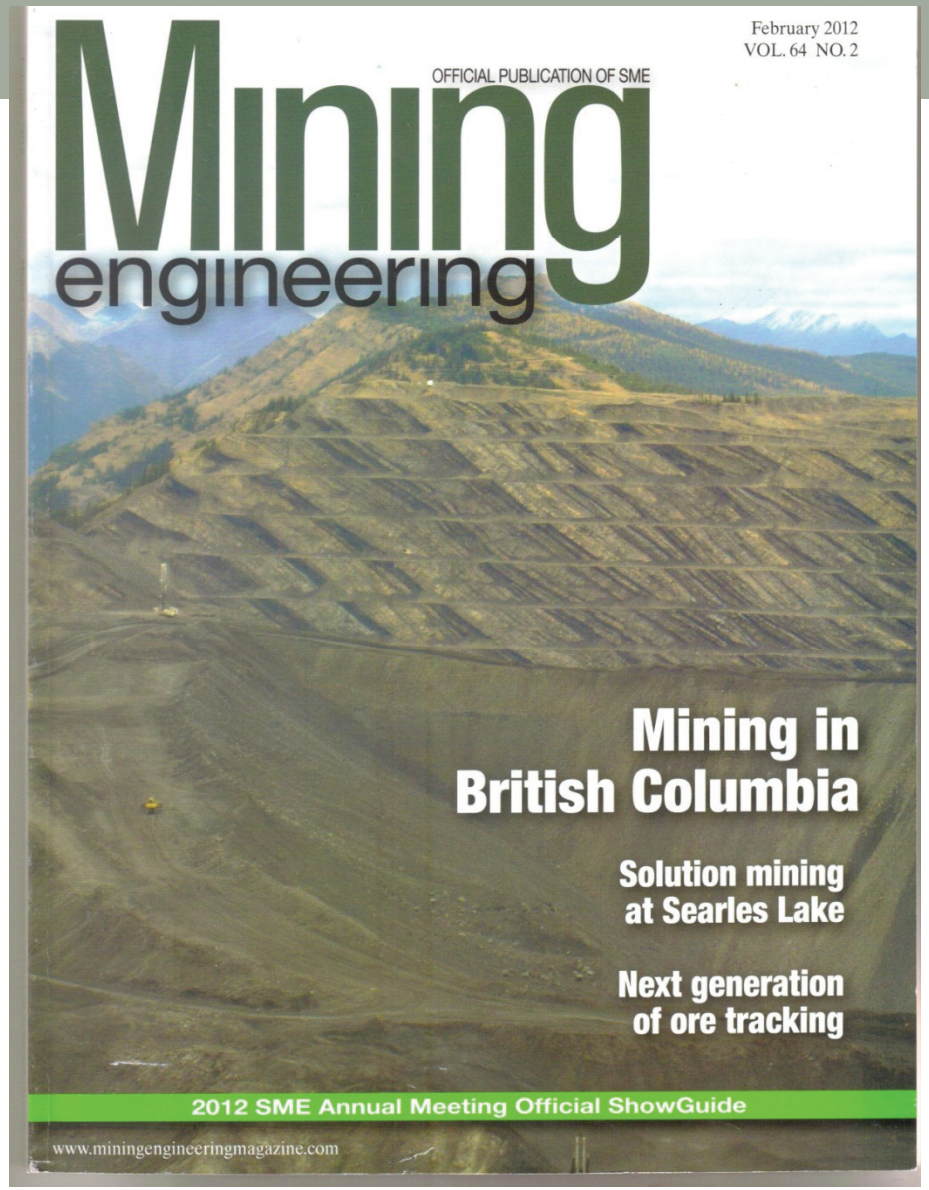
Silver Demand

Uses of Silver in 2010

	**Cell Phones:** ~1.6 bn units (250 mg/handset) consumed 13 mm oz of silver		**Solar Panels:** ~ 40 mm oz of silver consumed in 2010; demand is expected to double by 2015
	**PC's & Laptops:** ~ 690 mm units (1g/unit) used 22 mm oz of silver		**Batteries:** consumed ~ 5 mm oz of silver (1g/unit of silver)
	**Automobiles:** ~ 72 mm vehicles (10-30g/vehicle) consumed 36 mm oz of silver		**Water Filters:** silver prevents bacteria and algae from building up in filters

New technologies and innovations have the potential for creating new sources of silver demand such as RFID's

Source – GFMS, The Silver Institute 2011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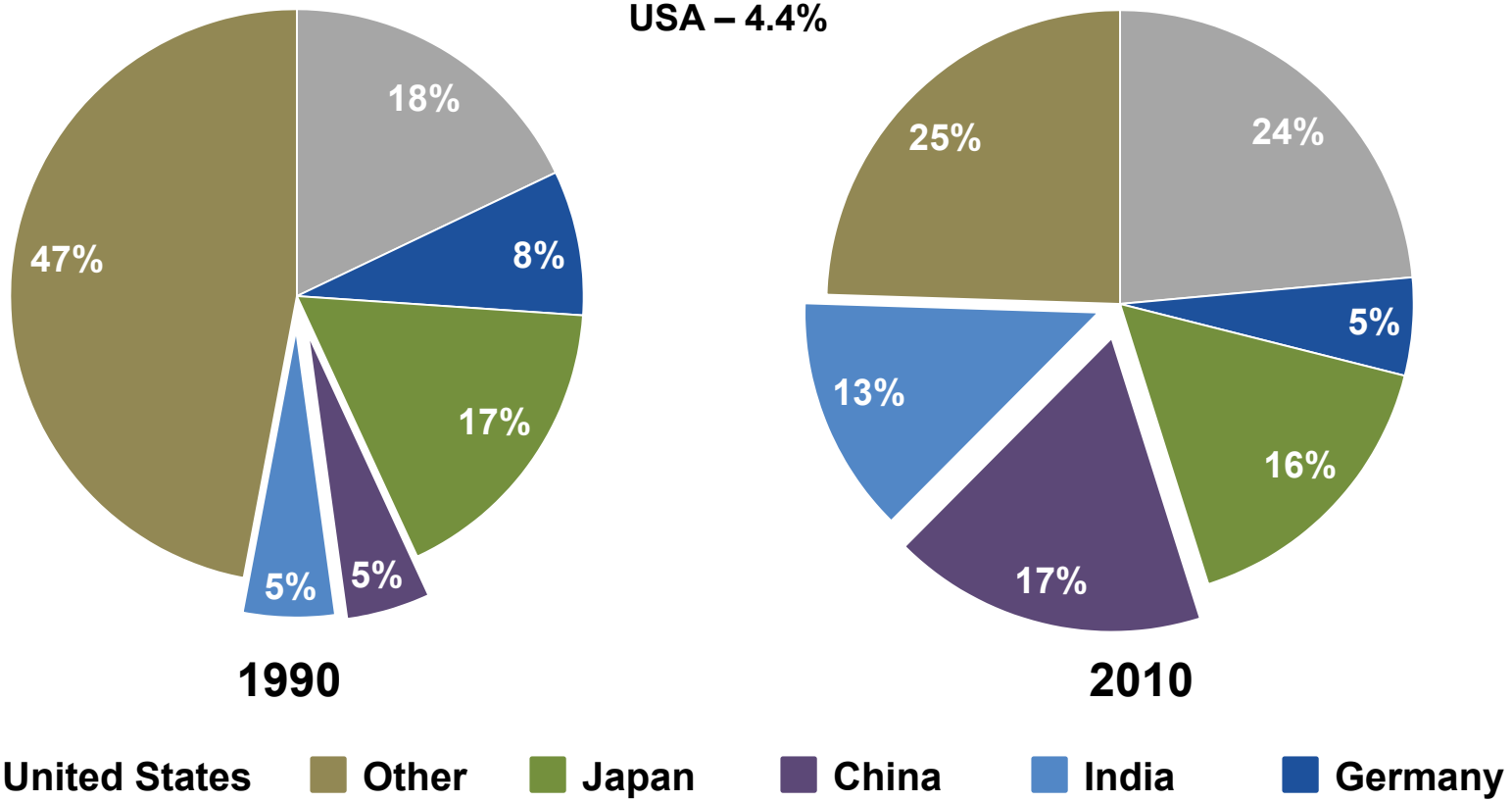
Silver Demand

Modern Demand by Region

1990 to 2010 Annualized Growth Rate
China – 9.8%
India – 7.8%
USA – 4.4%



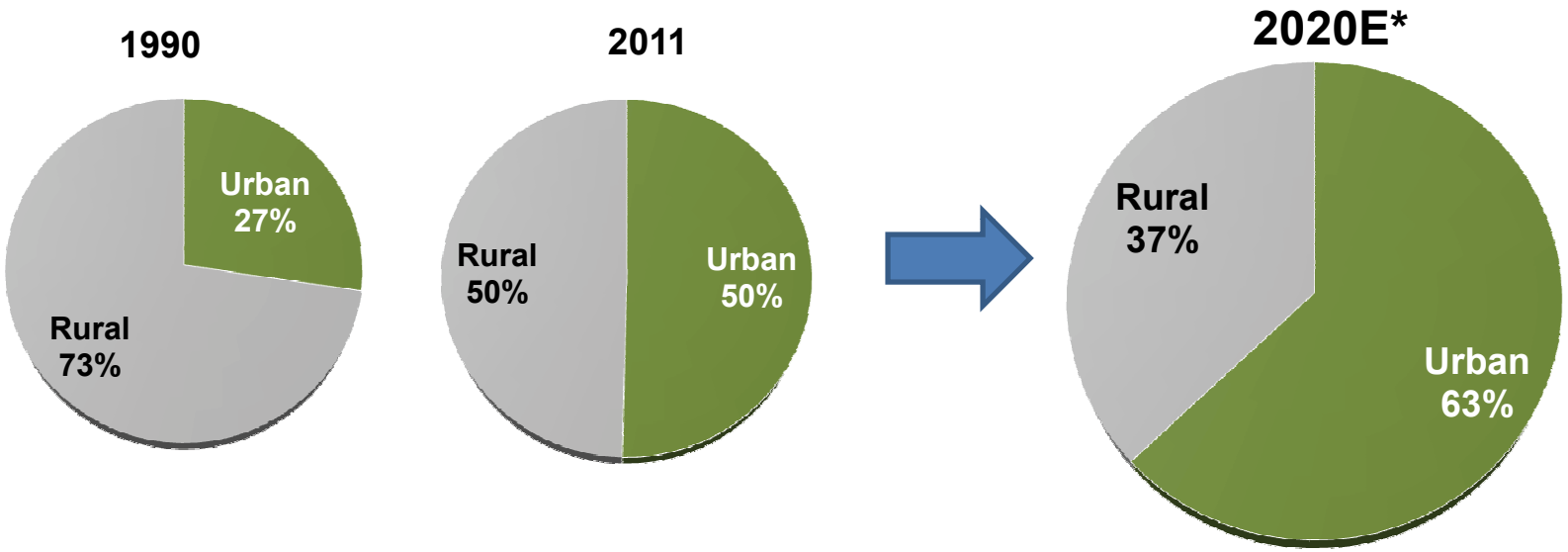
Source – GFMS 2011

Silver Demand

China & India	▪ Combined share of modern demand increased from 10% to 30% from 1990 to 2010 ▪ Driven by both exports and rising domestic demand ▪ We expect modern demand for silver to continue to increase by a minimum of 9% annually or to 225 mm oz by 2015
United States	▪ Remains a key driver of silver's modern demand ▪ Largest supplier to the industry – both at a domestic and export level ▪ We expect modern demand to increase by 4% annually or to 140 mm oz by 2015
Japan	▪ Strong modern silver demand, 47 mm oz to 79 mm oz from 1990 to 2010 ▪ We expect Japan's modern demand for silver to increase at 2% annually

Urbanization is Key to Modern Demand

Urbanization in China



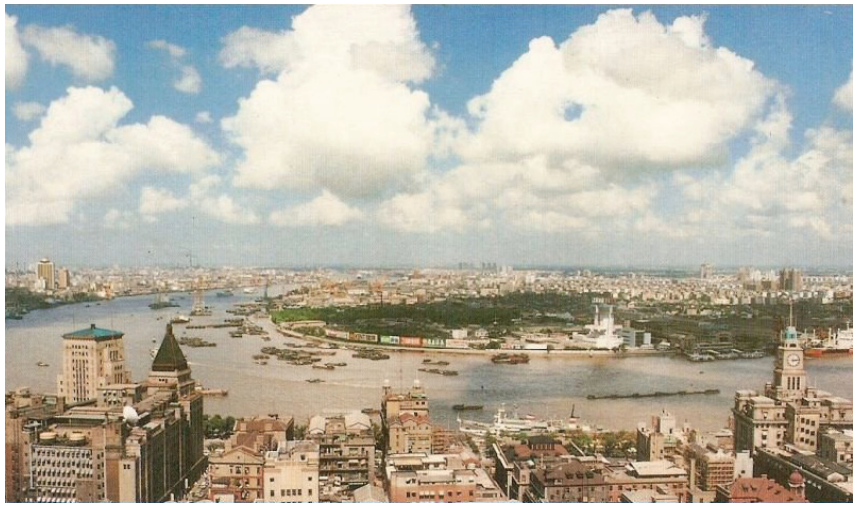
- Increasing Chinese modern demand due to export led fabrication and rising domestic demand attributable to urbanization
- Urbanization drives demand for durable goods, electronics, automobiles and construction – all these applications use silver in small amounts
- Approximately 200 million people will move from rural regions to cities in China in the next 10 years assuming a 3% annual urbanization rate

Source – World Bank, *Assumption of 3% annualized urbanization rate in China

Silver is a Lifestyle Metal

Shanghai, China

1990



2010

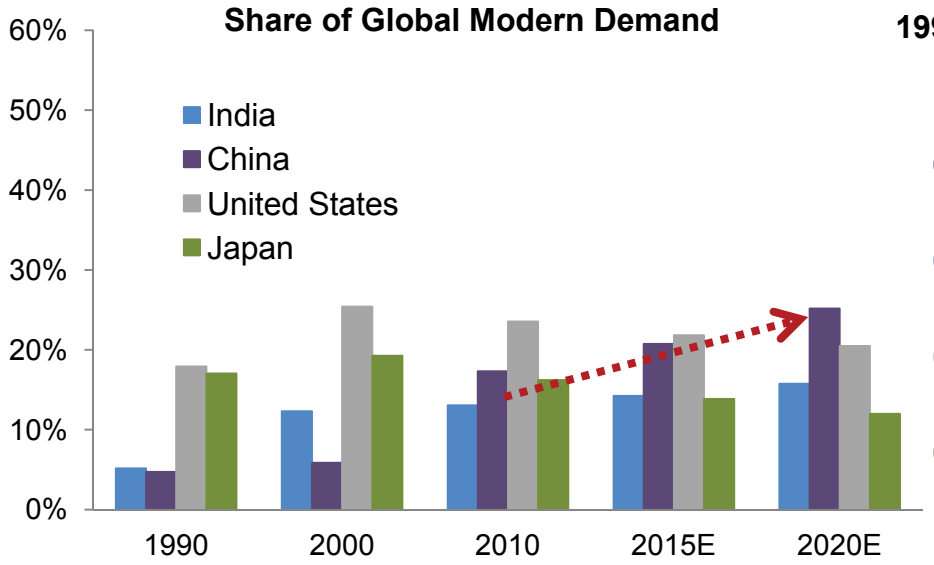


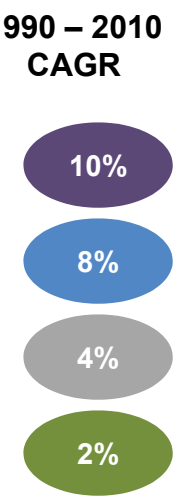
- Silver is not an infrastructure material such as cement, steel, copper; its use is further downstream and is partly tied to discretionary spending
- We expect Chinese modern demand to increase to approximately 135 mm oz by 2015, assuming an annual growth of 9.5% (based on historical 20 year annualized growth rate)

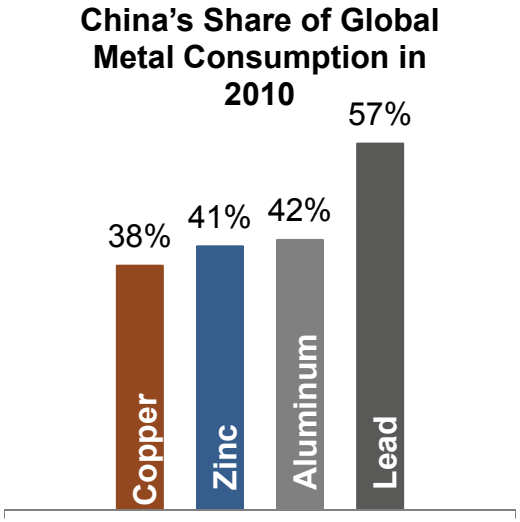
Pictures from *twistedsifter.com*

High Demand Growth in China for Silver

China and India Represent 30% of Modern Demand





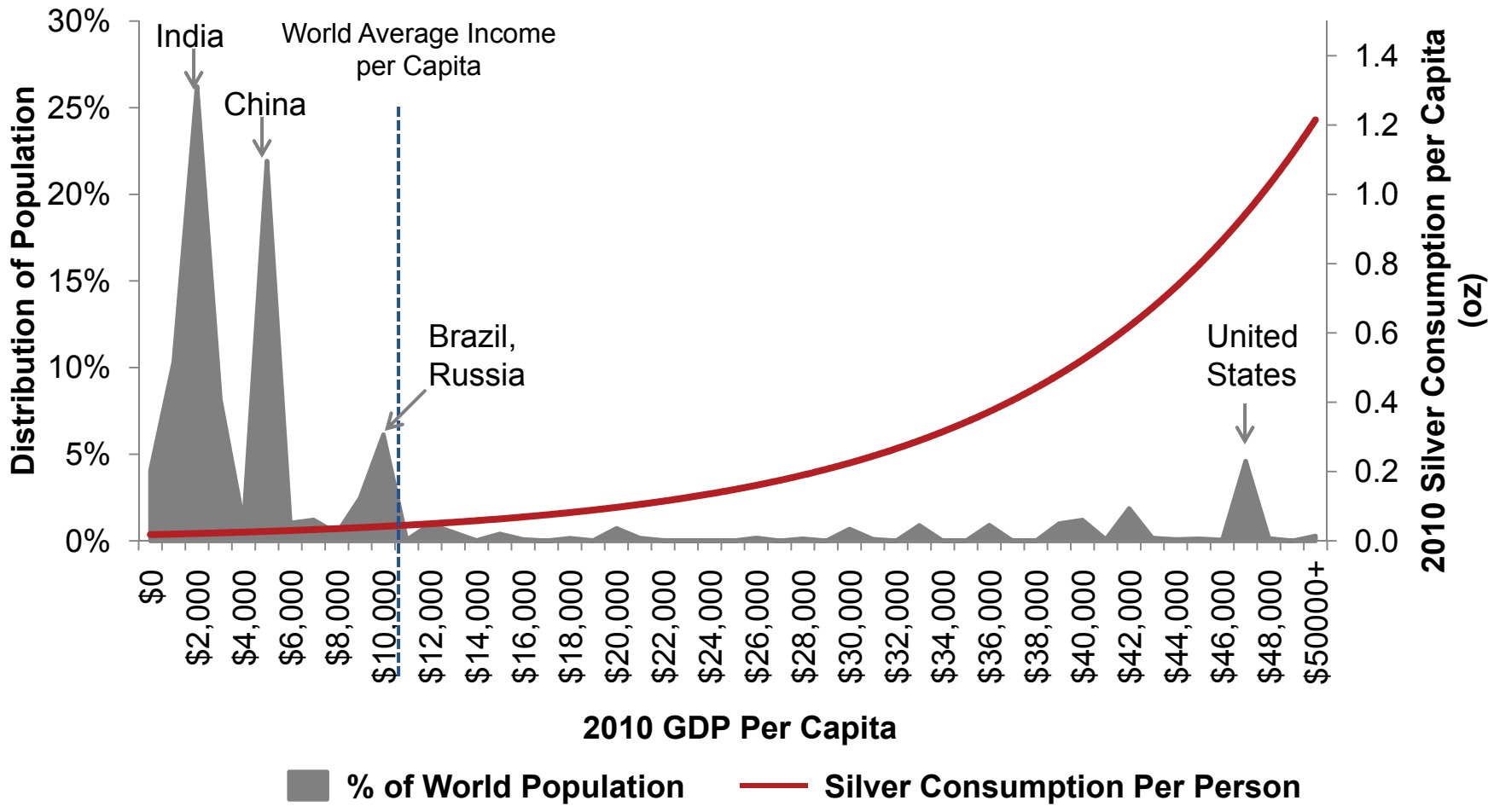


- Our projections are based on 20 year annualized growth rates for China, India, Japan and the U.S.
- We estimate total modern demand of 650 mm oz in 2015 and 850 mm oz in 2020
- We expect China & India to represent 40% of global modern demand by 2020

Source – GFMS, Macquarie, Hecla Estimates 2011

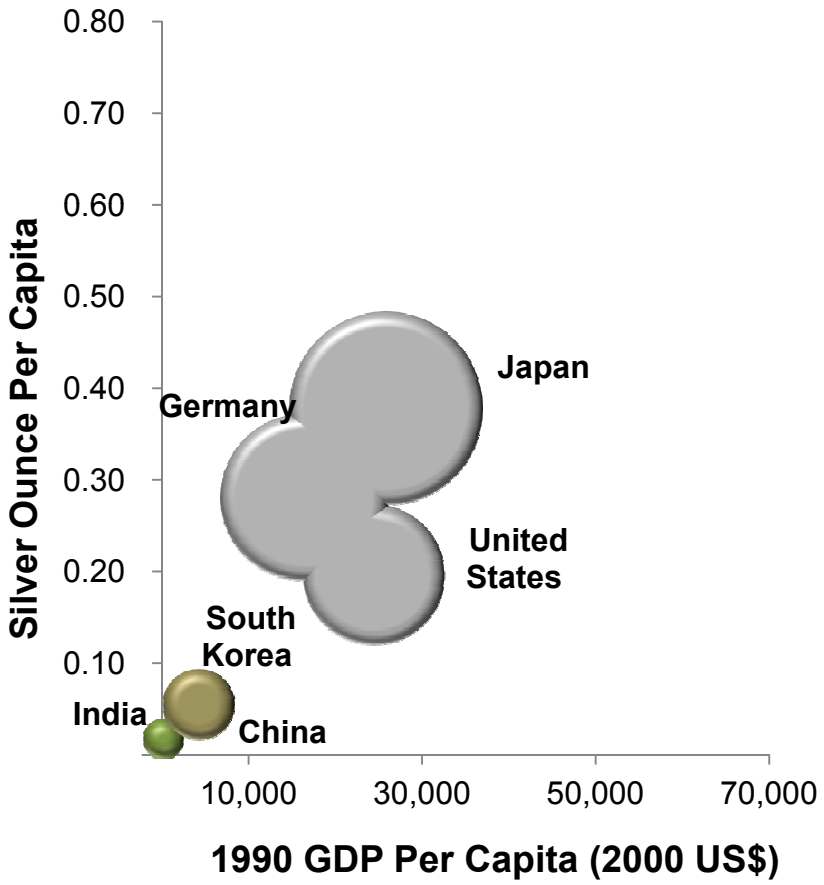
Silver Consumption per Capita

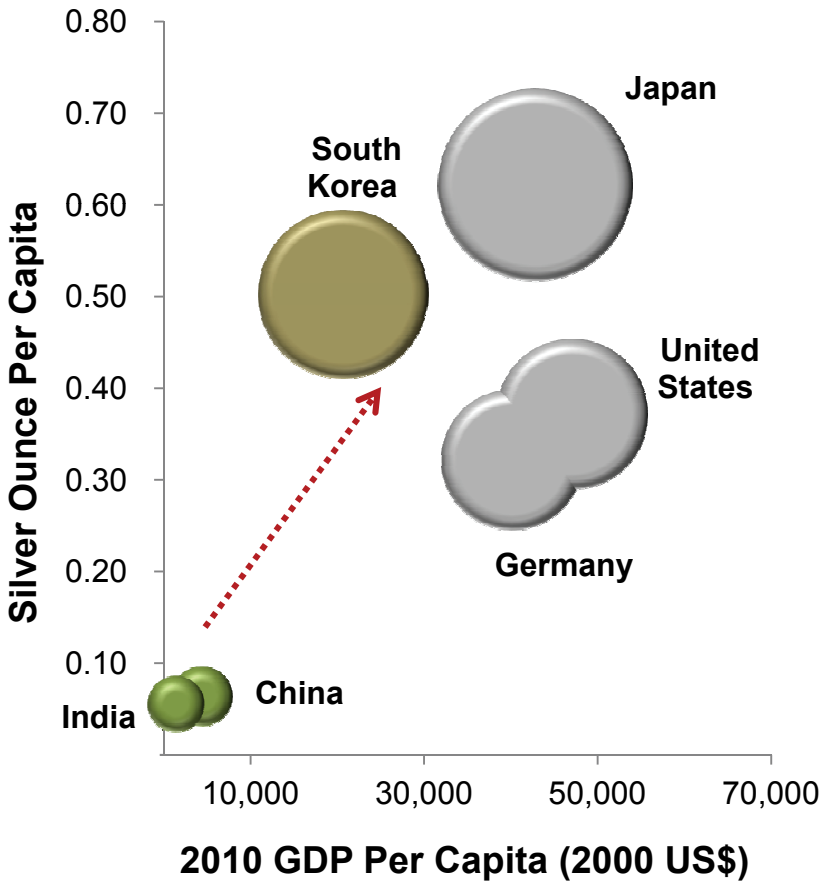
Modern Silver Demand Increases with Increasing Income



Silver Consumption per Capita

Increasing Silver Consumption Per Person in China and India



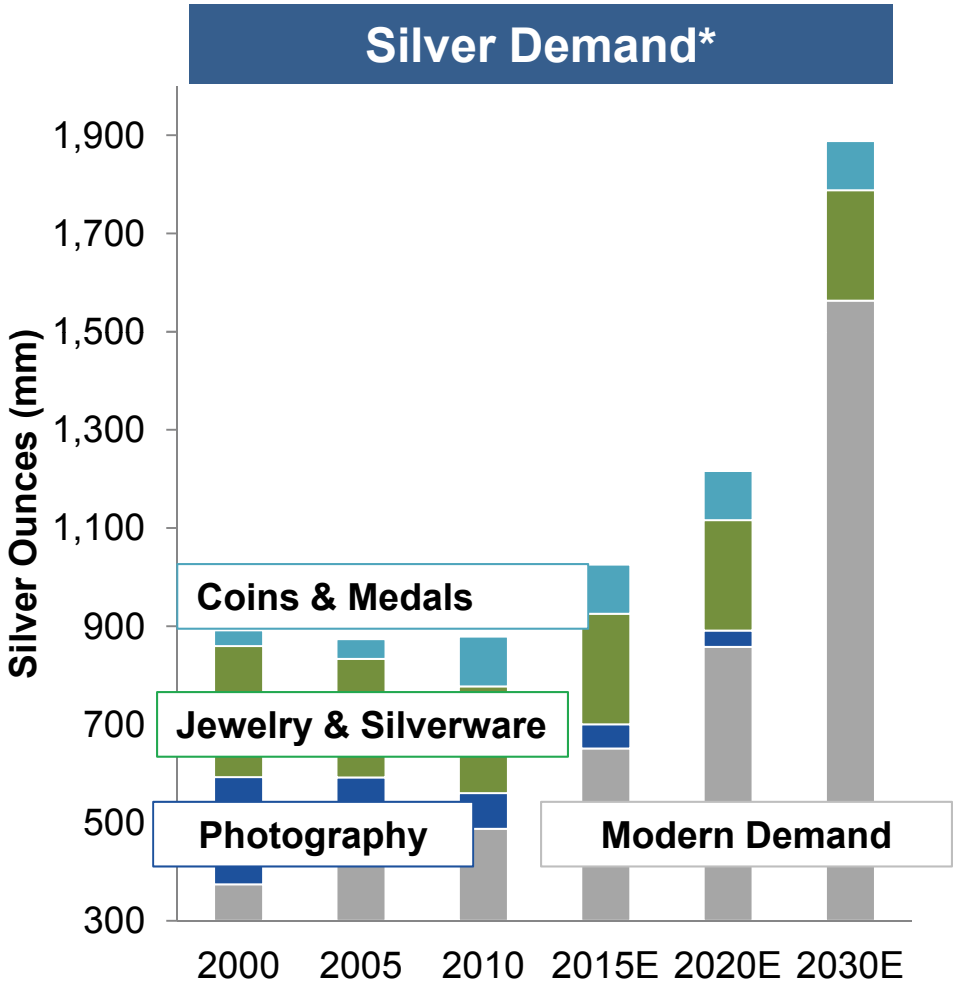


Source – World Bank, GFMS 2011

Size of bubbles indicate relative consumption per person

Silver Demand Conclusion

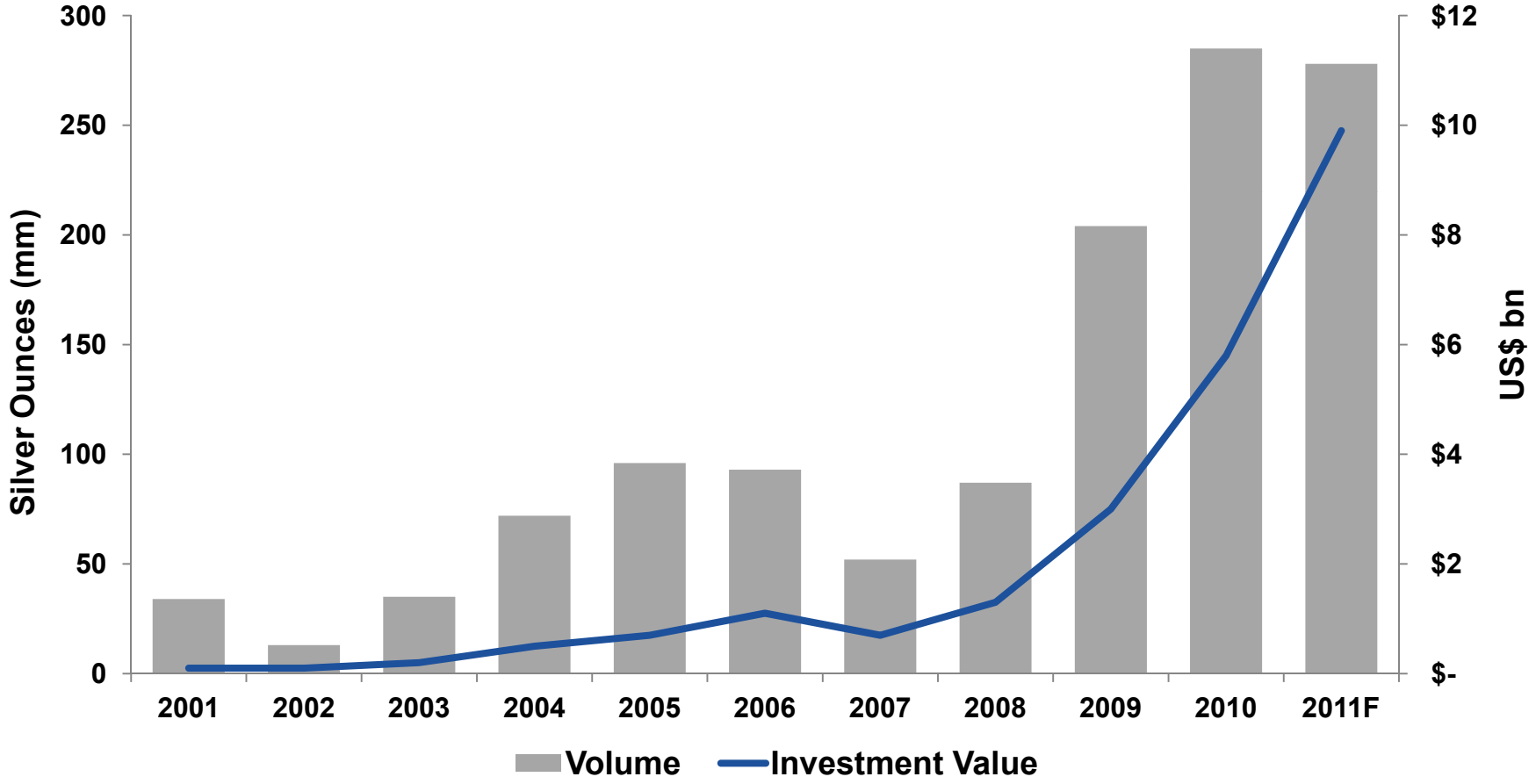
- China and India will see the largest growth in modern demand of approximately 9% annually
- The U.S. and Japan will continue to be large consumers of modern silver
- Risks to our demand forecast;
  - An extended global slowdown
  - Metal substitution



*Source – Hecla, does not include investment/ETF demand

Silver is Regarded as a Store of Value

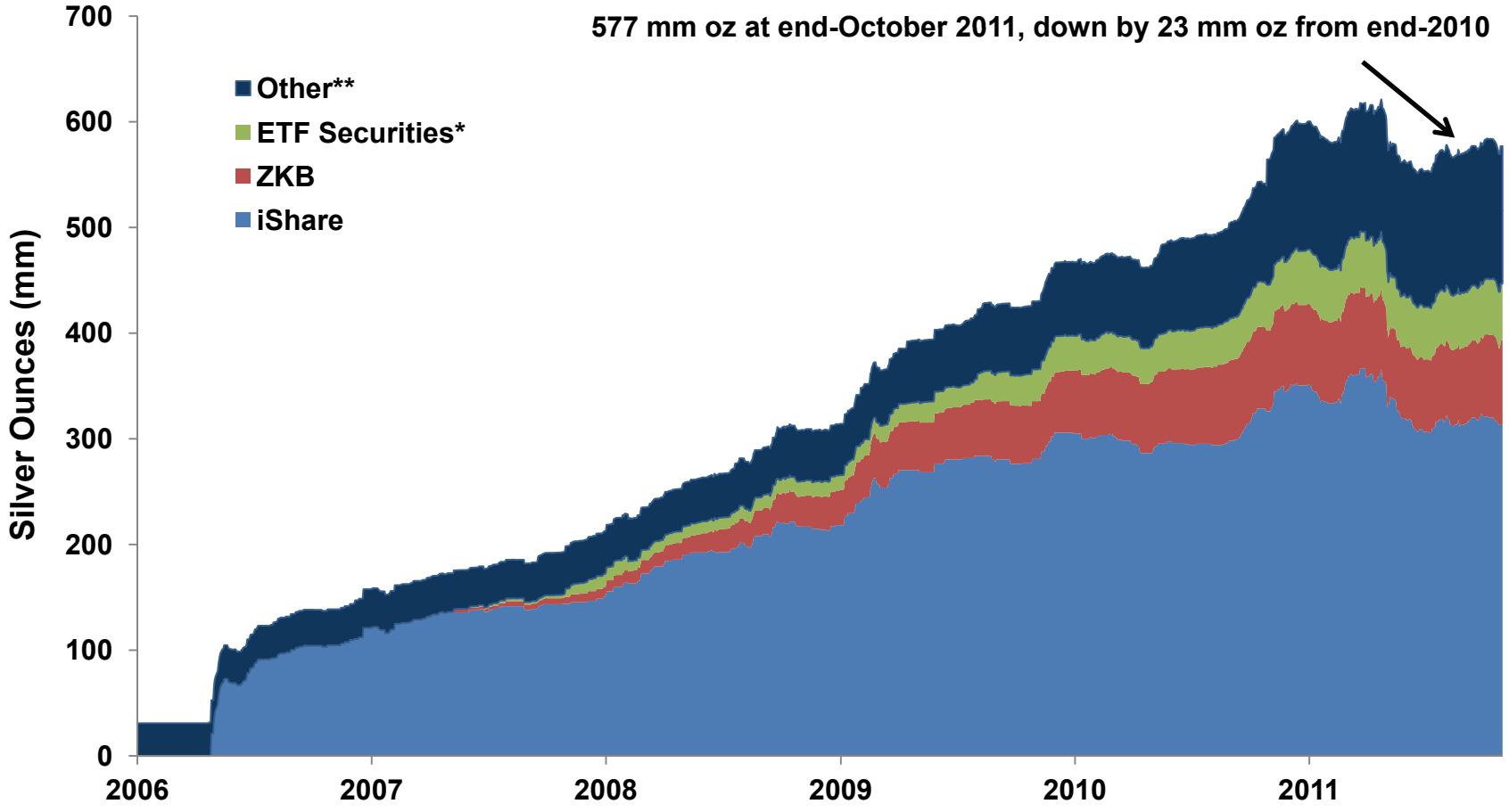
World Silver Investment* and Value



*World Investment is the sum of implied net investment and coins & medals
Source –Thomson Reuters GFMS 2011

ETFs Demonstrate Strong Investment Demand

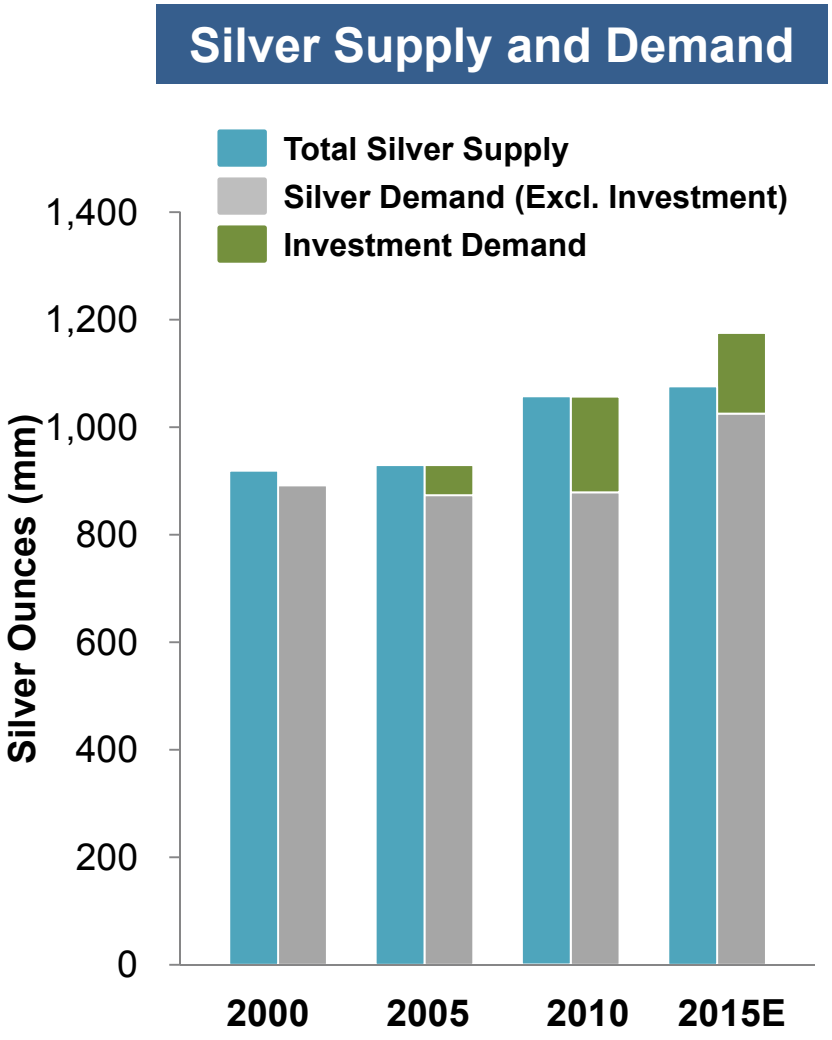
Silver ETF Holdings



*Includes ETFs London, Australia, NYSE, Glitter and WITE ** Includes Julius Baer, Mitsubishi, Sprott, Claymore, Central Fund of Canada, Silver Bullion Trust, DB Physical Silver, iShare ETC, Source: Thomson Reuters GFMS

Supply & Demand Conclusions

- Present silver supply is approximately 950 mm oz and should increase by 90 mm oz to 1.05 bn oz by 2015
- Maximum mine production achieved in 2014-15; no anticipated large scale projects in pipeline
- Silver demand of 1.06 bn oz today should grow to approximately 1.18 bn oz by 2015
- Growing modern demand in Asia could result in a shortage of supply



Silver Price Conclusions

- Investment demand has driven silver prices higher since 2007; this demand has absorbed surplus supply
- Investment demand should remain strong and will be the key price driver in the near-term
- We believe modern demand will play a pivotal role in driving silver prices in the long-term
- We forecast silver prices to re-test interim highs of $50/oz (April 2011)

Silver Price:
January 1, 2011 – February 17, 2012







PDAC 2012 International Convention

March 4th-7th, 2012

Hecla MINING COMPANY