



# European Gold Forum

## April 2013

Hecla
MINING COMPANY

# Cautionary Statements

Cautionary Statements

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 earnings before adjustments and total cash cost to cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP) can be found in the Appendix.

Industry and Market Data

We obtained the market and competitive position data used throughout this offering memorandum from our own research, surveys or studies conducted by third parties and industry or general publications, including from the Gold Fields Mineral Service, the World Gold Council, the Silver Institute, FactSet and Bloomberg. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies and publications is reliable, neither we nor the initial purchasers have independently verified such data and neither we nor the initial purchasers make any representation as to the accuracy of such information. Similarly, we believe our internal research is reliable but it has not been verified by any independent sources.

# Creation of a Leading Precious Metals Company

**Growth from Quality Assets**

- Two silver and one gold mine
- Long-lived assets with all mine lives of ten years or more
- Strong organic growth potential
- Goal of silver production growth to 15.0 million ounces by 2017

**Cash Flow Generation**

- Robust free cash flow (1)
- Low-cost operations
- Manageable capital associated with growth projects
- Double-digit unlevered pre-tax returns at current and consensus prices (2)

**Risk Diversification**

- Diversification of operating base, earnings base and geographic exposure
- Downside protection with base metal hedging policy
- Adds scale and improves liquidity

***Addition of Aurizon Creates the Next Chapter of Growth and Diversification in Our 122 Year Mining History***

1. Free Cash Flow (for mines) defined as Cash Flow from Operations – Capex – Lease Financing – Exploration
2. Current price assumption: $1,575/oz gold. Consensus prices per Bloomberg: Gold prices: 2013: $1,795/oz, 2014: $1,815/oz, 2015: $1,680/oz, 2016 and long-term: $1,600/oz

# Aurizon Acquisition Highlights

- Hecla made a “white knight” bid after a substantial search process was triggered by a hostile bid, which has since been dropped
- Casa Berardi, Aurizon’s principal operating mine, is a well-known asset to Hecla, having followed it closely since 2006
- Consideration comprised of C$514 million maximum cash and 57 million shares of Hecla common stock
- Acquisition by a Plan of Arrangement (the Arrangement) which is like a U.S. merger requiring a 2/3rd approval vote by Aurizon shareholders
- Deal protection
  - Hecla has right to match any competing transaction
  - Break fee to Hecla of C$27.2 million
- Aurizon shareholders meeting to approve the Arrangement and completion of the transaction expected in Q2/2013

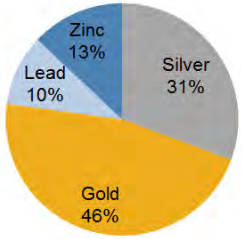
# Hecla at a Glance

- Pro forma three 100% owned **long-lived, low cost mines**
  - **10 years or more of mine life at all operations**
- All operations located in **stable and mining-friendly jurisdictions** – U.S. and Canada
- **Multi-metal production** of silver, gold, lead and zinc with base metals hedging
- Estimated Ag production of 8-9 million ounces in 2013, anticipated to grow to 15 million ounces by 2017
- On a pro forma basis, Au production in 2012 was 192,000 ounces and is expected to grow to 195,000 by 2014
- Pro forma for the Acquisition and Notes offering, Hecla will have **modest leverage** and maintain a **strong liquidity position**

***Stable Balance Sheet with Growing Cash Flow Profile***

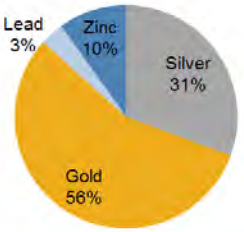
## Pro Forma Operational Statistics

### Reserves by Metal (1)



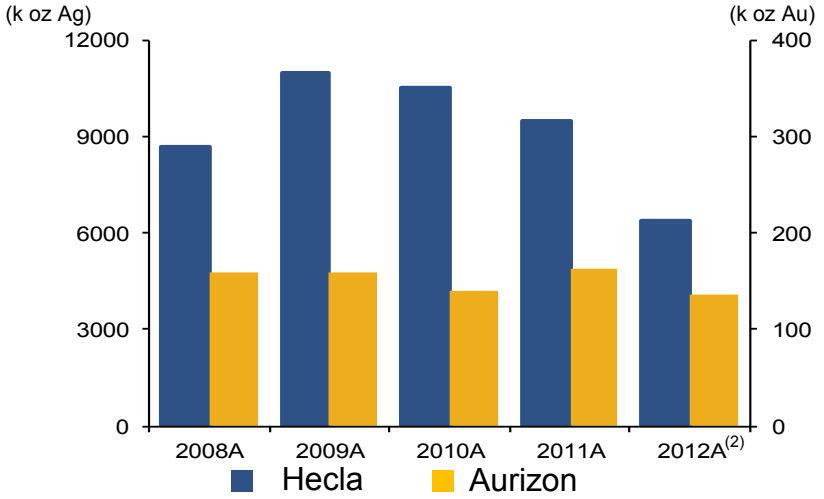

***Silver Equiv: 489.4mm oz***
***Gold Equiv: 8.3mm oz***

### 2012A Revenue by Metal




***2012 Revenue:***
***US$545 million***

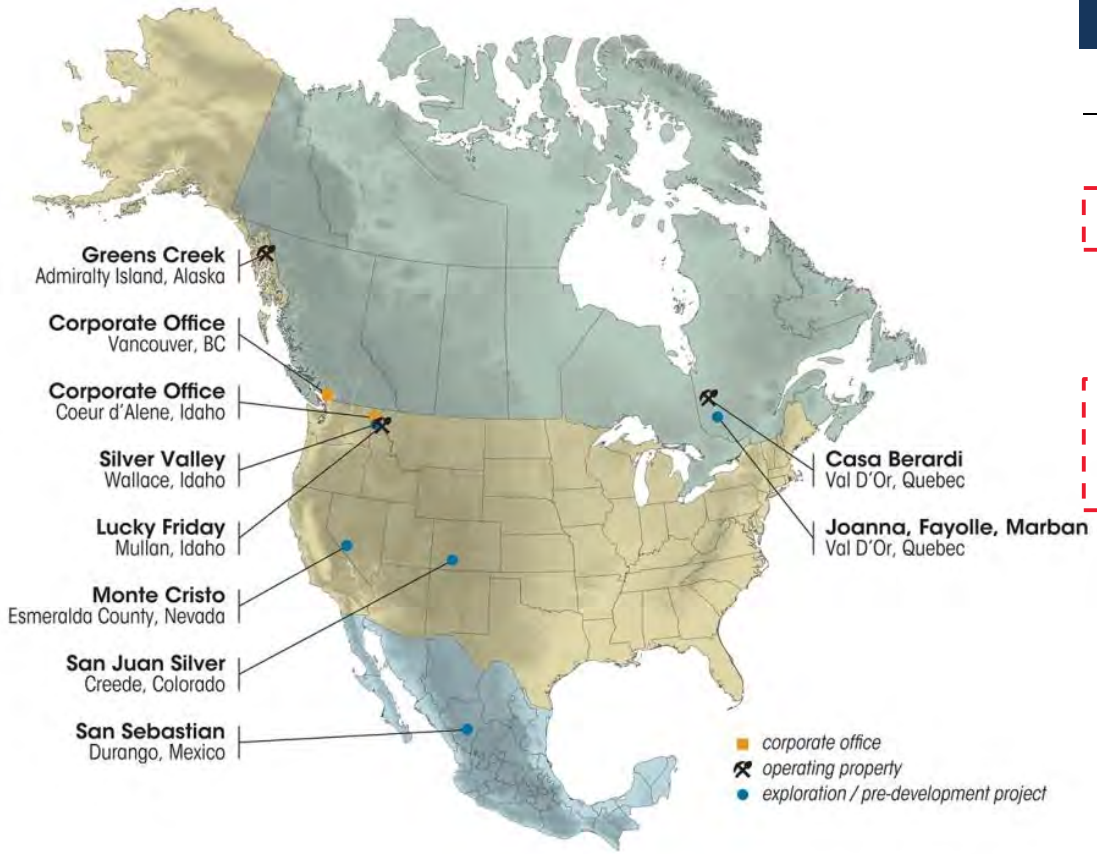
## Historical Production




1. Reserves as of December 31, 2012.
2. In 2012, production at Lucky Friday was suspended.

# North American Focused Asset Portfolio

The New Hecla has assets in 3 of the top 6 mining-friendly jurisdictions




2012 Rankings of Countries for Mining Investment

| Rank | Country | |
|---|---|---|
| 1 | Australia | 57 |
| **2** | **Canada** | 52 |
| 3 | Chile | 51 |
| 4 | Brazil | 45 |
| **5** | **Mexico** | 43 |
| **6** | **United States** | 41 |
| 7 | Colombia | 39 |
| 8 | Botswana | 37 |
| 9 | Peru | 36 |
| 10 | Ghana | 36 |

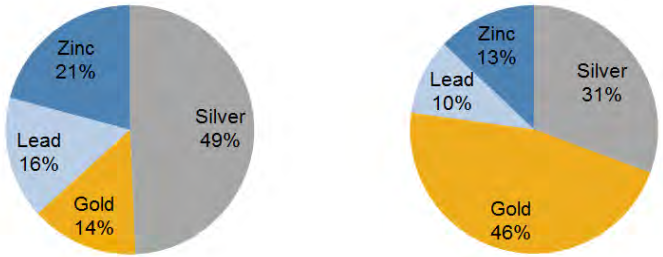
Source: Behre Dolbear's – 2012 ranking of countries for mining investment

# Financial Strength

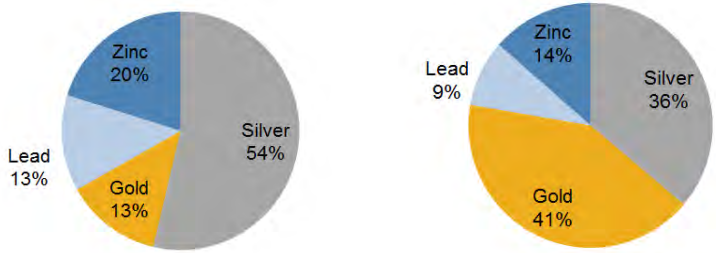
# Multiple Revenue Streams → Base Metals Hedging

| Hecla Standalone | Pro Forma |
|---|---|

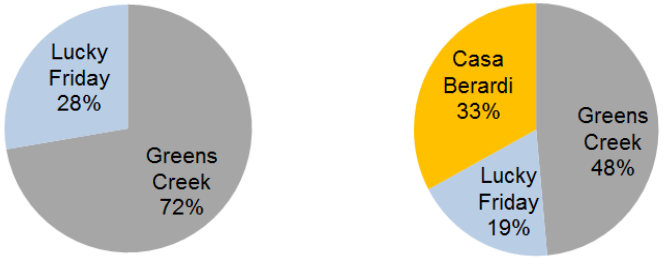
**Proven and Probable Reserves(1)**




**2011 Revenue by Metals**




**2011 Revenue by Mines**




1. Reserves as of December 31, 2012.

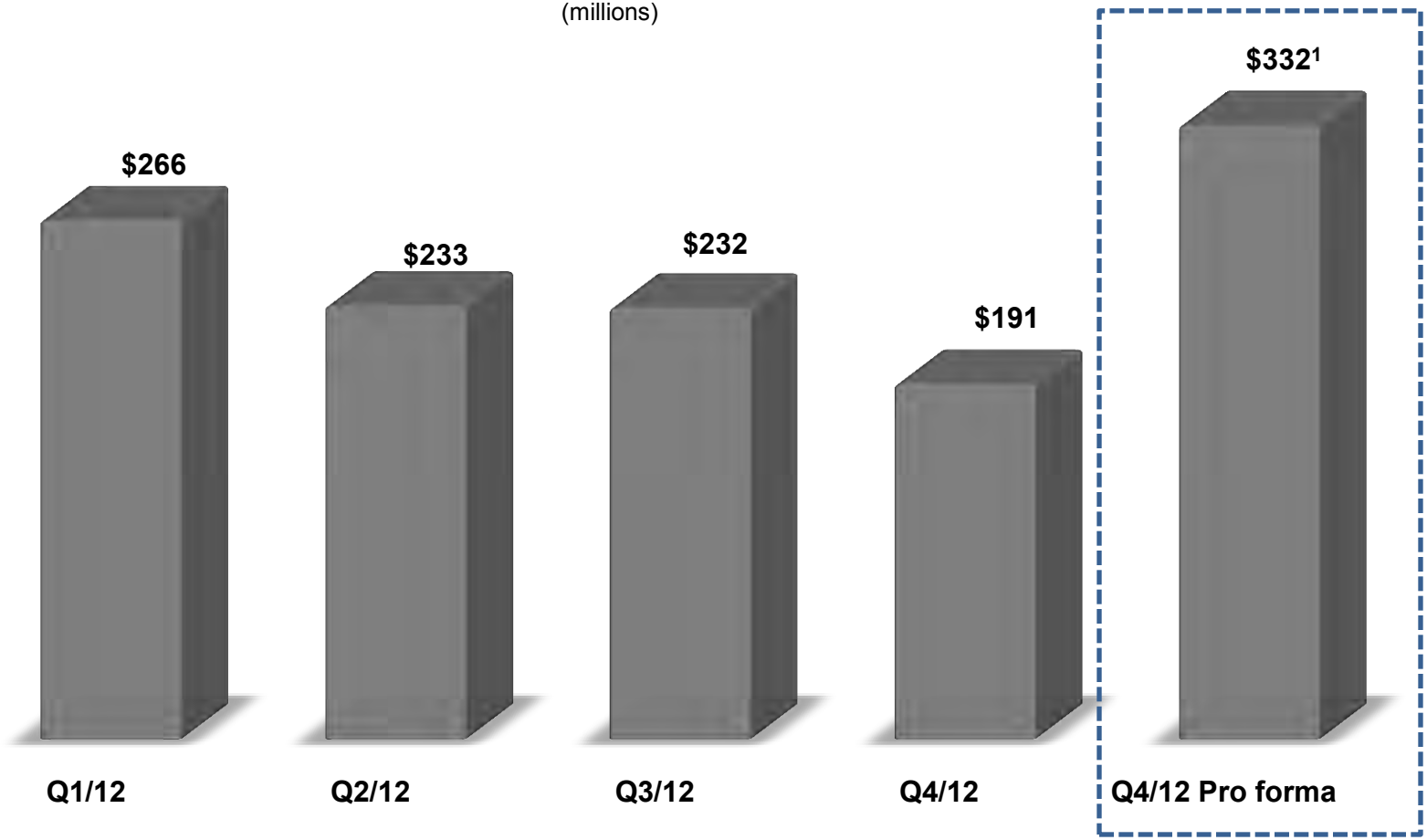
- Policy is to hedge up to 60% of the next three years' production of lead and zinc
- Locking in revenue to cover costs
- Currently, base metals hedging offsets approximately 50% of cash operating costs at Lucky Friday and Greens Creek for next 3 years
- 100% unhedged exposure to silver and gold

***Multi-metal Mining Company with Revenue from Diverse Sources***

# Strong Balance Sheet

## Cash and Cash Equivalents

(millions)




Note: All monetary amounts presented in millions of dollars. All metrics presented on an unadjusted basis.
1. Includes $500 million from senior notes less $515 million for Aurizon acquisition.

# Senior Notes Overview

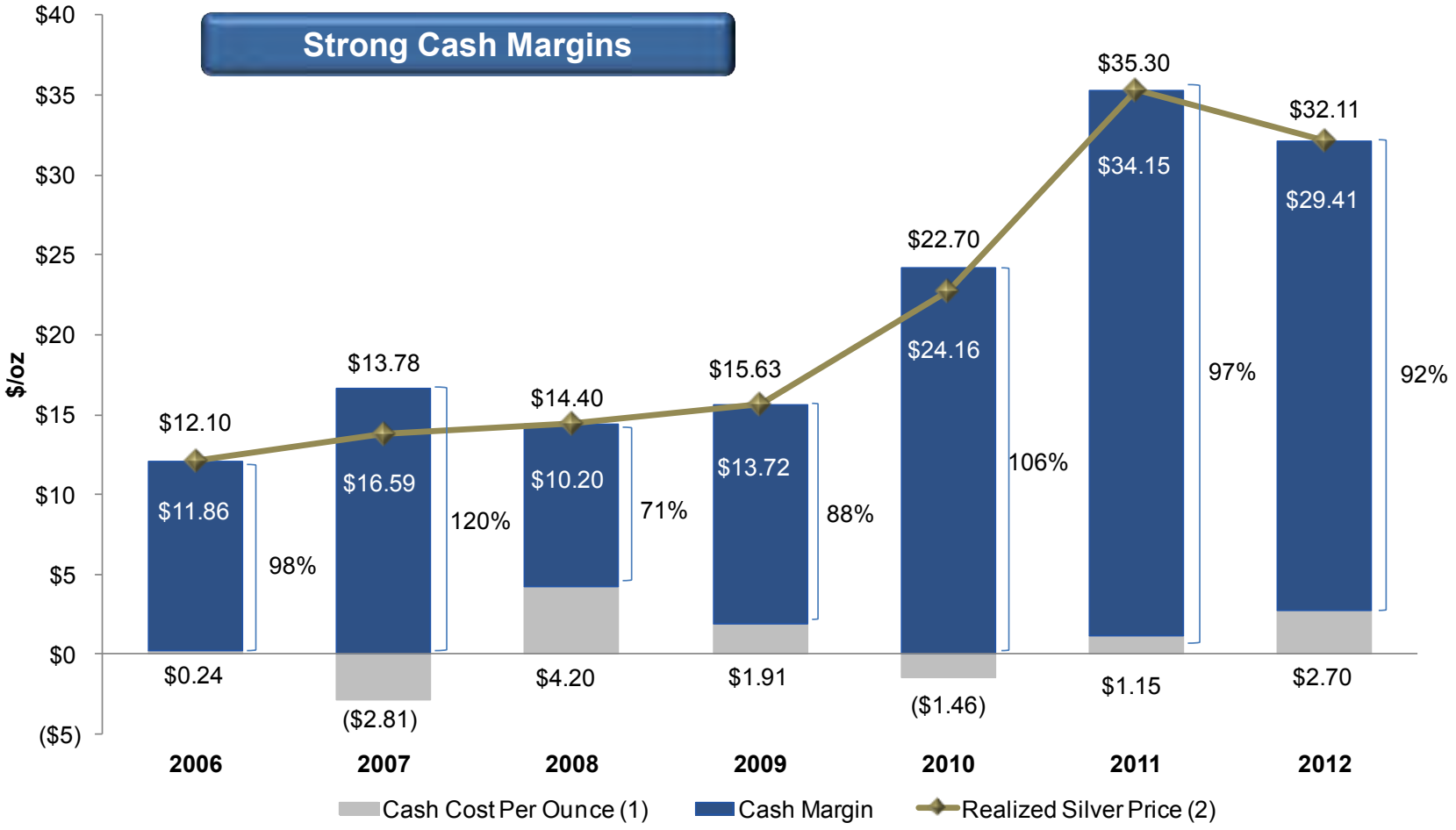
## Peer Comparison

| Issuer | Date Issued | Coupon | | Maturity | Amount Raised[1] | Current Ratings |
|---|---|---|---|---|---|---|
| **Hecla** | **12-Apr-13** | **6.875%** | **Sr. Notes** | **1-May-21** | **$500** | **B2/B** |
| Coeur | 24-Jan-13 | 7.875% | Sr. Notes | 1-Feb-21 | $300 | B2/B+ |
| Eldorado Gold | 10-Dec-12 | 6.125% | Sr. Notes | 15-Dec-20 | $600 | Ba3/BB |
| IAMGOLD Corp. | 14-Sep-12 | 6.750% | Sr. Notes | 1-Oct-20 | $650 | Ba/BB- |
| New Gold | 8-Nov-12 | 6.250% | Sr. Notes | 15-Nov-22 | $500 | B2/BB- |
| | 2-Apr-12 | 7.000% | Sr. Notes | 15-Apr-20 | $300 | B2/BB- |
| Allied Nevada Gold | 18-May-12 | 8.750% | Sr. Notes | 1-Jun-19 | $400 | B3/B |
| HudBay Minerals | 18-Jan-13 | 9.500% | Sr. Notes | 1-Oct-20 | $500 | B3/B |

1. In millions

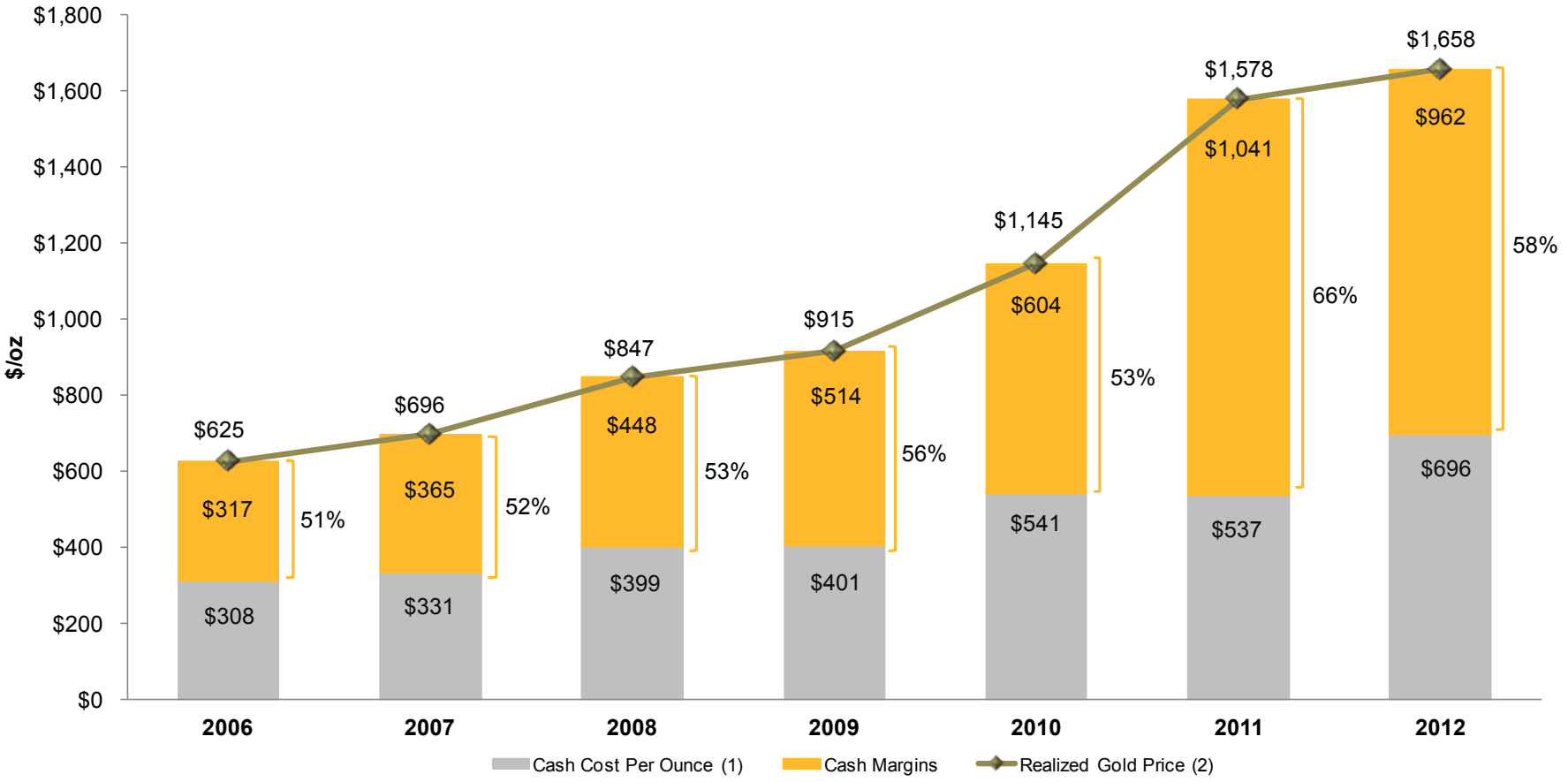
Source: Company Reports

# Low Cash Costs - 2012 Margin of $29.41 Per Ounce




1. Total cash cost per ounce of silver represents a non-U.S. Generally Accepted Accounting Principles (GAAP) measurement. A reconciliation of total cash costs to cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP) can be found in the Appendix.
2. Realized prices are calculated by dividing gross revenues for each metal by the payable quantities of each metal included in the concentrate and doré sold during the period.

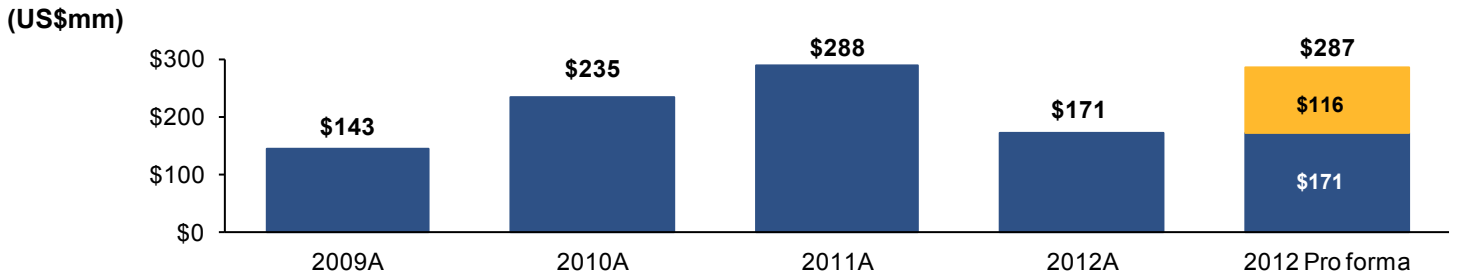
# Strong Cash Margins at Casa Berardi



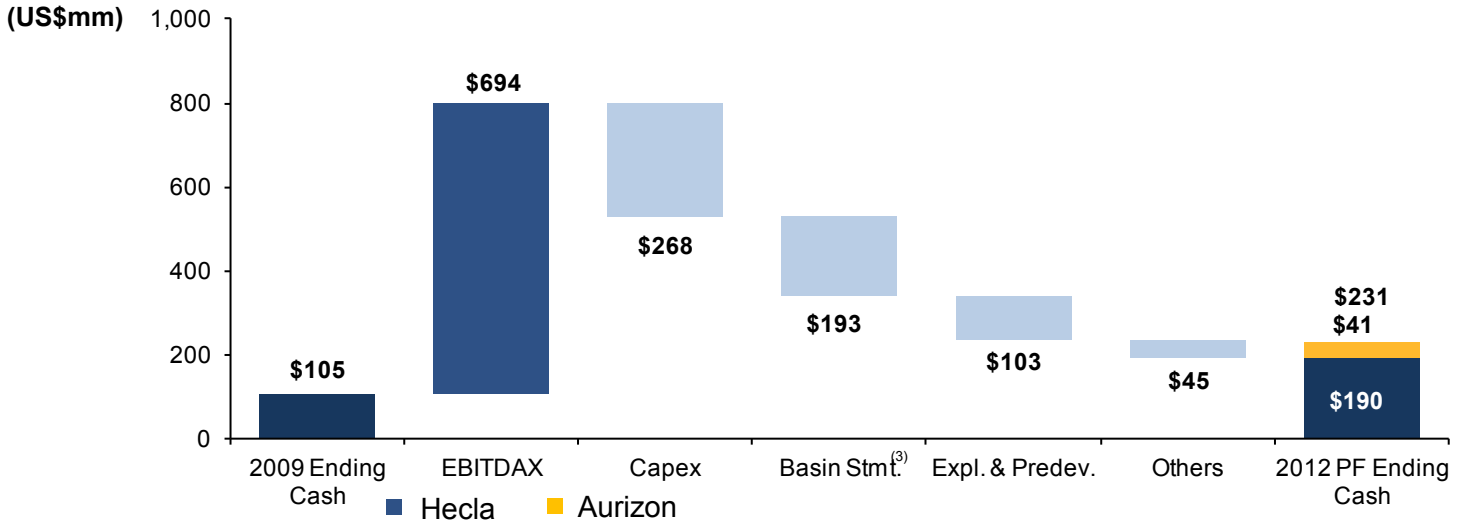

1. Total cash cost per ounce of gold represents a non-U.S. Generally Accepted Accounting Principles (GAAP) measurement. A reconciliation of total cash costs to cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP) can be found in the Appendix.
2. Realized prices are calculated by dividing gross revenues for each metal by the payable quantities of each metal included in the concentrate and doré sold during the period.

# Cash Flow Generation

## Adjusted EBITDAX(1)



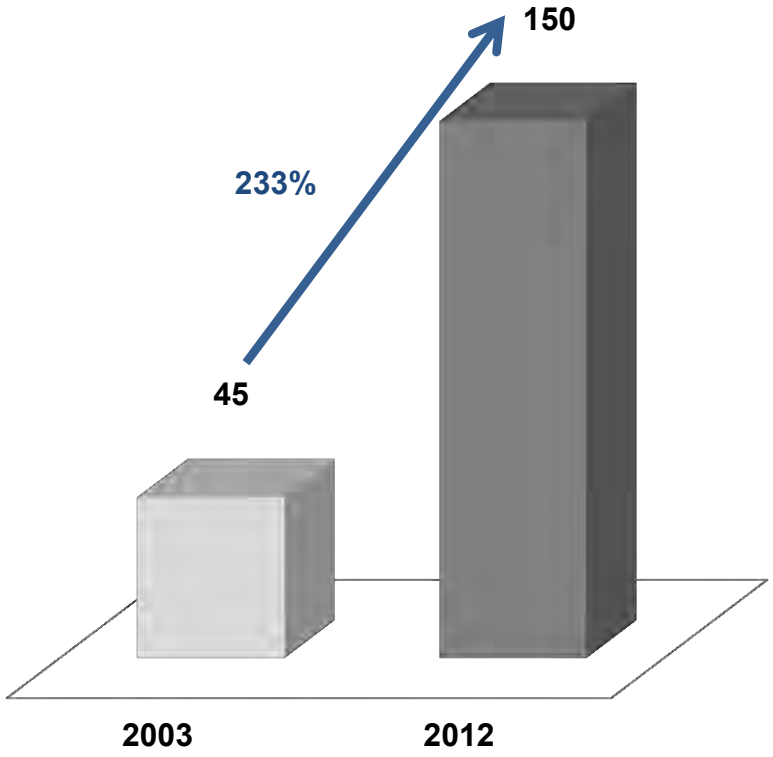

## 2009-2012 Cash Bridge(2)



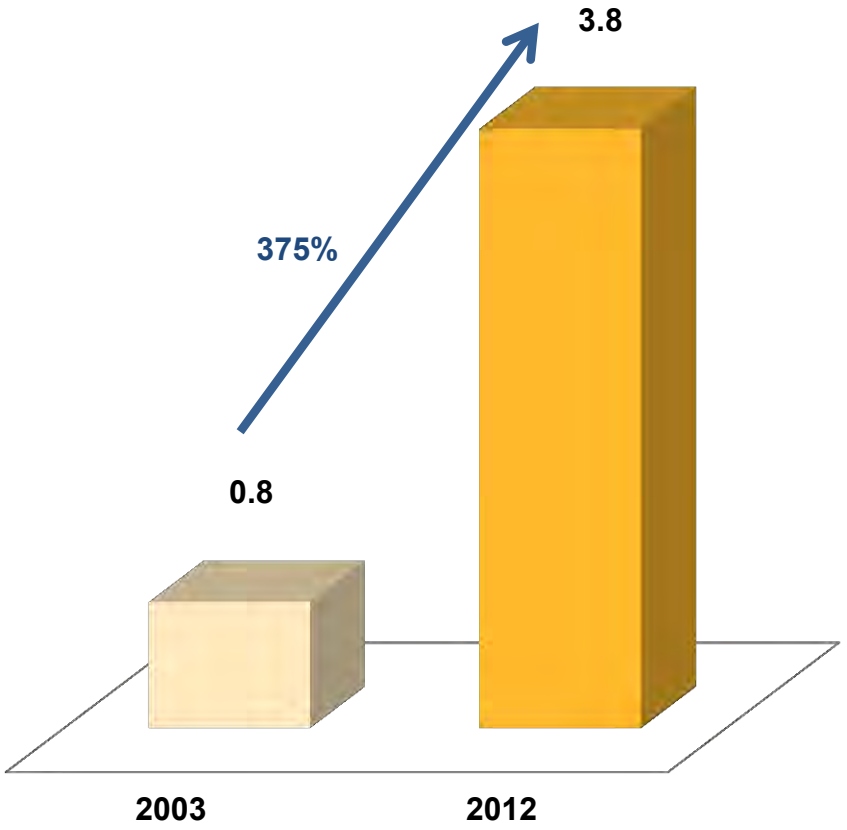

1. Adjusted EBITDAX reconciliation in appendix.
2. Aurizon's cash of $75 million is net of the cash portion of the transaction after assuming $500 million in notes financing.
3. Includes dividends, Lucky Friday suspension costs and miscellaneous.

# Reserve Growth 2003 - 2012

## Silver ounces (millions)



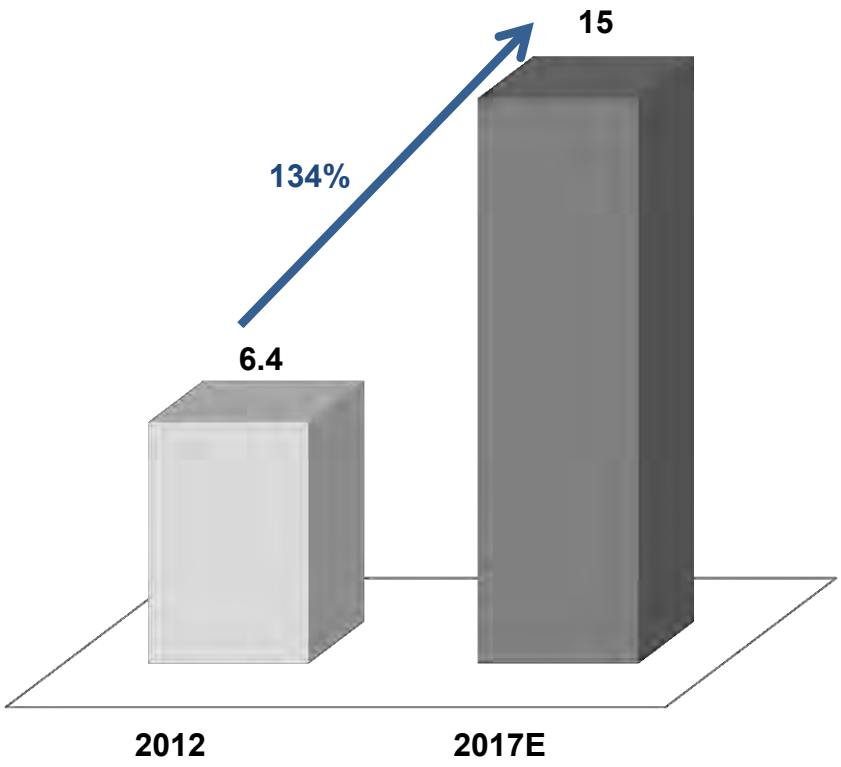

## Gold ounces (millions)[1]



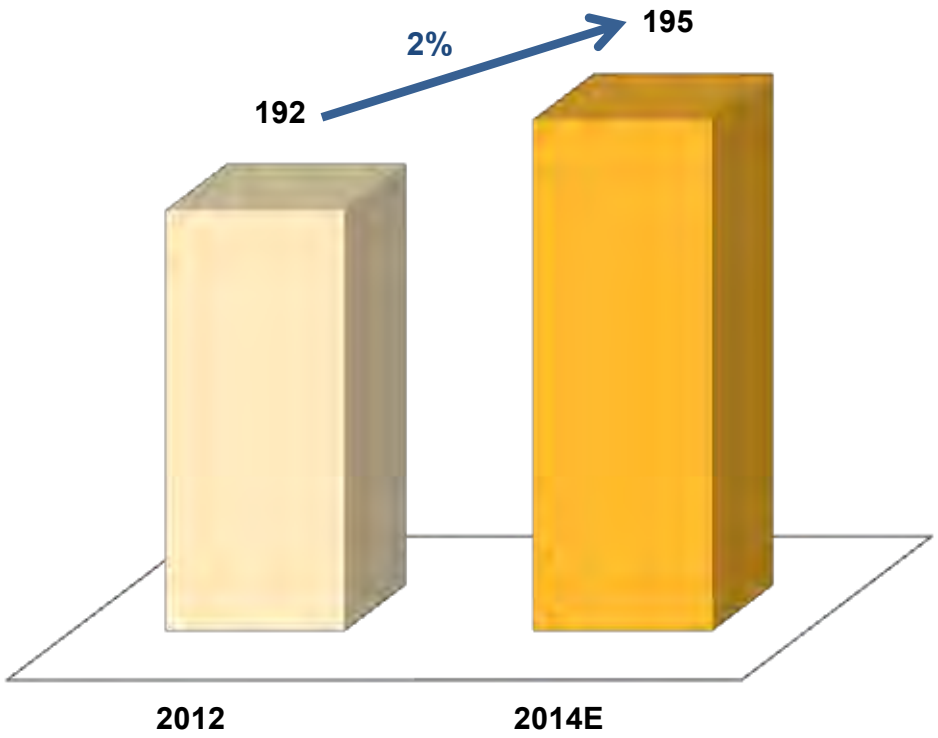

1. Includes Aurizon's reserves and resources for 2012.

# Strong, Disciplined Production Growth

**Silver ounces (millions)**




**Gold ounces (thousands)(1)**

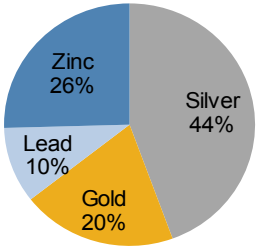


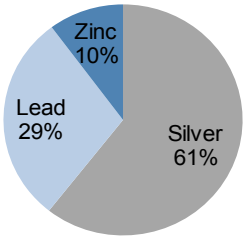

1. Includes Aurizon's production levels for 2012.

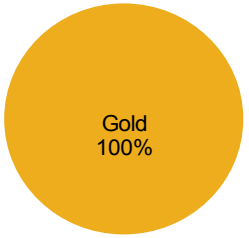
# High Quality Silver and Gold Mines

# Portfolio of High Quality, Long-Life Assets

| | Greens Creek | Lucky Friday | Casa Berardi |
|---|---|---|---|
| **Location** | Alaska | Idaho | Quebec |
| **Ownership** | 100% | 100% | 100% |
| **Primary Metal** | Ag | Ag | Au |
| **Primary Metal Grade (oz/t)** | **12.1** | **13.4** | **0.2** |
| **Proven and Probable Reserves (mm oz)** | | | |
| Au Eq. | 3.6 | -- | 1.5 |
| Ag Eq. | 213 | 92 | 87 |
| **Mine Life (Years)** | **10+ years** | **25+ years** | **10+ years**(1) |
| **2013 Metal Production** | | | |
| Ag (mm oz) / Au (koz) | **6.0 - 7.0 M oz** | **2.0 M oz*** | **125 - 130 koz*** |
| **2013 By-Product Cash Cost ($/oz)** | $3.25/oz | $11.00/oz(2) | $810/oz |
| **2013 Capital (Sustaining Capex)** | $76 M **(~$35 M)** | $76 M **(~$30 M)** | $102 M **(~$30 M)** |
| **Proven and Probable Reserves** | | | |




1. Based on reserves only
2. Cash costs at Lucky Friday in the second half of 2013 are expected to be $9.50/oz once the ramp-up is complete.
   *Lucky Friday and Casa Berardi in transition years

# Greens Creek - Low Cost Silver Production

- One of the largest and lowest-cost primary silver mines in the world
- Has produced approximately 200 million ounces of silver and approximately 1.5 million ounces of gold since production commenced in 1989
- Expected 2013 silver production of 6-7 million ounces at estimated cash cost of $3.25 per ounce
- Mine presently undergoing significant re-investment to extend mine life
- CAPEX of $62 million spent in 2012 and $76 million forecast for 2013
- Large, under-explored 27-square-mile land position



| Highlights | |
|---|---|
| **Location** | **Alaska** |
| Ownership | 100% |
| Metal Composition | Ag / Au / Zn / Pb |
| **2013 Silver Prodction** | 6.0 - 7.0 mm oz |
| **2013 Forecast Cash Costs** | $3.25/oz |
| **Projected Life of Mine** | 10+ years |
| **Proven & Probable Reserves (Ag)** | 94.6Moz |

# Re-Opened Lucky Friday

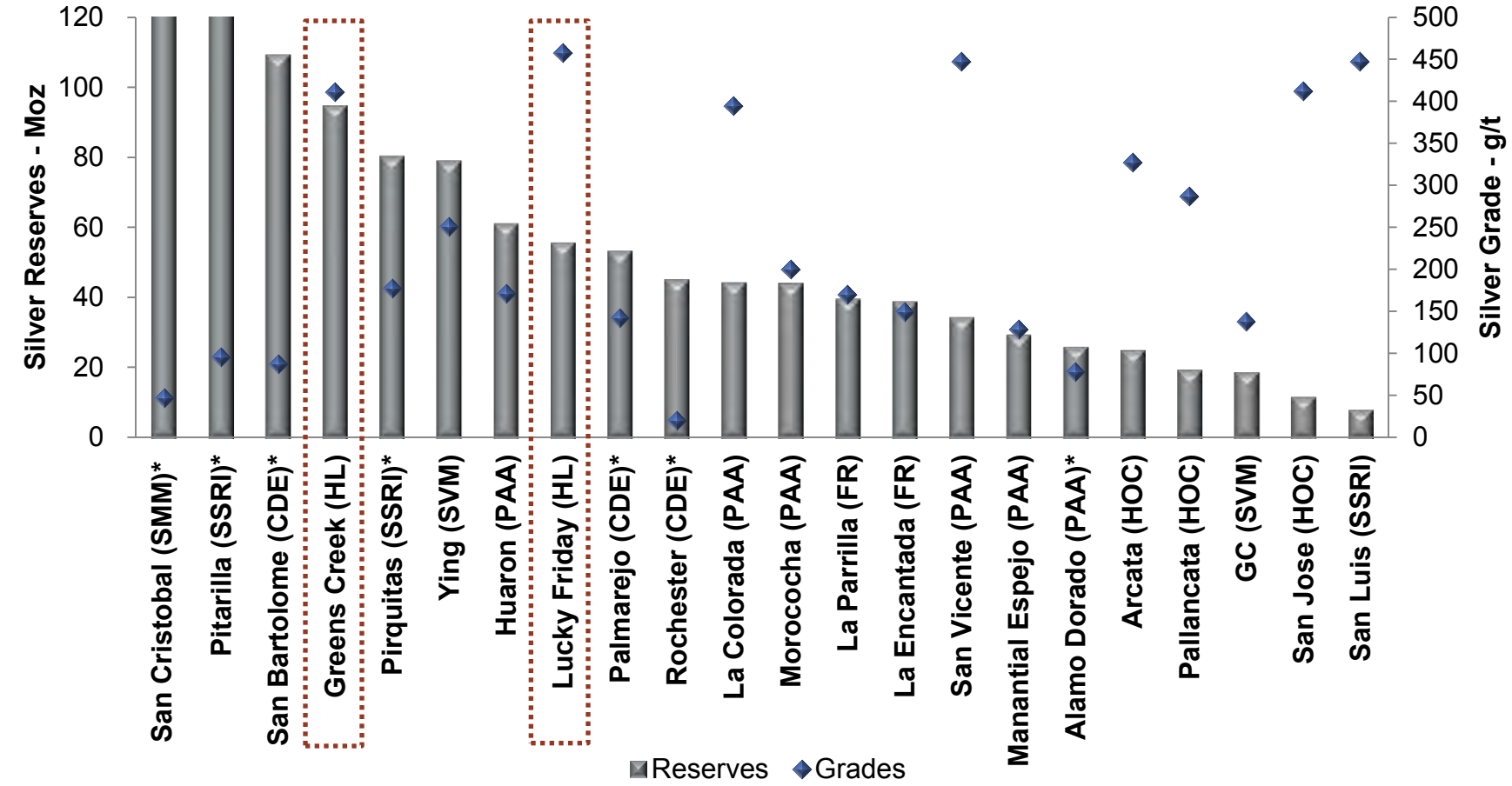
- Operations and production resumed in Q1/13
- Conservative and manageable ramp-up through 1st half of year
- 2 million ounces of silver production expected in 2013 and 3 million in 2014
- Expected cash costs of $17.00 per ounce in first half of year, declining to $9.50 per ounce in second half of 2013 for an average cash cost of $11.00 for 2013
- State-of-the-art safety initiatives
- MSHA approvals – release from PPOV
- Work has resumed on $200 million #4 Shaft Project
  - Currently 45% complete
  - To provide access to higher grades



| Highlights | |
|---|---|
| **Location** | **Idaho** |
| Ownership | 100% |
| Metal Composition | Ag / Au / Zn / Pb |
| **Expected 2013 Silver Production** | 2.0+ mm oz |
| **Projected Cash Costs** | $11.00/oz |
| **Projected Life of Mine** | 25+ years |
| **Proven and Probable Reserves (Ag)** | 55.5Moz |

# High Quality Assets

## Silver Reserves and Grades of Primary Silver Mines




***Peer-leading Silver Grade Profile Results in Low-cost, High-margin Production***

 Source: Public filings, *Open pit mines - Palmarejo is both open pit and underground.

# Casa Berardi - Long-Life Gold Asset

- Produced 688,000 oz gold at 7.1 g/t from 1988 to 1997
- Gold production of 937,100 oz at 7.8 g/t gold since the restart of operations in 2006
- Potential to increase processing capacity to 2,400 tpd
- High conversion (~65%) of resources to reserves and consistent replacement of mined reserves
- Expected to complete shaft deepening project in late 2013
- Upside potential with completion of paste back-fill plant (Q3/13) and mill expansion in long-term mine plan

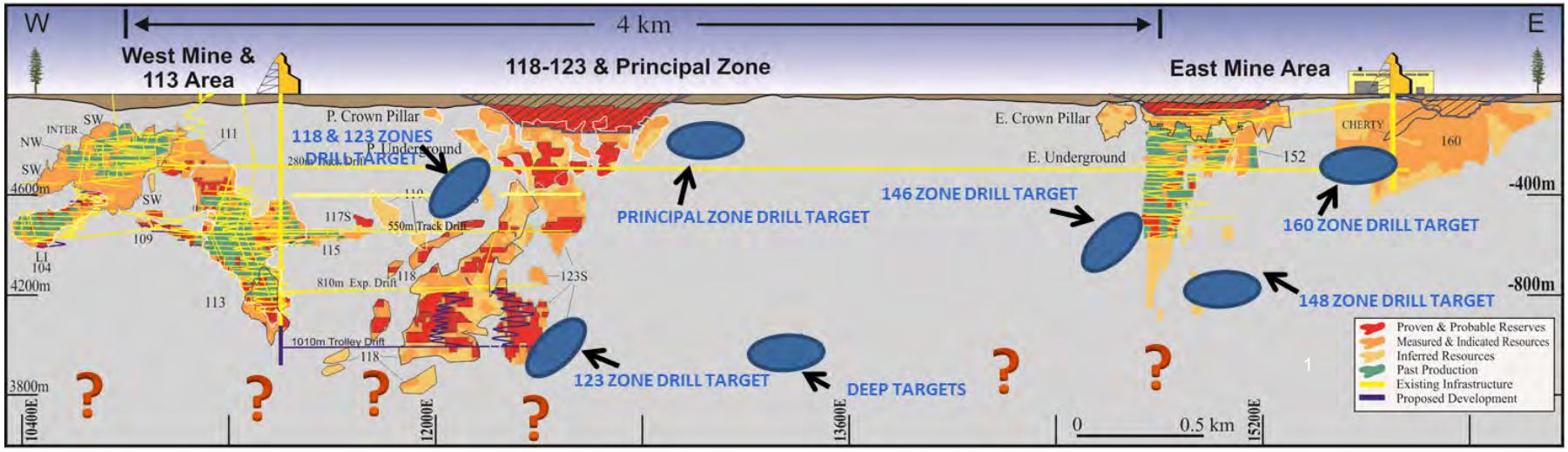


Highlights

| | |
|---|---|
| **Location** | **Western Quebec** |
| Ownership | 100% |
| Metal Composition | Au |
| **Expected 2013 Production** | 125 - 130 koz |
| **Estimated 2013 Cash Costs** | $810/oz |
| **Projected Life of Mine (reserve only)** | 10+ years |
| **Proven and Probable Reserves (Au)** | 1.46Moz |
| **2013 Capital Program** | $102M |

# Casa Berardi - Long Section

| | |
|---|---|
| Total Mineral Reserves: | 1,461,400 ounces |
| Total Measured and Indicated: | 1,467,000 ounces |
| Inferred Mineral Resources: | 589,600 ounces |

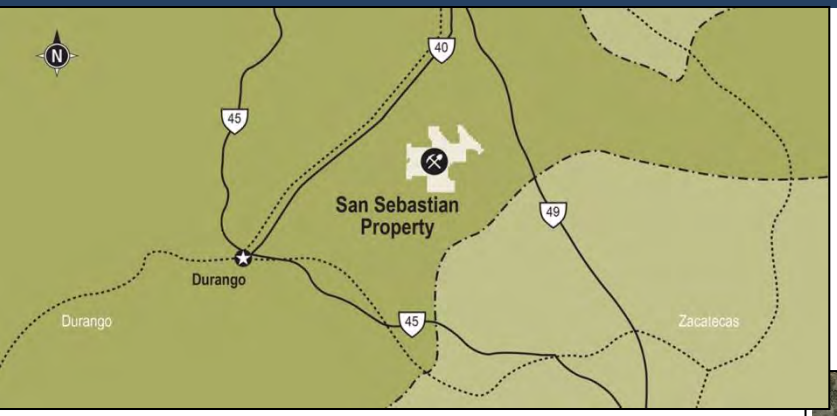





Information of a scientific or technical nature in this presentation related to the Casa Berardi Project was approved by Martin Bergeron, Vice President of Operations, a qualified person under NI 43-101.

# Exploration and Pre-development Projects

# Organic Growth - San Sebastian (Mexico)

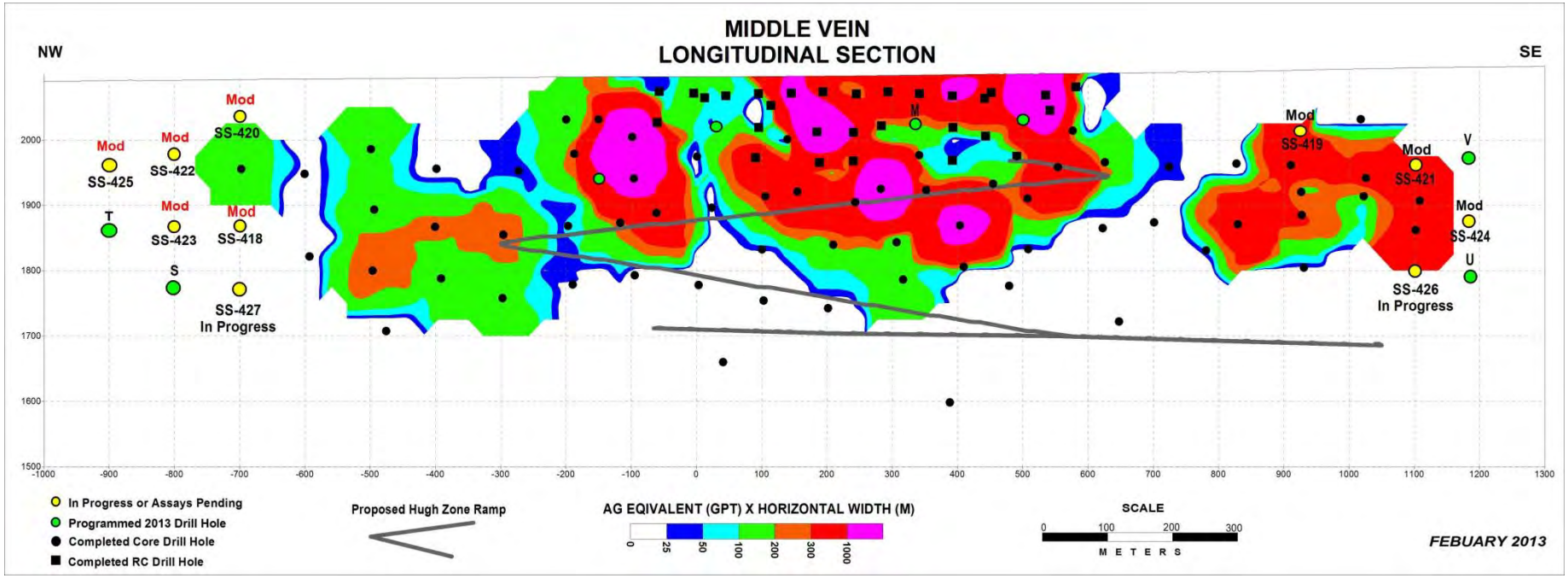



- 185-square-mile land package
- Potential extensions to both Middle Vein and Hugh Zone structures
- Andrea Vein remains open along strike and at depth



# Reserve and Resource Growth - Middle Vein (Mexico)

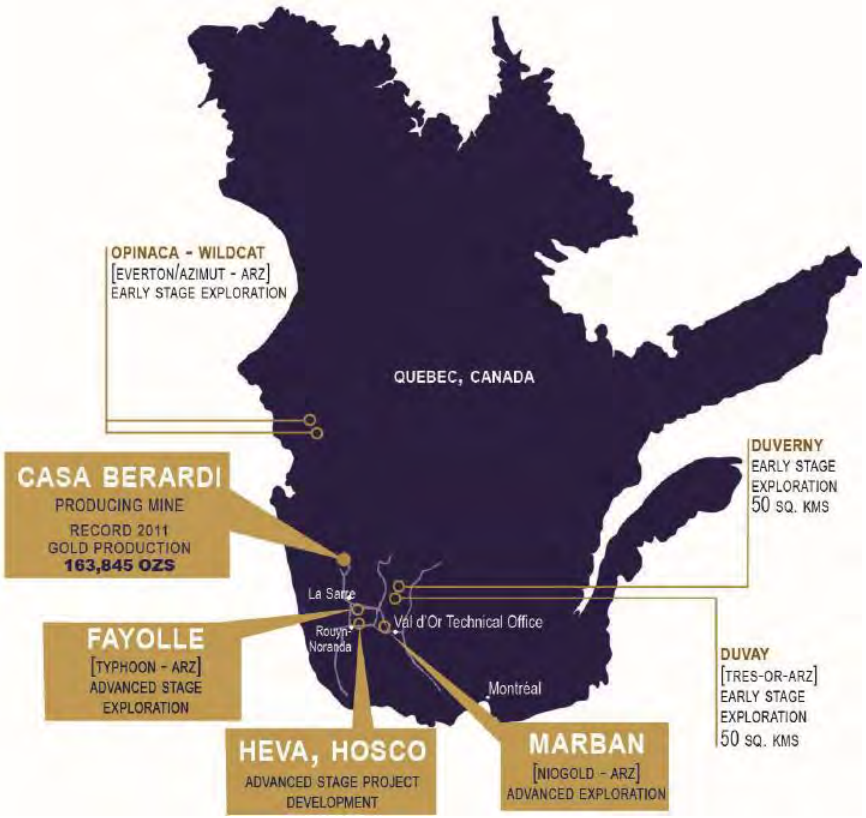
## Longitudinal of Middle Vein




- Middle Vein at San Sebastian defined over 3,000 feet along strike, from surface to over 1,000 feet in depth
- New other resources of 8.8 million silver ounces and 45,000 ounces gold appears open along strike

# New Quebec Gold Exploration Projects

- Gold producer and exploration portfolio in western Quebec
- Heva and Hosco West extension and the Joanna Hosco Pit
  - Large in-pit gold resource at Hosco
  - Additional gold resources at Heva and Hosco West Extension
  - Attractive exploration potential
- Significant exploration portfolio
- Portfolio of other earlier stage projects and investments

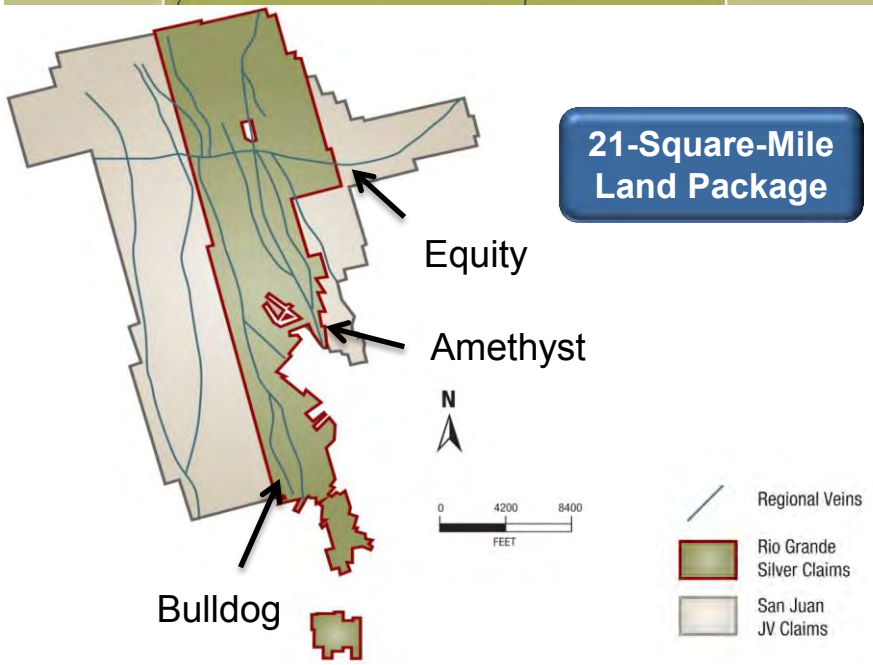



1. Based on only Casa Berardi reserves as of December 31, 2012

# Organic Growth - San Juan Silver (Colorado)

- Includes historic Bulldog mine: produced 25 million ounces of silver before closing in 1985
- Nearby Equity property included $25 million of underground ramp development
- 7.6 million ounces of silver Mineralized Material
- 33.1 million ounces of silver Other Resources
- 2013 Activities:
  - Bulldog decline construction underway
  - Additional underground drilling at the Equity



# Strong Precious Metals Fundamentals

# Silver - The Metal of This Age

- 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%

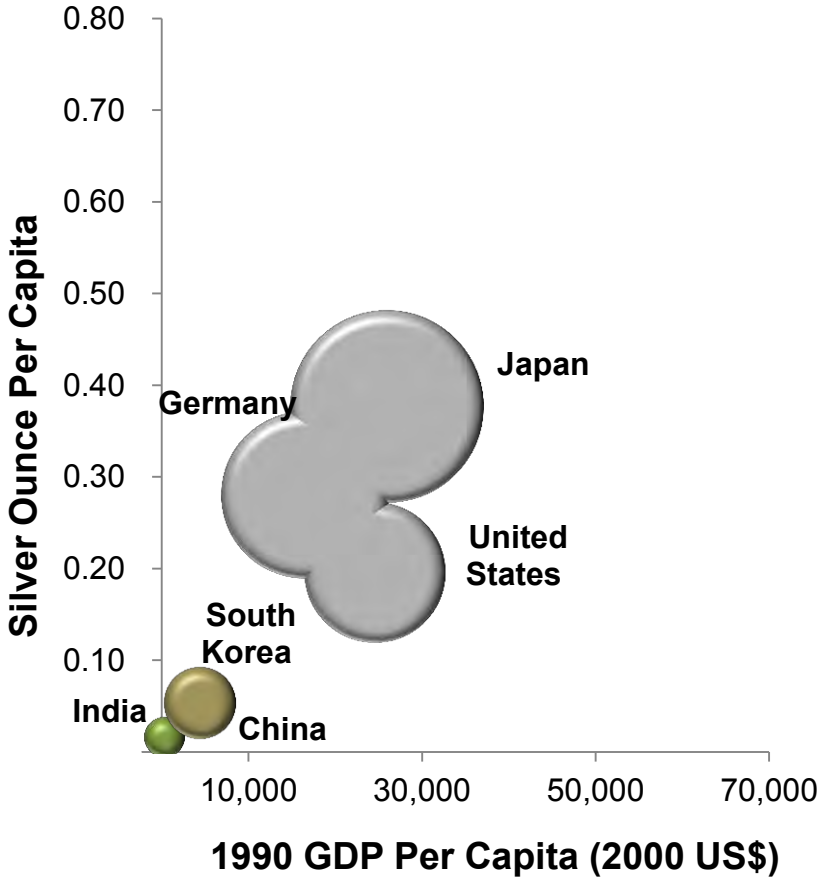


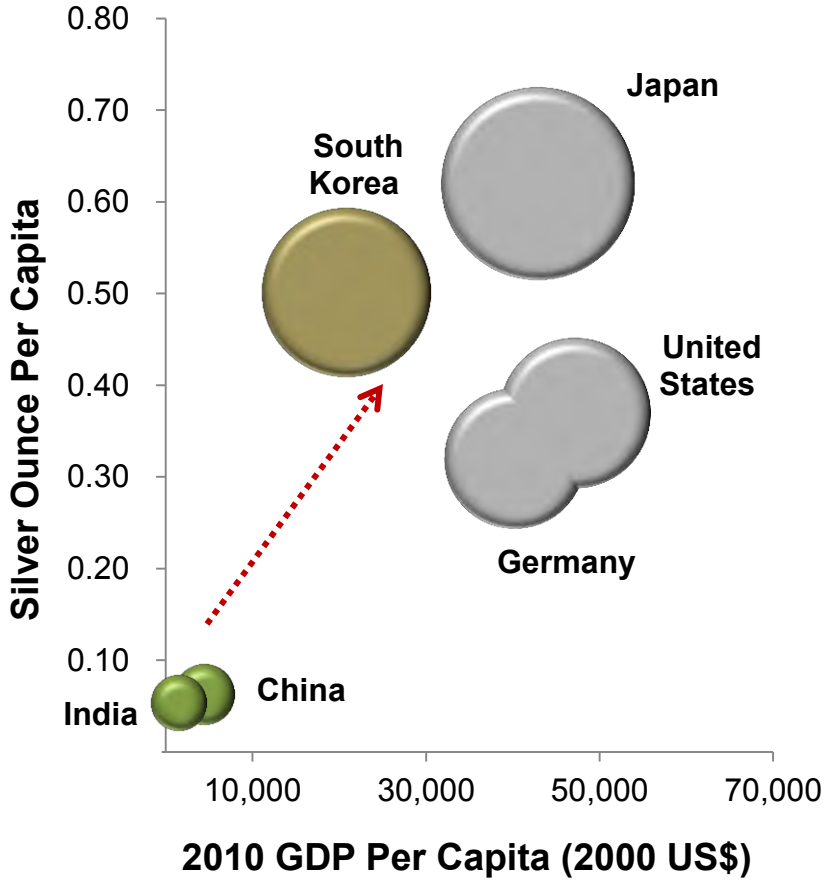



 Source – The Silver Institute 2011

# Silver Consumption per Capita

## Increasing Silver Consumption Per Person in China and India



# 100% Precious Metals Exposure…

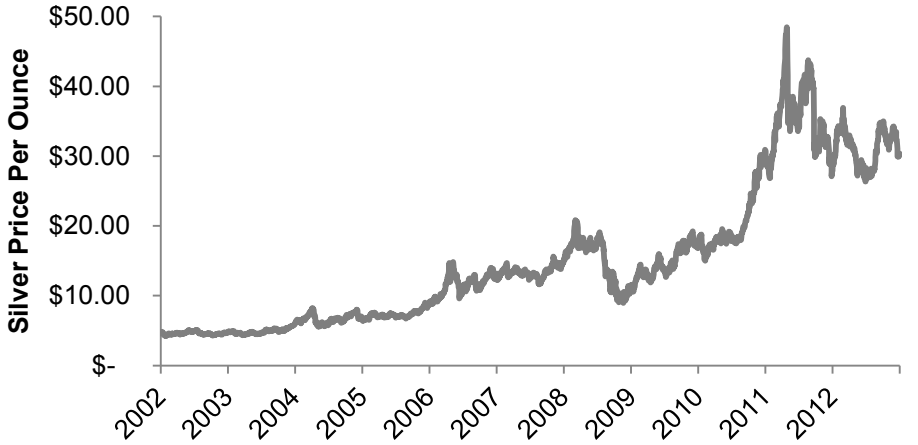
## Silver

- Mine production increased 40% over the past 20 years to 700 million ounces
- Modern/technology-driven demand up 78% in same period to nearly 500 million ounces – nearly half of the total world demand
- Limited exploration in the past 20 years

## Gold

- Mine production has peaked with completion of most large-scale projects
- Supply-demand fundamentals remain favorable due to lack of quality gold mines
- Weakening U.S. dollar; continued quantitative easing bodes well for gold prices

### Historical Silver Price




### Historical Gold Price



# Strong Investment Fundamentals Pro Forma




*Led by a management team with over 150 years of experience, Hecla is a multi-metal and operationally diversified company, operating low-cost mines in stable jurisdictions, generating strong and growing cash flow.*





# Appendix

Hecla
MINING COMPANY

# Seasoned Management Team with Significant Experience



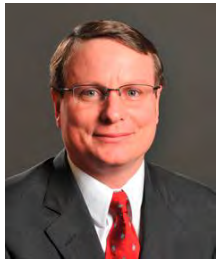
***President and CEO***

**Phillips S. Baker, Jr**., has 15+ years of mining experience. He was previously VP and CFO of Battle Mountain Gold Company and before that was CFO at Pegasus Gold Inc.



***Senior VP and CFO***

**James A. Sabala**, has 30+ years mining experience. James was previously executive VP and CFO at Coeur d'Alene Mines and VP and CFO of Stillwater Mining.



***VP - Operations***

**Lawrence P. Radford,** has 30+ years mining experience. He previously worked for Kinross Gold as VP of South American operations overseeing the La Coipa and Maricunga mines.



***VP - Exploration***

**Dr. Dean W.A. McDonald**, is a geologist with over 30+ years experience. He was previously VP of Exploration for Committee Bay Resources Ltd. and exploration manager at Miramar Mining Company.



***VP - Corporate Development***

**Don Poirier**, has 20+ years of mining experience. Prior to joining Hecla, Mr. Poirier was a mining analyst with Blackmont Capital from 2002-2007. Don held other mining analyst positions from 1988 to 2002.



***VP - General Counsel***

**David C. Sienko**, was appointed VP and General Counsel in 2010. Prior to working at Hecla, he was a partner of K&L Gates LLP and its predecessor, Bell, Boyd & Lloyd, LLP, where he specialized in counseling public and private entities on securities compliance, M&A, and corporate governance.

***Over 150 Years of Combined Experience***

# Notes to Unaudited Pro Forma Financial Statements

The unaudited pro forma condensed combined financial statements and notes have been prepared based on historical financial statements of Hecla and Aurizon to assist shareholders in analyzing the potential financial results of the combined company. The Arrangement is accounted for as a business combination. The unaudited pro forma condensed combined financial statements are prepared on that basis, and are presented to give effect to the acquisition of all of the outstanding common shares of Aurizon by Hecla. The unaudited pro forma condensed combined financial statements represent the combined company's unaudited pro forma condensed combined balance sheet as of December 31, 2012, and unaudited pro forma condensed combined statement of operations for the year ended December 31, 2012. The unaudited pro forma condensed combined balance sheet gives effect to the acquisition as if it occurred on the date of such balance sheet. The accompanying unaudited pro forma condensed combined statement of operations gives effect to the acquisition as if it occurred on January 1, 2012. Historical information for Hecla has been derived from historical financial statements, which were prepared and presented in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP"). Aurizon's historical consolidated financial statements are presented in Canadian dollars and were prepared in accordance with International Financial Reporting Standards ("IFRS"), which differs in certain respects from U.S. GAAP. As described in the notes to Aurizon's financial statements and the notes to these unaudited pro forma condensed combined financial statements, Aurizon's historical financial statements were adjusted to be presented under U.S. GAAP, were translated from CAD$ to US$, and were adjusted to conform to Hecla's accounting policies and presentation.

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

The pro forma adjustments and allocations of the estimated consideration transferred are based in part on preliminary estimates of the fair value of assets to be acquired and liabilities to be assumed. As of the date of this Management Proxy Circular, the Arrangement has not yet been completed. The final determination of the consideration transferred and the related allocation will be completed after asset and liability valuations are finalized as of the date of completion of the Arrangement. Changes to these adjustments may affect both the estimated value of the consideration transferred and the allocation of that value to the assets and liabilities as presented in the unaudited pro forma condensed combined financial statements.

In preparing the unaudited pro forma condensed combined balance sheet and statement of operations in accordance with U.S. GAAP, the following historical information was used:
Aurizon's balance sheet as of December 31, 2012 included in their Annual Report for 2012 and prepared in accordance with IFRS;
Aurizon's statement of comprehensive income for the year ended December 31, 2012 included in their Annual Report for 2012 and prepared in accordance with IFRS;
Hecla's consolidated balance sheet as of December 31, 2012 filed on Form 10-K for the year ended December 31, 2012 and prepared in accordance with U.S. GAAP; and
Hecla's consolidated statement of operations and comprehensive income for the year ended December 31, 2012 filed on Form 10-K for the year ended December 31, 2012 and prepared in accordance with U.S. GAAP.

The unaudited pro forma condensed combined balance sheet and statement of operations should be read in conjunction with the historical financial statements including the notes thereto, as listed above, which are incorporated by reference herein.

The significant accounting policies used in preparing the unaudited pro forma condensed combined financial statements are set out in Hecla's consolidated financial statements filed on Form 10-K for the year ended December 31, 2012.

Amounts in these unaudited pro forma condensed combined financial statements and notes are presented in U.S. dollars ("US$" or "$") unless otherwise indicated.

# Hecla Total Cash Cost GAAP Reconciliation

**Reconciliation of Cash Costs per Ounce to Generally Accepted Accounting Principles (GAAP)**

**(dollars and ounces in thousands, except per ounce - unaudited)**

| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|
| Total cash costs[1] | $ 17,262 | $ 10,934 | $ (15,435) | $ 20,958 | $ 36,621 | $ (15,873) | $ 1,329 |
| Divided by silver ounces produced | 6,394 | 9,483 | 10,566 | 10,989 | 8,709 | 5,643 | 5,510 |
| Total cash cost per ounce produced | $ 2.70 | $ 1.15 | $ (1.46) | $ 1.91 | $ 4.20 | $ (2.81) | $ 0.24 |
| Reconciliation to GAAP: | | | | | | | |
| Total cash costs | $ 17,262 | $ 10,934 | $ (15,435) | $ 20,958 | $ 36,621 | $ (15,873) | $ 1,329 |
| Depreciation, depletion and amortization | $ 43,522 | $ 47,066 | $ 60,011 | $ 62,837 | $ 35,207 | $ 12,323 | $ 11,757 |
| Treatment costs | $ (73,355) | $ (99,019) | $ (92,144) | $ (80,830) | $ (70,776) | $ (27,617) | $ (33,523) |
| By- products credits | $ 190,916 | $ 254,372 | $ 267,272 | $ 206,608 | $ 164,963 | $ 112,079 | $ 86,216 |
| Change in product inventory | $ (1,381) | $ (4,805) | $ 3,660 | $ 310 | $ 20,254 | $ (1,261) | $ 1,278 |
| Suspension-related costs[2] | $ - | $ 4,135 | $ - | $ - | $ - | $ - | $ - |
| Reclamation, severance and other costs | $ 663 | $ (44) | $ 630 | $ 1,596 | $ 537 | $ 203 | $ 190 |
| **Costs of sales and other direct production costs and depreciation, depletion and amortization (GAAP)** | **$ 177,627** | **$ 212,639** | **$ 223,994** | **$ 211,479** | **$ 186,806** | **$ 79,854** | **$ 67,247** |

1. Cash cost per ounce of silver represents a non-U.S. Generally Accepted Accounting Principles (GAAP) measurement that the Company believes provide management and investors an indication of net cash flow. Management also uses this measurement for the comparative monitoring of performance of mining operations period-to-period from a cash flow perspective. “Total cash cost per ounce” is a measure developed by mining 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, was the most comparable financial measures calculated in accordance with GAAP to total cash costs.
2. Various accidents and other events resulted in temporary suspensions of production at the Lucky Friday unit during 2011 and throughout 2012. See the Lucky Friday Segment section for more further discussion of these events. Care-and-maintenance, mine rehabilitation, investigation, and other costs incurred during the suspension periods not related to production have been excluded from total cash costs and the calculation of total cash cost per ounce produced.

# Aurizon Total Cash Cost GAAP Reconciliation

**Reconciliation of Cash Costs per Ounce to Generally Accepted Accounting Principles (GAAP)**

**(dollars and ounces in thousands, except per ounce - unaudited)**

| | | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|
| Cash Operating Costs [1] | US$000 | $ 93,259 | $ 88,711 | $ 75,713 | $ 63,869 | $ 63,602 | $ 53,099 | $ 2,120 |
| Divided by gold ounces sold | | 133,990 | 165,250 | 139,950 | 159,275 | 159,404 | 160,600 | 6,882 |
| Total cash cost per ounce sold | US$/oz | $ 696 | $ 537 | $ 541 | $ 401 | $ 399 | $ 331 | $ 308 |
| Reconciliation to GAAP: | | | | | | | | |
| Cash Operating Costs | US$000 | $ 93,259 | $ 88,711 | $ 75,713 | $ 63,869 | $ 63,602 | $ 53,099 | $ 2,120 |
| Average US$/C$ exchange rate | | $ 1.000 | $ 0.989 | $ 1.030 | $ 1.140 | $ 1.070 | $ 1.075 | $ 1.150 |
| Cash Operating Costs | C$000 | $ 93,259 | $ 87,735 | $ 77,984 | $ 72,811 | $ 68,054 | $ 57,081 | $ 2,438 |
| Less: Silver by-product credits | | $ (990) | $ (1,063) | $ (679) | $ (668) | $ (551) | $ (392) | $ - |
| Less: Depreciation and amortization | | $ (37,539) | $ (38,927) | $ (34,288) | $ (36,514) | $ (35,582) | $ (30,120) | $ (500) |
| **Costs of sales and other direct production costs and depreciation, depletion and amortization (GAAP)** | C$000 | **$ 131,788** | **$ 127,725** | **$ 112,951** | **$ 109,993** | **$ 104,187** | **$ 87,593** | **$ 2,937** |

1. Cash cost per ounce of silver represents a non-U.S. Generally Accepted Accounting Principles (GAAP) measurement that the Company believes provide management and investors an indication of net cash flow. Management also uses this measurement for the comparative monitoring of performance of mining operations period-to-period from a cash flow perspective. “Total cash cost per ounce” is a measure developed by mining 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, was the most comparable financial measures calculated in accordance with GAAP to total cash costs.

# Portfolio of Three High Quality, Long-Life Operations

**Proven Reserves**

| Asset | Location | Ownership | Tons ('000's) | Silver (oz/ton) | Gold (oz/ton) | Lead % | Zinc % | Silver (mm oz) | Gold (mm oz) | Lead (kt) | Zinc (kt) | Silver Eq. (mm oz) | Gold Eq. (mm oz) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Greens Creek | United States | 100.0% | 12 | 9.3 | 0.10 | 2.7 | 7.8 | 0.1 | 0.0 | 0.3 | 0.9 | **0.28** | **0.0** |
| Lucky Friday | United States | 100.0% | 2,207 | 12.1 | -- | 7.4 | 2.7 | 26.8 | -- | 163.4 | 58.6 | **44.5** | **0.75** |
| Casa Berardi | Canada | 100.0% | 1,117 | -- | 0.19 | -- | -- | -- | 0.2 | -- | -- | **11.4** | **0.2** |
| Joanna Dev. Property | Canada | 100.0% | 31,640 | -- | 0.04 | -- | -- | -- | 1.2 | -- | -- | **70.2** | **1.2** |
| **Total** | | | **34,975** | | | | | **26.9** | **1.4** | **163.7** | **59.5** | **126.4** | **2.1** |

**Probable Reserves**

| Asset | Location | Ownership | Tons ('000's) | Silver (oz/ton) | Gold (oz/ton) | Lead % | Zinc % | Silver (mm oz) | Gold (mm oz) | Lead (kt) | Zinc (kt) | Silver Eq. (mm oz) | Gold Eq. (mm oz) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Greens Creek | United States | 100.0% | 7,846 | 12.0 | 0.09 | 3.4 | 9.0 | 94.5 | 0.7 | 267.4 | 702.3 | **212.7** | **3.6** |
| Lucky Friday | United States | 100.0% | 1,931 | 14.8 | -- | 8.7 | 3.2 | 28.7 | -- | 167.4 | 62.3 | **47.0** | **0.8** |
| Casa Berardi | Canada | 100.0% | 8,080 | -- | 0.18 | -- | -- | -- | 1.3 | -- | -- | **75.21** | **1.3** |
| Joanna Dev. Property | Canada | 100.0% | 14,392 | -- | 0.04 | -- | -- | -- | 0.5 | -- | -- | **28.21** | **0.5** |
| **Total** | | | **32,248** | | | | | **123.2** | **2.5** | **434.8** | **764.6** | **363.2** | **6.1** |

**Proven and Probable Reserves**

| Asset | Location | Ownership | M Tons | Silver (oz/ton) | Gold (oz/ton) | Lead % | Zinc % | Silver (mm oz) | Gold (mm oz) | Lead (kt) | Zinc (kt) | Silver Eq. (mm oz) | Gold Eq. (mm oz) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Greens Creek | United States | 100.0% | 7,858 | 12.0 | 0.09 | 3.4 | 9.0 | 94.6 | 0.7 | 267.7 | 703.2 | **213.0** | **3.6** |
| Lucky Friday | United States | 100.0% | 4,138 | 13.4 | 0.00 | 8.0 | 3.0 | 55.5 | -- | 330.7 | 120.9 | **91.5** | **1.5** |
| Casa Berardi | Canada | 100.0% | 9,196 | -- | 0.18 | -- | -- | - | 1.5 | -- | -- | **86.6** | **1.5** |
| Joanna Dev. Property | Canada | 100.0% | 46,032 | -- | 0.04 | -- | -- | - | 1.7 | - | - | **98.4** | **1.7** |
| **Total** | | | **67,224** | | | | | **150.0** | **3.8** | **598.5** | **824.1** | **489.5** | **8.3** |

***Substantial Reserve and Resource Base Provides Future Stability***

# Hecla EBITDAX Reconciliation

| US$ millions | 2008A | 2009A | 2010A | 2011A | 2012A | PF 2012A |
|---|---|---|---|---|---|---|
| Net Income from Continuing Operations | ($37,173) | $67,826 | $48,983 | $151,164 | $14,954 | $21,625 |
| Plus: Depreciation | 35,846 | 63,061 | 60,235 | 47,348 | 50,113 | 96,530 |
| Plus: Income Taxes | 3,807 | (7,680) | (123,532) | 81,978 | 8,879 | 18,054 |
| Plus: Interest Expense | 19,573 | 11,326 | 2,211 | 2,875 | 2,427 | 32,218 |
| Less: Interest and Other Income | (3,842) | (1,121) | (126) | 87 | (22) | (2,258) |
| Plus: Debt-Related Fees | -- | 5,973 | -- | -- | -- | -- |
| **EBITDA** | **$18,211** | **$139,385** | **($12,229)** | **$283,452** | **$76,351** | **$166,169** |
| Plus: Loss on Impairment of Investments | $373 | $3,018 | $739 | $140 | $1,171 | $1,171 |
| Plus / (Less): Net Loss (Gain) on Sale of Investments | (8,097) | (4,070) | (588) | (611) | -- | -- |
| Plus / (Less): Loss (Gain) on Derivative Contracts | -- | -- | 20,758 | (37,988) | 10,457 | 10,264 |
| Plus: Provision for Closed Operations and Environmental Matters | 4,312 | 7,721 | 201,136 | 9,747 | 4,652 | 4,652 |
| Plus: Termination of Employee Benefit Plan | -- | (8,950) | -- | -- | -- | -- |
| Plus: Lucky Friday Suspension-Related Costs | -- | -- | -- | -- | 25,309 | 25,309 |
| Plus / (Less): Loss (Gain) on Disposition of PPE and Mineral Interests | (203) | (6,234) | 80 | -- | 275 | 275 |
| Plus: Pre-Development | -- | -- | -- | 4,446 | 17,916 | 17,916 |
| Plus: Share-Based Compensation | 4,122 | 2,746 | 3,446 | 2,073 | 3,101 | 8,415 |
| **Adjusted EBITDA** | **$18,718** | **$133,616** | **$213,342** | **$261,259** | **$139,232** | **$234,171** |
| Plus: Discretionary exploration expense | $22,471 | $9,247 | $21,605 | $26,959 | $31,822 | $52,708 |
| **Adjusted EBITDAX** | **$41,189** | **$142,863** | **$234,947** | **$288,218** | **$171,054** | **$286,879** |

Note: All monetary amounts presented in thousands of dollars.

# Aurizon EBITDAX Reconciliation

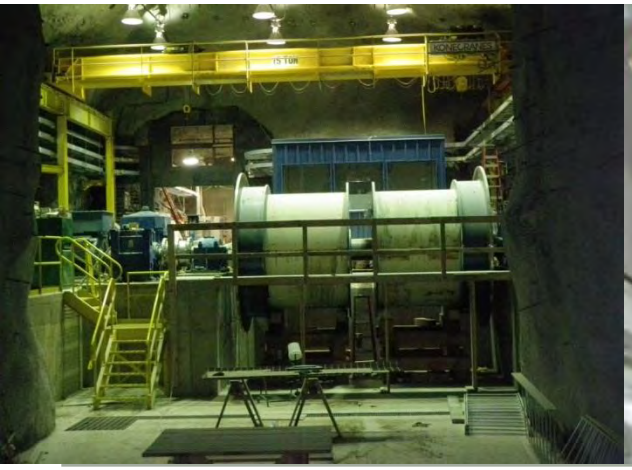
| C$ millions | 2008A | 2009A | 2010A | 2011A | 2012A |
|---|---|---|---|---|---|
| Net Income from Continuing Operations | $4,921 | $36,706 | $17,240 | $43,931 | $31,807 |
| Plus: Income Taxes | 6,602 | 20,706 | 13,911 | 42,653 | 24,266 |
| Plus: Interest Expense | 2,692 | 485 | 750 | 1,112 | 856 |
| Plus: Depreciation | 35,582 | 36,514 | 34,249 | 39,131 | 37,729 |
| Less: Interest and Other Income | (1,705) | (498) | (719) | (1,538) | (2,236) |
| **EBITDA** | **$48,092** | **$93,913** | **$65,431** | **$125,289** | **$92,422** |
| Plus / (Less) : Other Net Losses (Gains) | ($4,524) | ($288) | ($2,157) | $457 | $1,840 |
| Plus / (Less): Loss (Gain) on Derivative Contracts | 10,586 | (4,946) | 4,402 | (165) | (193) |
| Plus / (Less): Loss (Gain) on Foreign Exchange | (1,059) | 2,413 | -- | -- | -- |
| Plus: Non refundable tax credits | -- | (4,468) | -- | -- | -- |
| Plus / (Less): Capital Taxes (Recoveries) | 397 | 837 | -- | -- | -- |
| Plus: Share-Based Compensation | 4,003 | 2,865 | 7,564 | 6,526 | 5,313 |
| Plus: Pre-Development | -- | -- | -- | -- | -- |
| **Adjusted EBITDA** | **$57,495** | **$90,326** | **$75,240** | **$132,107** | **$99,382** |
| Plus: Exploration | $11,426 | $3,769 | $15,643 | $26,468 | $17,899 |
| **Adjusted EBITDAX** | **$68,921** | **$94,095** | **$90,883** | **$158,575** | **$117,281** |

Note: All monetary amounts presented in thousands of dollars.

# Lucky Friday - #4 Shaft

- #4 Shaft construction resumed in Q1/13 - focus on shaft sinking & station development activities
- Total project is 40% complete and 80% of major procurements have been ordered or installed
- Total project capital is expected to be approximately $200 million

| Hoist Room | Shaft | Sheave Deck |
|---|---|---|







# 2013 - Silver Exploration Programs

Highlights of 2013 exploration programs consist of:

- At Greens Creek, underground drilling expects to convert resources to reserves and define extensions to the 200 South, Southwest Bench and NNW. Surface drilling at Killer Creek may define a new mineralizing center at Greens Creek.
- At Lucky Friday, drilling will evaluate resources to the east from the 6900 to 7200 levels and at depth.
- San Sebastian drilling is expected to expand the Middle Vein resource and examine the North Vein potential along strike and at depth.
- Surface drilling at San Juan Silver will concentrate on the northern extent of the Bulldog complex and evaluate the high-grade mineralized zones at the intersection of the Equity and North Amethyst veins.
- Drilling in the Silver Valley will continue to evaluate surface targets along main mineralized trends.
- Drilling planned at Monte Cristo.

# 2013 - Pre-Development Programs

Pre-development programs consist of:

San Sebastian:

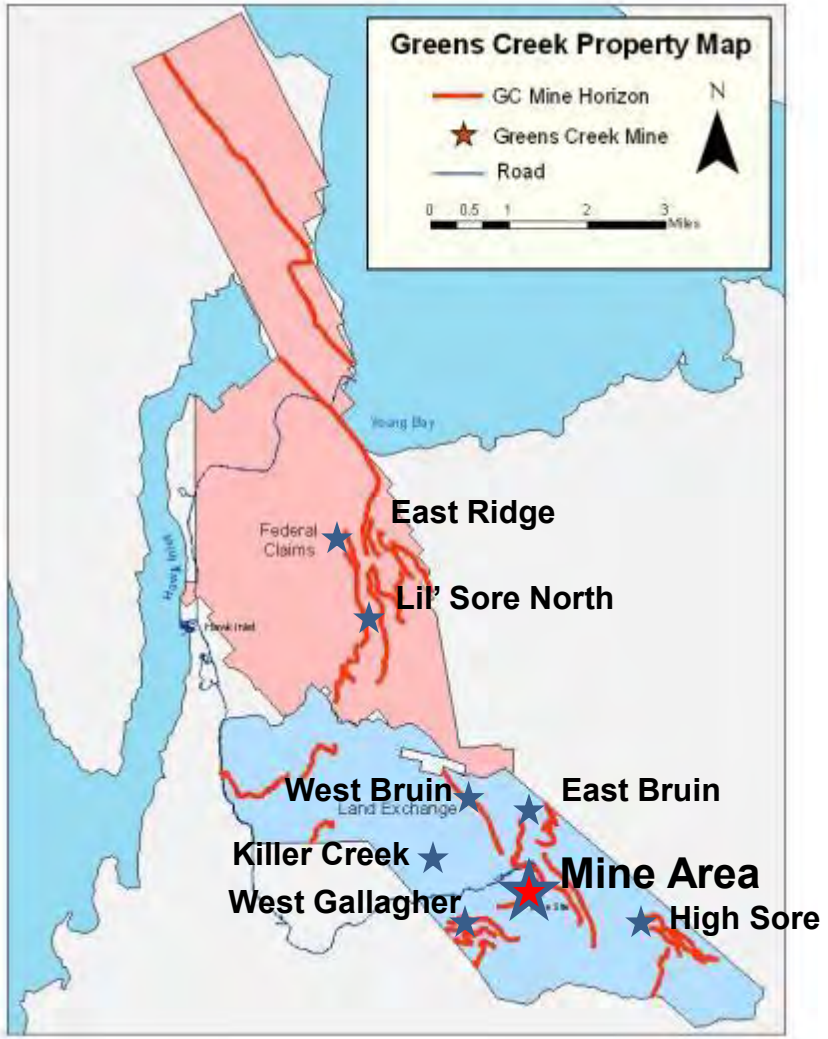
- Further scoping studies are in progress to determine the production viability, rate and sequencing of mining the three areas and are expected to be completed in the third quarter.
- A ramp is being engineered for initial construction planned this year to allow access to both the Hugh Zone and the Middle Vein.

San Juan Silver:

- Expected completion of the 2800-foot decline to access the underground workings at the Bulldog.
- Advance of the scoping studies to determine the production viability, rate and sequencing of mining at the Bulldog.

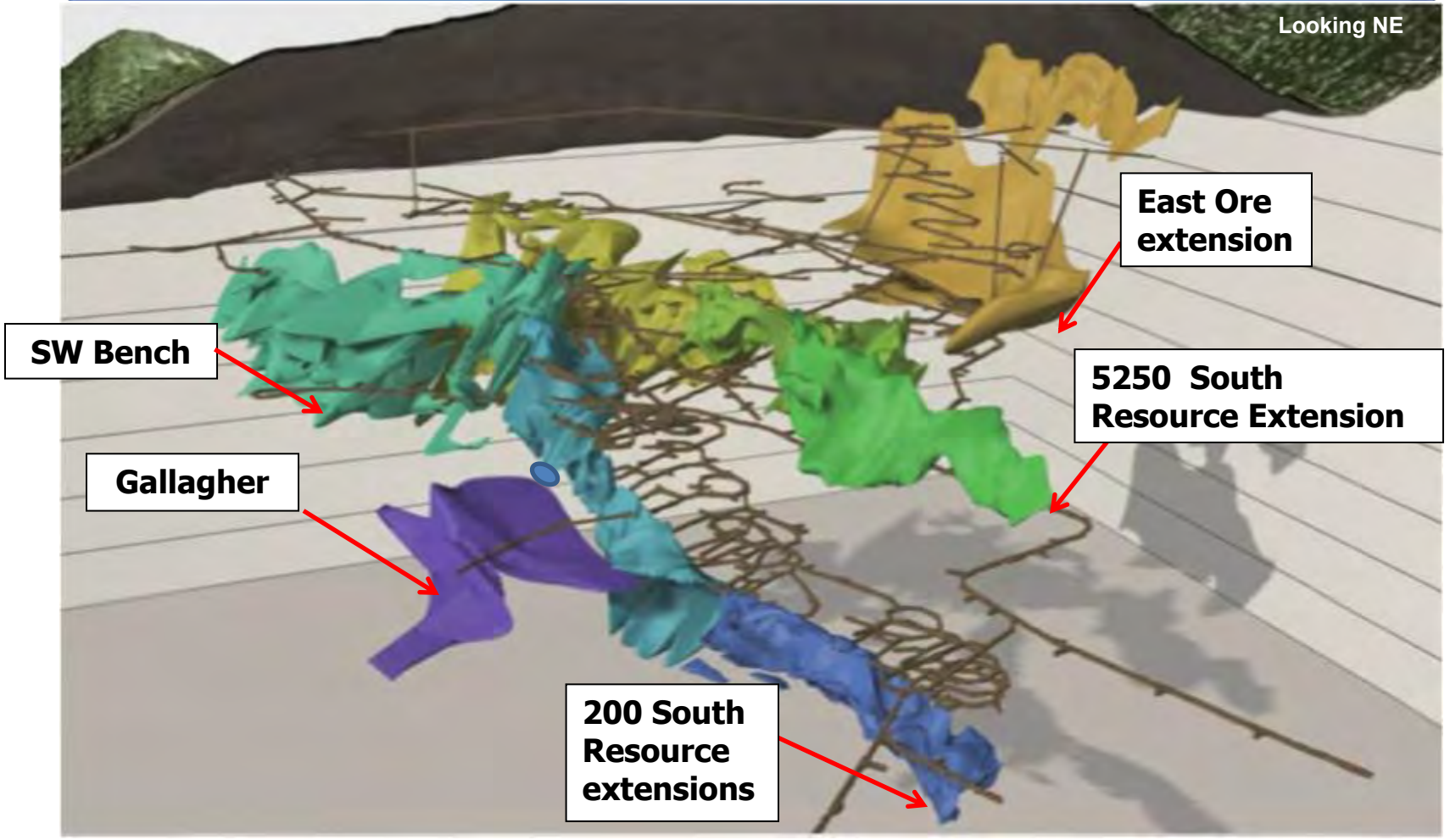
# Organic Growth - Greens Creek (Alaska)

- Very large and under-explored 27-square-mile land position
- Over 30 miles of unexplored mine contact (red-trace) with multiple targets
- Surface exploration only resumed in 1999 due to establishment of Land Exchange

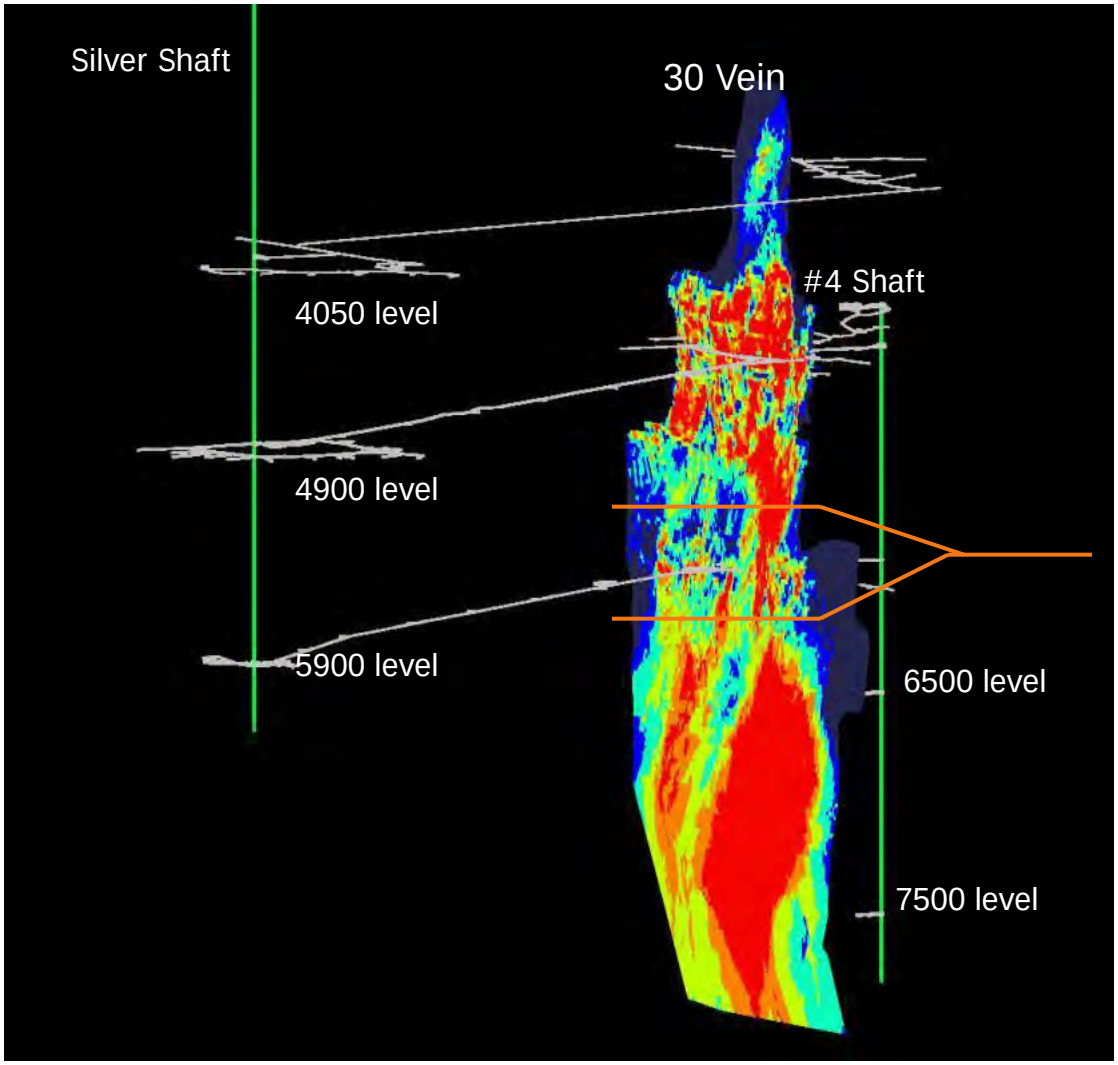


# Exploration - Greens Creek (Alaska)

## Underground Exploration Targets



# Lucky Friday - Idaho

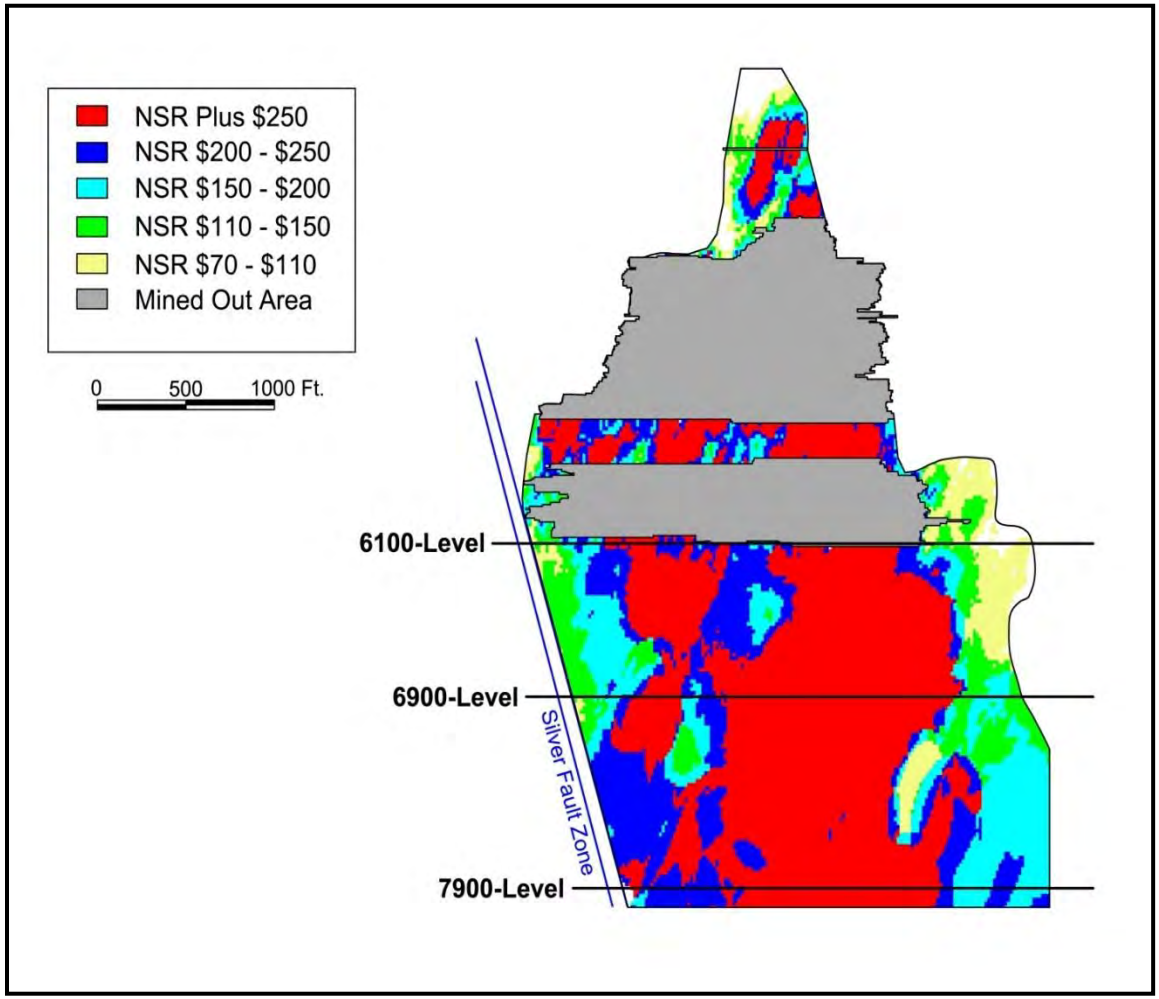



Current mining from
5900 level access

Looking NW

# Organic Growth - Lucky Friday (Idaho)

## Lucky Friday Expansion Area - Increased Grade and Thickness at Depth

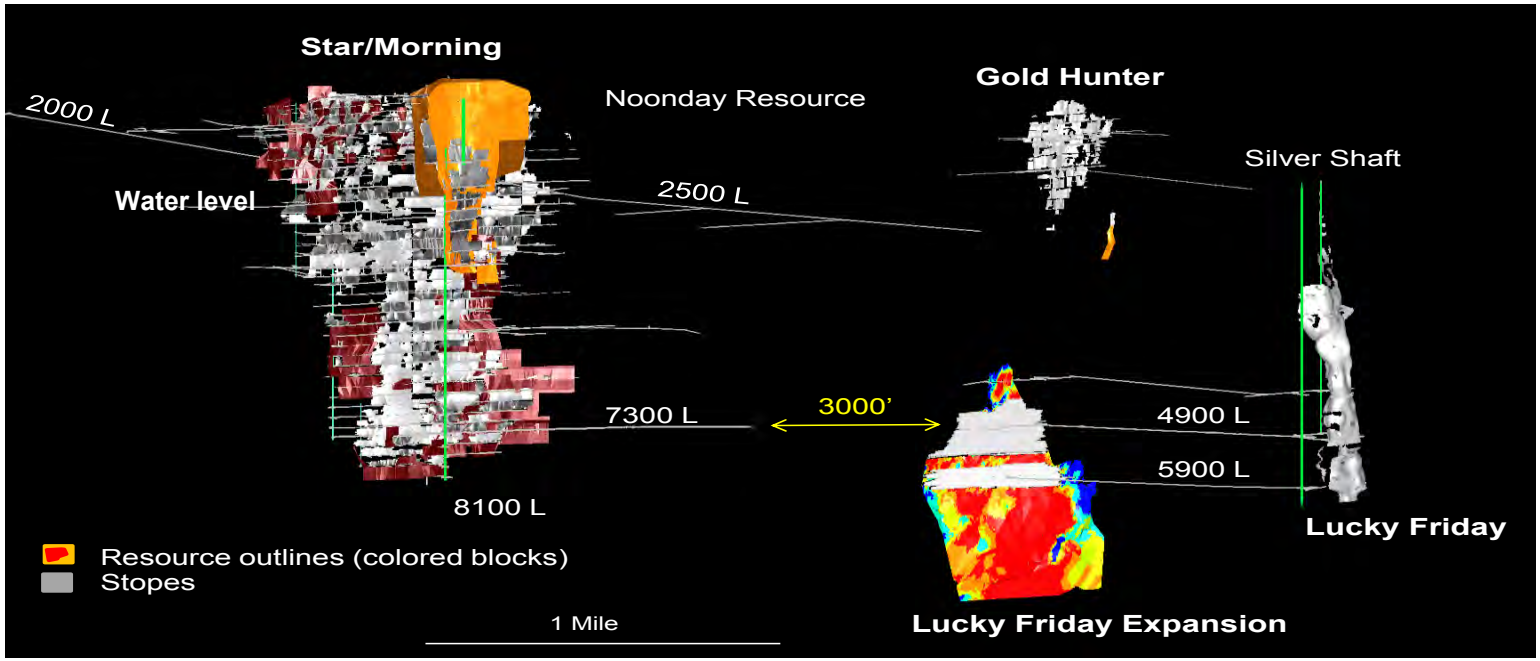



*As of 2010

# Organic Growth - Star Pre-Development (Idaho)

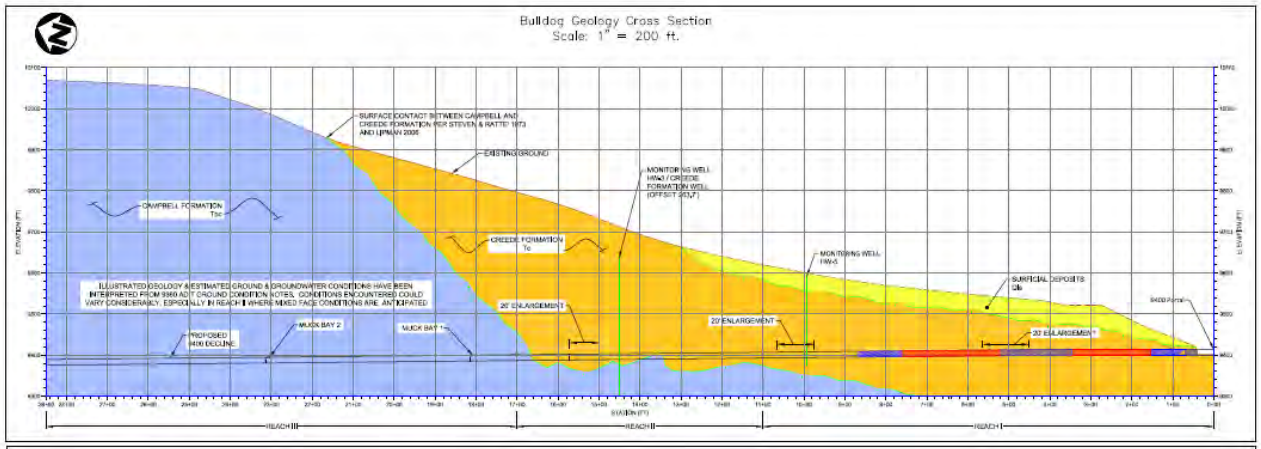
- Hecla has re-opened the Star for definition & exploration drilling
- Portal rehabilitation and ventilation adit have been successfully completed
- A Preliminary Economic Assessment (PEA) of the “Upper Country” Star mine complex is under review
- A mine dewatering study is also under way

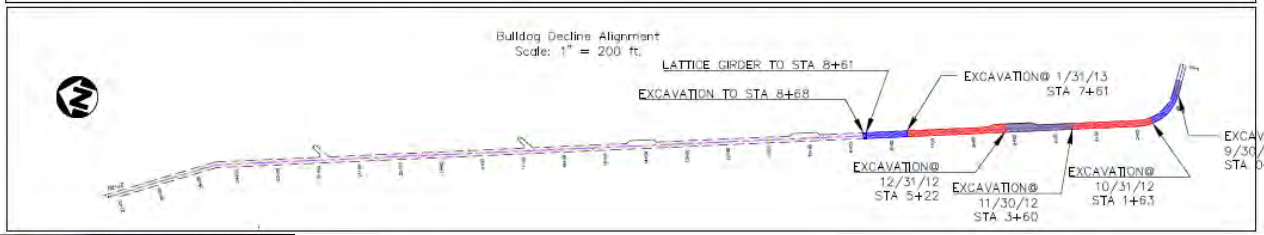
**Longitudinal Section Looking North**

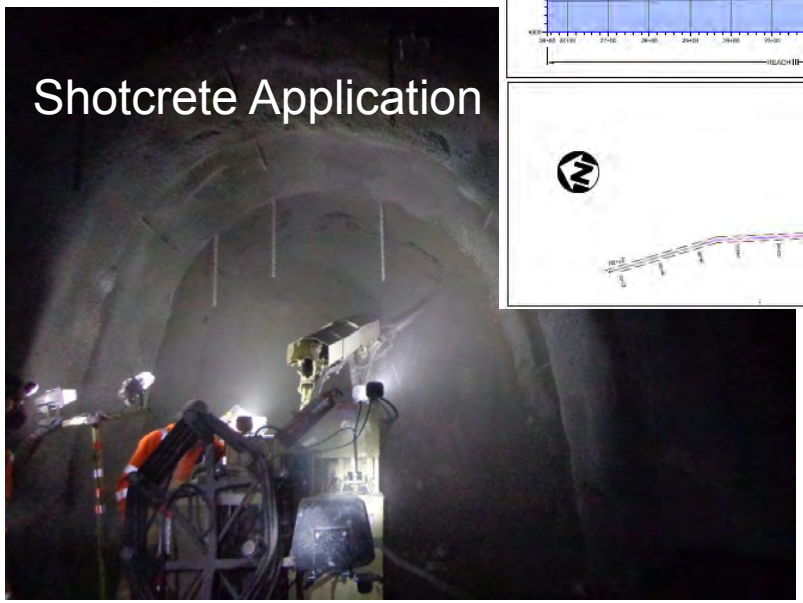


# Delivering Growth - San Juan Silver (Colorado)

## Advance of the Bulldog Decline




- Bulldog underground infrastructure now advanced over 800 feet
- Completion expected in 4th Quarter

# New Innovation has Changed Silver Demand

- February 1900
- Long-running popular series of simple and inexpensive cameras
- Introduced the concept of the “snapshot”
- Transformed the demand of silver
- Today new innovation has changed demand again








# Growing Silver Demand

## Uses of Silver

| | | | |
|---|---|---|---|
|  | **Medicine:** silver is added to bandages and wound-dressings, catheters and other medical instruments and is a key part of technology behind X-rays |  | **Solar Panels:** 90% of crystalline silicon photovoltaic cells use silver paste; over 100 mm ounces of silver are estimated for use by solar energy in 2015 |
|  | **Electronics:** almost all electronics are configured with silver; its excellent conductivity makes it a natural choice |  | **Batteries:** silver oxide batteries are replacing lithium ion batteries due to environmental and safety concerns |
|  | **Automobiles:** every electrical action in a modern car is activated with silver coated contacts; over 36 mm ounces of silver are used annually |  | **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 2012