

Hecla Reports Second Quarter 2018 Results

09.08.2018 | [Business Wire](#)

[Hecla Mining Company](#) (NYSE:HL) today announced second quarter 2018 financial and operating results.

HIGHLIGHTS

- Net income applicable to common shareholders of \$11.9 million, or \$0.03 per share.
- Adjusted net income applicable to common shareholders of \$3.0 million, or \$0.01 per share. ¹
- Sales of \$147.3 million.
- Adjusted EBITDA of \$57.7 million and net debt/adjusted EBITDA (last 12 months) of 1.2x. ^{2,3}
- Operating cash flow of \$30.6 million compared to \$7.5 million in the second quarter of 2017.
- Cost of sales and other direct production costs and depreciation, depletion and amortization ("cost of sales") of \$112.3 million.
- Cash cost, after by-product credits, of \$(0.57) per silver ounce, a 319% decrease compared to the second quarter of 2017. ⁴
- All in sustaining cost (AISC), after by-product credits, of \$11.40 per silver ounce. ⁵
- Cash and cash equivalents and short-term investments of \$245 million at June 30.
- The acquisition of [Klondex Mines Ltd.](#), and its high-grade gold mines in Nevada, is now closed, and the integration and optimization of the assets has now begun.
- Credit rating upgrade by S&P Global to B+ from B, with a stable outlook.

"In the second quarter Hecla performed strongly, reflecting the investments we are making in our mines and exploration programs," said Phillips S. Baker, Jr., President and CEO. "The significant decline in our silver cash cost, after by-product credits per ounce, is a function of strong base metals prices and improved treatment charges. The decline in gold cash cost per ounce is due to higher throughput at Casa Berardi. Additionally, our exploration program continues to discover high-grade material at our operations as well as advance our exploration properties."

"We have now closed the acquisition of the high-grade Nevada mines, and are beginning their integration into Hecla," Mr. Baker added. "Our plan is to operate the mines and mill as one unit, allocating the workforce and capital to generate margins and focus on profitability, not just on production for production's sake. Fire Creek has the best margin of the 3 mines by a considerable amount, so ramping it up is our priority. We are also focused on the exceptional exploration opportunities in the 110 square mile land package. "

FINANCIAL OVERVIEW

| | Second Quarter Ended | | Six Months Ended | |
|---|----------------------|---------------|------------------|---------------|
| | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| HIGHLIGHTS | | | | |
| FINANCIAL DATA | | | | |
| Sales (000) | \$ 147,259 | \$ 134,279 | \$ 286,968 | \$ 276,823 |
| Gross profit (000) | \$ 35,002 | \$ 31,207 | \$ 73,788 | \$ 66,123 |
| Income (loss) applicable to common shareholders (000) | \$ 11,936 | \$ (24,154) | \$ 20,038 | \$ 2,542 |
| Basic and diluted income (loss) per common share | \$ 0.03 | \$ (0.06) | \$ 0.05 | \$ 0.01 |
| Net income (loss) (000) | \$ 12,074 | \$ (24,016) | \$ 20,314 | \$ 2,818 |
| Cash provided by operating activities (000) | \$ 30,635 | \$ 7,536 | \$ 47,018 | \$ 45,821 |

Net income applicable to common shareholders for the second quarter 2018 was \$11.9 million, or \$0.03 per share, compared to a net loss applicable to common shareholders of \$24.2 million, or \$0.06 per share, for the same period in 2017. The second quarter result was mainly due to the following items:

- Gain on base metal derivative contracts of \$16.8 million compared to a gain of \$2.5 million in the second quarter of 2017.
- Net foreign exchange gain of \$2.5 million recorded in the second quarter of 2018 compared to a loss of \$3.9 million in the same period of 2017.

- Income tax provision of \$0.4 million compared to \$16.1 million in the second quarter of 2017, with the variance due to impacts of U.S. tax reform and lower foreign taxes.

Operating cash flow was \$30.6 million compared to \$7.5 million in the second quarter of 2017, with the increase mainly due to higher gold and base metals prices and production, partially offset by higher research and development investment.

Adjusted EBITDA was \$57.7 million compared to \$48.5 million in the second quarter of 2017, with the increase mainly due to higher gold and base metals prices.

Capital expenditures (excluding capitalized interest) at the operations totaled \$26.8 million for the second quarter, similar to 2017. Greens Creek and Lucky Friday expenditures increased by \$2.7 million and \$0.3 million, respectively, offset by decreased expenditures at Casa Berardi of \$2.3 million and San Sebastian of \$0.7 million. Expenditures at Greens Creek, Casa Berardi, San Sebastian and Lucky Friday were \$14.2 million, \$9.8 million, \$1.7 million, and \$1.1 million respectively.

Metals Prices

The average realized silver price in the second quarter was \$16.61 per ounce, 3% lower than the \$17.14 average realized silver price in the second quarter of 2017. Average realized gold, lead and zinc prices increased 3%, 19% and 13%, respectively.

Base Metals Forward Sales Contracts

The following table summarizes the quantities of base metals committed under financially settled forward sales contracts at June 30, 2018:

| | Pounds Under Contract (in thousands) | | Average Price per Pound | |
|-------------------------------|---|--------|-------------------------|---------|
| | Zinc | Lead | Zinc | Lead |
| Contracts on forecasted sales | | | | |
| 2018 settlements | 9,039 | 5,787 | \$ 1.34 | \$ 1.09 |
| 2019 settlements | 48,502 | 20,283 | \$ 1.40 | \$ 1.10 |
| 2020 settlements | 42,329 | 19,401 | \$ 1.40 | \$ 1.13 |
| 2021 settlements | — | 4,409 | N/A | \$ 1.07 |

The contracts represent 44% of the forecasted payable zinc production for the 36-month period ended June 30, 2021 at an average price of \$1.39 per pound and 51% of the forecasted payable lead production for the same period ended June 30, 2021 at an average price of \$1.11 per pound.

OPERATIONS OVERVIEW

Overview

The following table provides the production summary on a consolidated basis for the second quarter and six months ended June 30, 2018 and 2017:

| | Second Quarter Ended | | Six Months Ended | |
|---------------------------|----------------------|---------------|------------------|---------------|
| | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| PRODUCTION SUMMARY | | | | |
| Silver - Ounces produced | 2,596,423 | 2,807,474 | 5,130,518 | 6,176,901 |
| Payable ounces sold | 2,313,753 | 2,688,721 | 4,405,217 | 5,557,835 |
| Gold - Ounces produced | 60,313 | 52,561 | 118,121 | 108,674 |
| Payable ounces sold | 59,643 | 53,170 | 114,482 | 104,541 |
| Lead - Tons produced | 5,522 | 4,420 | 11,149 | 13,056 |

| | | | | | |
|--------|-------------------|--------|--------|--------|--------|
| | Payable tons sold | 4,745 | 4,250 | 8,613 | 10,676 |
| Zinc - | Tons produced | 14,299 | 12,966 | 29,510 | 28,503 |
| | Payable tons sold | 10,686 | 8,978 | 20,790 | 20,825 |

The following tables provide a summary of the final production, cost of sales, cash cost, after by-product credits, per silver and gold ounce, and AISC, after by-product credits, per silver and gold ounce for the second quarter and six months ended June 30, 2018, with comparisons to the prior year period:

Second Quarter Ended

| | | |
|--|---------------|--------|
| | | Silver |
| Production (ounces) | June 30, 2018 | 2,596 |
| Increase/(decrease) | | (211, |
| Cost of sales and other direct production costs and depreciation, depletion and amortization (000) | June 30, 2018 | \$ 60, |
| Increase/(decrease) | | \$ 1,1 |
| Cash costs, after by-product credits, per silver or gold ounce ^{4, 6} | June 30, 2018 | \$(0.5 |
| Increase/(decrease) | | \$(0.8 |
| AISC, after by-product credits per silver or gold ounce ⁵ | June 30, 2018 | \$ 11. |
| Increase/(decrease) | | \$ 1.4 |

Six Months Ended

| | | |
|--|---------------|--------|
| | | Silver |
| Production (ounces) | June 30, 2018 | 5,130 |
| Increase/(decrease) | | (1,04 |
| Cost of sales and other direct production costs and depreciation, depletion and amortization (000) | June 30, 2018 | \$ 112 |
| Increase/(decrease) | | \$ (12 |
| Cash costs, after by-product credits, per silver or gold ounce ^{4, 6} | June 30, 2018 | \$(1.9 |
| Increase/(decrease) | | \$(2.5 |
| AISC, after by-product credits per silver or gold ounce ⁵ | June 30, 2018 | \$ 8.6 |
| Increase/(decrease) | | \$(0.2 |

Greens Creek Mine - Alaska

At the Greens Creek mine, 2.0 million ounces of silver and 13,719 ounces of gold were produced in the second quarter, compared to 1.9 million ounces and 12,704 ounces, respectively, in the second quarter of 2017. The increased silver production was due to higher grades compared to the second quarter of 2017. The mill operated at an average of 2,290 tons per day (tpd) in the second quarter, which was slightly lower than the second quarter of 2017.

The cost of sales for the second quarter was \$47.7 million, and the cash cost, after by-product credits, per silver ounce, was \$(3.47), compared to \$54.3 million and \$1.86, respectively, for the second quarter of 2017. ⁴ The AISC, after by-product credits, was \$4.43 per silver ounce for the second quarter compared to \$8.71 in the second quarter of 2017. ⁵ The per ounce silver costs were lower primarily due to higher gold and base metals prices and production. Approximately 5% of production is coming from automated headings. Higher by-product credits in the second quarter 2018, along with lower exploration expenditures, contributed to lower AISC, partially offset by higher capital spending. Estimates for cash cost, after by-product credits, per silver ounce have declined to \$(0.50) from \$0.50, and AISC, after by-product credits, declined per silver ounce to \$7.00 from \$7.75.

Lucky Friday Mine - Idaho

Preparations for the introduction of the Remote Vein Miner (RVM), expected in late 2019, continued to be a major focus at Lucky Friday in the second quarter. The RVM project is proceeding as expected and has the potential to revolutionize how the Lucky Friday is mined, making it a safer and more efficient operation. In addition, limited production and capital improvements continue to be performed by salaried staff.

Production has been limited since March 13, 2017 due to the ongoing strike and now the focus is completing

the development necessary to accommodate the RVM in 2019. Costs related to care-and-maintenance of the mine are reported in a separate line item in our condensed consolidated statement of operations and are excluded from the calculation of cost of sales, cash cost, after by-product credits, per silver ounce and AISC, after by-product credits, per silver ounce.

Casa Berardi - Quebec

At the Casa Berardi mine, 42,722 ounces of gold were produced in the second quarter, including 8,979 ounces from the East Mine Crown Pillar (EMCP) pit, compared to 33,261 ounces in the prior year period, with the increase primarily due to higher grades. The mill operated at an average of 3,845 tpd in the second quarter, an increase of 6% over the second quarter of 2017.

The cost of sales was \$51.7 million for the second quarter and the cash cost, after by-product credits, per gold ounce was \$775, compared to \$43.7 million and \$972, respectively, in the prior year period.^{4,6} The decrease in cash cost, after by-product credits, per gold ounce is partly due to higher gold production and reduced costs related to stripping of the EMCP pit. The AISC, after by-product credits, was \$1,039 per gold ounce for the second quarter compared to \$1,373 in the second quarter of 2017, with the decrease primarily due to higher gold production and lower capital spending.⁵

The automated 985 drift project is working well, with the autonomous haul truck running better and with higher availability than originally anticipated. The second 40-ton Sandvik autonomous haul truck is expected to be delivered later this year. Operating two autonomous trucks is expected to result in operating savings of several million dollars a year.

San Sebastian - Mexico

At the San Sebastian mine, 559,647 ounces of silver and 3,872 ounces of gold were produced in the second quarter, compared to 866,950 ounces and 6,596 ounces, respectively, in the prior year period. Although silver and gold production were lower compared to the second quarter of 2017, both still exceeded our estimates for the quarter due to the amount of higher-grade stockpile material processed. The mill operated at an average of 415 tpd in the second quarter, which was slightly lower than the second quarter of 2017.

The cost of sales was \$11.1 million for the second quarter and the cash cost, after by-product credits, was \$9.79 per silver ounce, compared to \$5.1 million and \$(3.31), respectively, in the second quarter of 2017. The cash cost, after by-product credits, increased as expected, due to lower silver production and higher mining costs, resulting from the transition of production from the high grade, shallow open pits to underground. The AISC, after by-product credits, was \$17.15 per silver ounce for the second quarter compared to \$0.06 in the second quarter of 2017, principally due to the same factors, including increased investment in development. A reduction in per ounce costs is expected in the second half of the year as underground production continues to ramp up.

The Company plans to collect a bulk sample of the Hugh Zone material from the Francine Vein in the fourth quarter and plans to process it to determine the viability of processing the material on a larger scale.

Nevada Operations

Hecla took control of the Nevada assets previously belonging to Klondex on July 20, 2018. Hecla is quickly moving forward with multiple initiatives aimed at improving the operations.

Key focus for the integrated Nevada operations:

- All operations now report to a single Vice President and General Manager, Kevin Shiell.
- Work is underway to create a unified mine plan including Fire Creek, Midas, Hollister and Hatter Graben, all feeding the Midas Mill.
- Priority will be given to ramping up production at Fire Creek and beginning development of Hatter Graben. Midas is being ramped down, with personnel and machines moving to Hollister and Fire Creek.

Key focus for the Midas mill:

- Completion of the Carbon-In-Leach (CIL) circuit to improve recoveries for processing Hollister ore.
- Installation of new sampling equipment to better reconcile mill and mine reporting.
- Construction of the new tailings facility.

Key focus for Fire Creek:

- Rehabilitating existing mine access, increasing development to allow increased throughput from 350 tpd to 550 tpd.
- Rehabilitation includes improving road conditions with an engineered roadbase and introducing in-cycle shotcreting to improve development and better manage ground conditions.
- Improving mine to mill reconciliation.

CAPITAL

Expectations for capital investment in 2018 have increased to \$140-\$145 million from \$95-\$105 million, reflecting approximately \$20 million of investments to be made in the Nevada operations, including \$11 million for Fire Creek development and definition drilling, \$5 million for the new tailings facility at the Midas mill, and \$2 million for completion of the CIL plant. The remaining change in capital estimates is due to the re-allocation of \$10 million of costs relating to the RVM that is now being assembled in Sweden and is no longer a Research and Development expense and an additional \$4 million of capital spending at each of Greens Creek and San Sebastian.

EXPLORATION

Exploration (including corporate development) expenses for the second quarter were \$7.8 million, an increase of \$2.0 million compared to the prior year period. Full year exploration (including corporate development) expenses are expected to be \$34-37 million, reflecting \$10 million for the Nevada properties and more drilling at San Sebastian.

A complete summary of exploration for the second quarter can be found in the exploration news release entitled "Hecla Reports Continued Discoveries at the Mines, Integrates Nevada, and Advances Key Projects" issued on August 7, 2018.

PRE-DEVELOPMENT

Pre-development spending was \$1.4 million for the quarter, slightly higher than the \$1.1 million for the prior year period, principally to advance the permitting of Rock Creek and Montanore.

RESEARCH AND DEVELOPMENT

Research and Development spending was \$2.3 million for the quarter, with completion of the design and procurement phase of the RVM project. Fabrication of the machine started at the end of the second quarter and is expected to be complete in the fourth quarter of 2018, and a testing phase in Sweden during the first half of 2019 is planned. The machine is expected to be delivered to Lucky Friday in late 2019. Expectations for 2018 Research and Development spending have declined to \$6-\$10 million from \$12-\$16 million, as investment in the RVM project are expected to be capitalized going forwards.

2018 ESTIMATES⁷

The following revised estimates include the expected impact from the addition of Nevada operations through the acquisition of Klondex for the 5-month period from August 1 to December 31, 2018.

2018 Production Outlook

| | Silver Production | | Gold Production | | Silver Equivalent | | Gold Equivalent | |
|-------------------|--------------------------|----------|--------------------------|---------|--------------------------|-----------|--------------------------|---------|
| | (Moz) | | (Koz) | | (Moz) | | (Koz) | |
| | Original (if revised) | Current | Original (if revised) | Current | Original (if revised) | Current | Original (if revised) | Current |
| Greens Creek | 7.5-8.0 | 7.5-8.1 | | 50-55 | | 21.0-22.5 | 300-313 | 300-315 |
| Lucky Friday | | | | | | | | |
| San Sebastian | | 2.0-2.5 | 13-17 | 15-17 | 3.0-3.5 | 2.9-3.7 | 40-52 | 41-52 |
| Casa Berardi | | | 155-160 | 157-162 | | 11.0-11.5 | 155-160 | 157-162 |
| Nevada Operations | | 0.1-0.2 | | 40-50 | | 2.9-3.8 | | 41-52 |
| Total | 9.5-10.5 | 9.6-10.8 | 218-232 | 262-284 | 35.0-37.5 | 37.8-41.5 | 495-525 | 539-581 |

2018 Cost Outlook

| | Costs of Sales (million) | | Cash cost, after by-product credits, per silver/gold ounce ^{2,5} | | AISC, after by- | |
|-------------------|--------------------------|---------|---|---------|--------------------------|---------|
| | Original (if revised) | Current | Original (if revised) | Current | Original (if revised) | Current |
| Greens Creek | | \$198 | \$0.50 | | \$(0.50) | \$7.75 |
| Lucky Friday | | | | | | |
| San Sebastian | | \$44 | | | \$8.50 | |
| Total Silver | | \$242 | \$2.25 | | \$1.50 | \$12.75 |
| Casa Berardi | | \$185 | | | \$800 | |
| Nevada Operations | | \$68 | | | \$800 | |
| Total Gold | | \$253 | | | \$800 | |

2018 Capital and Exploration Outlook

| | Original (if revised) | Current |
|---|--------------------------|---------------------|
| 2018E Capital expenditures (excluding capitalized interest) | \$95-\$105 million | \$140-\$145 million |
| 2018E Exploration expenditures (includes Corporate Development) | \$30-\$37 million | \$34-\$37 million |
| 2018E Pre-development expenditures | | \$5 million |
| 2018E Research and Development expenditures | \$12-\$16 million | \$6-\$10 million |

DIVIDENDS

Common

The Board of Directors elected to declare a quarterly cash dividend of \$0.0025 per share of common stock, payable on or about August 31, 2018, to shareholders of record on August 24, 2018. The realized silver price was \$16.61 in the second quarter and therefore did not satisfy the criteria for a larger dividend under the Company's dividend policy.

The Board of Directors also declared the regular quarterly dividend of \$0.875 per share on the 157,816 outstanding shares of Series B Cumulative Convertible Preferred Stock. This represents a total amount to be paid of approximately \$138,000. The cash dividend is payable October 1, 2018, to shareholders of record on September 14, 2018.

CONFERENCE CALL AND WEBCAST

A conference call and webcast will be held Thursday, August 9, at 10:00 a.m. Eastern Time to discuss these results. You may join the conference call by dialing toll-free 1-855-760-8158 or for international dialing 1-720-634-2922. The participant passcode is HECLA. Hecla's live and archived webcast can be accessed at www.hecla-mining.com under Investors or via Thomson StreetEvents Network.

ABOUT HECLA

Founded in 1891, [Hecla Mining Company](#) (NYSE:HL) is a leading low-cost U.S. silver producer with operating mines in Alaska, Idaho, and Mexico and is a gold producer with operating mines in Quebec, Canada and Nevada. The Company also has exploration and pre-development properties in eight world-class silver and gold mining districts in the U.S., Canada and Mexico.

NOTES

Non-GAAP Financial Measures

Non-GAAP financial measures are intended to provide additional information only and do not have any standard meaning prescribed by generally accepted accounting principles in the United States (GAAP). These measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

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

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

(3) Net debt to adjusted EBITDA is a non-GAAP measurement, a reconciliation of which to debt and net income (loss), the most comparable GAAP measurements, can be found at the end of the release. It is an important measure for management to measure relative indebtedness and the ability to service the debt relative to its peers. It is calculated as total debt outstanding less total cash on hand divided by adjusted EBITDA.

(4) Cash cost, after by-product credits, per silver or gold ounce is a non-GAAP measurement, a reconciliation of which to cost of sales and other direct production costs and depreciation, depletion and amortization (sometimes referred to as "cost of sales" in this release), can be found at the end of the release. It is an important operating statistic that management utilizes to measure each mine's operating performance. It also allows the benchmarking of performance of each mine versus those of our competitors. As a primary silver mining company, management also uses the statistic on an aggregate basis - aggregating the Greens Creek, Lucky Friday and San Sebastian mines - to compare performance with that of other primary silver mining companies. With regard to Casa Berardi and the Nevada operations, management uses cash cost, after by-product credits, per gold ounce to compare its performance with other gold mines. Similarly, the statistic is useful in identifying acquisition and investment opportunities as it provides a common tool for measuring the financial performance of other mines with varying geologic, metallurgical and operating characteristics. In addition, the Company may use it when formulating performance goals and targets under its incentive program. Cash cost, after by-product credits, per silver ounce is not presented for Lucky Friday for the second quarters of 2018 and 2017 and the first half of 2018, as production was limited due to the strike and results are not comparable to those from prior periods and are not indicative of future operating results under full production. The estimated fair value of the stockpile acquired at Hollister has been removed from the cash cost, after by-product credits calculation.

(5) All in sustaining cost (AISC), after by-product credits, is a non-GAAP measurement, a reconciliation of which to cost of sales and other direct production costs and depreciation, depletion and amortization, the closest GAAP measurement, can be found in the end of the release. AISC, after by-product credits, includes cost of sales and other direct production costs, expenses for reclamation and exploration at the mines sites,

corporate exploration related to sustaining operations, and all site sustaining capital costs. AISC, after by-product credits, is calculated net of depreciation, depletion, and amortization and by-product credits. AISC, after by-product credits, per silver ounce is not presented for Lucky Friday for the second quarters of 2018 and 2017 and the first half of 2018, as production was limited due to the strike and results are not comparable to those from prior periods and are not indicative of future operating results under full production. 2018 AISC, after by-product credits, per gold ounce for the Nevada operations excludes \$5 million of capital as it distorts the AISC estimates for the remainder part of the year. The estimated fair value of the stockpile acquired at Hollister has been removed from the AISC, after by-product credits calculation.

Current GAAP measures used in the mining industry, such as cost of goods sold, do not capture all the expenditures incurred to discover, develop and sustain silver and gold production. Management believes that all in sustaining costs is a non-GAAP measure that provides additional information to management, investors and analysts to help in the understanding of the economics of our operations and performance compared to other producers and in the investor's visibility by better defining the total costs associated with production. Similarly, the statistic is useful in identifying acquisition and investment opportunities as it provides a common tool for measuring the financial performance of other mines with varying geologic, metallurgical and operating characteristics. In addition, the Company may use it when formulating performance goals and targets under its incentive program.

(6) Cash cost, after by-product credits, per gold ounce is only applicable to Casa Berardi production. Gold produced from Greens Creek and San Sebastian is treated as a by-product credit against the silver cash cost.

Other

(7) Expectations for 2018 includes silver, gold, lead and zinc production from Greens Creek, San Sebastian, Casa Berardi and Nevada operations converted using Au \$1,225/oz, Ag \$17.25/oz, Zn \$1.30/lb, and Pb \$1.00/lb. Lucky Friday expectations are currently suspended as there is currently a strike. Numbers may be rounded.

Cautionary Statements to Investors on Forward-Looking Statements

This news release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbor created by such sections and other applicable laws, including Canadian securities laws. Such forward-looking statements may include, without limitation: (i) estimates of future production and sales; (ii) the impact of the Klondex acquisition on Hecla's operations and results; (iii) expectations regarding the development, growth potential, financial performance of the Company's projects; (iv) ability to complete construction of the remote vein miner and for it to operate successfully; (v) impact of the Lucky Friday strike on production and cash flow; (vi) ability to generate value from innovations being introduced into the mines; and (vii) impact of metals prices on cash costs, after by-product credits. Estimates or expectations of future events or results are based upon certain assumptions, which may prove to be incorrect. Such assumptions, include, but are not limited to: (i) there being no significant change to current geotechnical, metallurgical, hydrological and other physical conditions; (ii) permitting, development, operations and expansion of the Company's projects being consistent with current expectations and mine plans; (iii) political/regulatory developments in any jurisdiction in which the Company operates being consistent with its current expectations; (iv) the exchange rates for the Canadian dollar and Mexican peso to the U.S. dollar, being approximately consistent with current levels; (v) certain price assumptions for gold, silver, lead and zinc; (vi) prices for key supplies being approximately consistent with current levels; (vii) the accuracy of our current mineral reserve and mineral resource estimates; and (viii) the Company's plans for development and production will proceed as expected and will not require revision as a result of risks or uncertainties, whether known, unknown or unanticipated. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, such statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by the "forward-looking statements." Such risks include, but are not limited to gold, silver and other metals price volatility, operating risks, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, community relations, conflict resolution and outcome of projects or oppositions, litigation, political, regulatory, labor and environmental risks, and exploration risks and results, including that mineral resources are not mineral reserves, they do not have demonstrated economic viability

and there is no certainty that they can be upgraded to mineral reserves through continued exploration. For a more detailed discussion of such risks and other factors, see the Company's 2017 Form 10-K, filed on February 15, 2018, and Forms 10-Q filed on May 10, 2018 and August 9, 2018, with the Securities and Exchange Commission (SEC), as well as the Company's other SEC filings. The Company does not undertake any obligation to publicly release revisions to any "forward-looking statement," including, without limitation, outlook, to reflect events or circumstances after the date of this news release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws. Investors should not assume that any lack of update to a previously issued "forward-looking statement" constitutes a reaffirmation of that statement. Continued reliance on "forward-looking statements" is at investors' own risk.

HECLA MINING COMPANY

Condensed Consolidated Statements of Income (Loss)

(dollars and shares in thousands, except per share amounts - unaudited)

| | Second Quarter Ended June 30, 2018 | June 30, 2017 | Six Months June 30, 2018 |
|--|---------------------------------------|---------------|-----------------------------|
| Sales of products | \$ 147,259 | \$ 134,279 | \$ 286,968 |
| Cost of sales and other direct production costs | 80,440 | 77,503 | 153,309 |
| Depreciation, depletion and amortization | 31,817 | 25,569 | 59,871 |
| | 112,257 | 103,072 | 213,180 |
| Gross profit | 35,002 | 31,207 | 73,788 |
| Other operating expenses: | | | |
| General and administrative | 9,787 | 10,309 | 17,522 |
| Exploration | 7,838 | 5,853 | 15,198 |
| Pre-development | 1,415 | 1,052 | 2,420 |
| Research and development | 2,337 | 312 | 3,773 |
| Other operating expense | 638 | 699 | 1,153 |
| Provision for closed operations and environmental matters | 1,420 | 985 | 2,682 |
| Lucky Friday suspension-related costs | 6,801 | 8,024 | 11,818 |
| Acquisition costs | 1,010 | (2) | 3,517 |
| | 31,246 | 27,232 | 58,083 |
| Income from operations | 3,756 | 3,975 | 15,705 |
| Other income (expense): | | | |
| Loss on disposition of investments | — | — | — |
| Unrealized (loss) gain on investments | (564) | (276) | (254) |
| Gain (loss) on derivative contracts | 16,804 | 2,487 | 20,811 |
| Interest and other income | 108 | 319 | 52 |
| Net foreign exchange gain (loss) | 2,476 | (3,883) | 5,068 |
| Interest expense, net of amount capitalized | (10,079) | (10,543) | (19,873) |
| | 8,745 | (11,896) | 5,804 |
| Income (loss) before income taxes | 12,501 | (7,921) | 21,509 |
| Income tax (provision) benefit | (427) | (16,095) | (1,195) |
| Net income (loss) | 12,074 | (24,016) | 20,314 |
| Preferred stock dividends | (138) | (138) | (276) |
| Income (loss) applicable to common shareholders | \$ 11,936 | \$ (24,154) | \$ 20,038 |
| Basic and diluted income (loss) per common share after preferred dividends | \$ 0.03 | \$ (0.06) | \$ 0.05 |
| Weighted average number of common shares outstanding - basic | 400,619 | 396,178 | 399,972 |
| Weighted average number of common shares outstanding - diluted | 403,610 | 396,178 | 402,873 |

HECLA MINING COMPANY

Condensed Consolidated Balance Sheets

(dollars and shares in thousands - unaudited)

| | June 30, 2018 | December 31, 2017 |
|---------------------------------------|---------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 239,722 | \$ 186,107 |
| Short-term investments and securities | 5,556 | 33,758 |

| | | |
|--|--------------|--------------|
| Accounts receivable: | | |
| Trade | 9,717 | 14,805 |
| Other, net | 19,307 | 17,385 |
| Inventories | 61,054 | 54,555 |
| Other current assets | 17,006 | 13,715 |
| Total current assets | 352,362 | 320,325 |
| Non-current investments | 7,449 | 7,561 |
| Non-current restricted cash and investments | 1,005 | 1,032 |
| Properties, plants, equipment and mineral interests, net | 2,006,592 | 2,020,021 |
| Non-current deferred income taxes | 1,179 | 1,509 |
| Other non-current assets and deferred charges | 24,007 | 14,509 |
| Total assets | \$ 2,392,594 | \$ 2,364,957 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 53,835 | \$ 46,549 |
| Accrued payroll and related benefits | 23,661 | 31,259 |
| Accrued taxes | 6,143 | 5,919 |
| Current portion of capital leases | 6,015 | 5,608 |
| Current portion of debt | — | — |
| Other current liabilities | 7,364 | 16,116 |
| Current portion of accrued reclamation and closure costs | 8,315 | 6,679 |
| Total current liabilities | 105,333 | 112,130 |
| Capital leases | 8,757 | 6,193 |
| Accrued reclamation and closure costs | 78,102 | 79,366 |
| Long-term debt | 533,230 | 502,229 |
| Non-current deferred tax liability | 112,462 | 121,546 |
| Non-current pension liability | 48,973 | 46,628 |
| Other non-current liabilities | 4,438 | 12,983 |
| Total liabilities | 891,295 | 881,075 |
| SHAREHOLDERS' EQUITY | | |
| Preferred stock | 39 | 39 |
| Common stock | 101,643 | 100,926 |
| Capital surplus | 1,628,440 | 1,619,816 |
| Accumulated deficit | (176,158) | (195,484) |
| Accumulated other comprehensive loss | (31,929) | (23,373) |
| Treasury stock | (20,736) | (18,042) |
| Total shareholders' equity | 1,501,299 | 1,483,882 |
| Total liabilities and shareholders' equity | \$ 2,392,594 | \$ 2,364,957 |
| Common shares outstanding | 401,322 | 399,176 |
| HECLA MINING COMPANY | | |

Condensed Consolidated Statements of Cash Flows

(dollars in thousands - unaudited)

| | Six Months Ended | |
|--|------------------|---------------|
| | June 30, 2018 | June 30, 2017 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 20,314 | \$ 2,818 |
| Non-cash elements included in net income: | | |
| Depreciation, depletion and amortization | 62,852 | 56,908 |
| Unrealized loss on investments | 254 | 117 |
| Gain on disposition of properties, plants, equipment and mineral interests | (166) | (94) |
| Provision for reclamation and closure costs | 2,640 | 2,247 |
| Stock compensation | 2,441 | 2,831 |
| Deferred income taxes | (2,977) | (22,113) |
| Amortization of loan origination fees | 898 | 967 |
| (Gain) loss on derivative contracts | (30,236) | 5,386 |
| Foreign exchange (gain) loss | (5,348) | 5,201 |

| | | | |
|---|------------|------------|---|
| Other non-cash items, net | (35 |) 2 | |
| Change in assets and liabilities: | | | |
| Accounts receivable | 2,471 | (1,150 |) |
| Inventories | (6,865 |) 1,594 | |
| Other current and non-current assets | (2,507 |) 3,896 | |
| Accounts payable and accrued liabilities | 8,701 | (10,937 |) |
| Accrued payroll and related benefits | (337 |) (4,901 |) |
| Accrued taxes | (672 |) 4,408 | |
| Accrued reclamation and closure costs and other non-current liabilities | (4,410 |) (1,359 |) |
| Cash provided by operating activities | 47,018 | 45,821 | |
| INVESTING ACTIVITIES | | | |
| Additions to properties, plants, equipment and mineral interests | (43,304 |) (45,964 |) |
| Proceeds from disposition of properties, plants and equipment | 463 | 142 | |
| Purchases of investments | (31,682 |) (23,280 |) |
| Maturities of investments | 59,336 | 14,356 | |
| Net cash used in investing activities | (15,187 |) (54,746 |) |
| FINANCING ACTIVITIES | | | |
| Proceeds from issuance of stock, net of related costs | — | 9,610 | |
| Acquisition of treasury shares | (2,694 |) (2,474 |) |
| Dividends paid to common shareholders | (2,000 |) (1,981 |) |
| Dividends paid to preferred shareholders | (276 |) (276 |) |
| Credit availability and debt issuance fees paid | (3 |) (91 |) |
| Repayments of debt | — | (470 |) |
| Issuance of debt | 31,024 | — | |
| Repayments of capital leases | (3,762 |) (3,245 |) |
| Net cash provided by financing activities | 22,289 | 1,073 | |
| Effect of exchange rates on cash | (532 |) 1,086 | |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 53,588 | (6,766 |) |
| Cash, cash equivalents and restricted cash at beginning of period | 187,139 | 171,977 | |
| Cash, cash equivalents and restricted cash at end of period | \$ 240,727 | \$ 165,211 | |
| HECLA MINING COMPANY | | | |

Production Data

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|---------------|------------------|---------------|
| | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| GREENS CREEK UNIT | | | | |
| Tons of ore milled | 208,409 | 210,788 | 419,839 | 407,917 |
| Mining cost per ton of ore | \$ 69.83 | \$ 68.17 | \$ 69.41 | \$ 69.74 |
| Milling cost per ton of ore | \$ 33.59 | \$ 32.56 | \$ 33.11 | \$ 33.12 |
| Ore grade milled - Silver (oz./ton) | 12.46 | 12.11 | 12.08 | 12.40 |
| Ore grade milled - Gold (oz./ton) | 0.100 | 0.097 | 0.097 | 0.099 |
| Ore grade milled - Lead (%) | 3.17 | 2.68 | 3.06 | 2.86 |
| Ore grade milled - Zinc (%) | 7.84 | 7.20 | 7.95 | 7.50 |
| Silver produced (oz.) | 1,999,791 | 1,932,047 | 3,913,023 | 3,861,344 |
| Gold produced (oz.) | 13,719 | 12,704 | 26,837 | 26,726 |
| Lead produced (tons) | 5,305 | 4,420 | 10,326 | 9,229 |
| Zinc produced (tons) | 14,179 | 12,966 | 28,978 | 26,372 |
| Cash cost, after by-product credits, per silver ounce ⁽¹⁾ | \$ (3.47 |) \$ 1.86 | \$ (4.22 |) \$ 1.26 |
| AISC, after by-product credits, per silver ounce ⁽¹⁾ | \$ 4.43 | \$ 8.71 | \$ 2.56 | \$ 6.28 |
| Capital additions (in thousands) | \$ 14,183 | \$ 11,451 | \$ 23,665 | \$ 16,685 |
| LUCKY FRIDAY UNIT | | | | |
| Tons of ore milled | 3,447 | — | 13,006 | 57,069 |
| Mining cost per ton of ore | \$ 89.54 | \$ — | \$ 108.08 | \$ 104.72 |
| Milling cost per ton of ore | \$ 6.15 | \$ — | \$ 17.56 | \$ 27.16 |
| Ore grade milled - Silver (oz./ton) | 10.63 | — | 10.98 | 12.39 |
| Ore grade milled - Lead (%) | 7.28 | — | 7.01 | 7.05 |
| Ore grade milled - Zinc (%) | 3.43 | — | 4.43 | 3.99 |
| Silver produced (oz.) | 24,687 | — | 124,467 | 680,782 |

| | | | | |
|--|--------------------|---------------|------------------|---------------|
| Lead produced (tons) | 217 | — | 823 | 3,827 |
| Zinc produced (tons) | 120 | — | 532 | 2,131 |
| Cash cost, after by-product credits, per silver ounce ⁽¹⁾ | \$ — | \$ — | \$ — | 5.93 |
| AISC, after by-product credits, per silver ounce ⁽¹⁾ | \$ — | \$ — | \$ — | \$ 12.06 |
| Capital additions (in thousands) | \$ 1,061 | \$ 805 | \$ 2,049 | \$ 4,792 |
| | Three Months Ended | | Six Months Ended | |
| | June 30, 2018 | June 30, 2017 | June 30, 2018 | June 30, 2017 |
| CASA BERARDI UNIT | | | | |
| Tons of ore milled - underground | 184,373 | 195,039 | 375,706 | 399,992 |
| Tons of ore milled - surface pit | 165,564 | 135,070 | 322,780 | 223,809 |
| Tons of ore milled - total | 349,937 | 330,109 | 698,486 | 623,801 |
| Surface tons mined - ore and waste | 1,961,171 | 2,106,308 | 3,637,605 | 4,416,543 |
| Mining cost per ton of ore - underground | \$ 106.75 | \$ 99.01 | \$ 106.28 | \$ 99.23 |
| Mining cost per ton - combined | \$ 73.61 | \$ 76.83 | \$ 75.28 | \$ 81.42 |
| Mining cost per ton of ore and waste - surface tons mined | \$ 3.10 | \$ 2.53 | \$ 3.48 | \$ 2.58 |
| Milling cost per ton of ore | \$ 16.71 | \$ 15.50 | \$ 16.34 | \$ 16.33 |
| Ore grade milled - Gold (oz./ton) - underground | 0.209 | 0.148 | 0.195 | 0.155 |
| Ore grade milled - Gold (oz./ton) - surface pit | 0.062 | 0.078 | 0.070 | 0.082 |
| Ore grade milled - Gold (oz./ton) - combined | 0.140 | 0.119 | 0.137 | 0.129 |
| Ore grade milled - Silver (oz./ton) | 0.04 | 0.03 | 0.03 | 0.03 |
| Gold produced (oz.) - underground | 33,743 | 23,780 | 63,265 | 52,430 |
| Gold produced (oz.) - surface pit | 8,979 | 9,481 | 19,634 | 16,638 |
| Gold produced (oz.) - total | 42,722 | 33,261 | 82,899 | 69,068 |
| Silver produced (oz.) | 12,298 | 8,477 | 21,189 | 17,022 |
| Cash cost, after by-product credits, per gold ounce ⁽¹⁾ | \$ 775 | \$ 972 | \$ 800 | \$ 927 |
| AISC, after by-product credits, per gold ounce ⁽¹⁾ | \$ 1,039 | \$ 1,373 | \$ 1,062 | \$ 1,312 |
| Capital additions (in thousands) | \$ 9,809 | \$ 12,063 | \$ 18,876 | \$ 24,474 |
| SAN SEBASTIAN | | | | |
| Tons of ore milled | 37,780 | 38,478 | 72,177 | 75,141 |
| Mining cost per ton of ore | \$ 180.12 | \$ 41.63 | \$ 149.14 | \$ 40.16 |
| Milling cost per ton of ore | \$ 65.46 | \$ 66.97 | \$ 66.25 | \$ 65.29 |
| Ore grade milled - Silver (oz./ton) | 15.93 | 23.87 | 16.01 | 22.85 |
| Ore grade milled - Gold (oz./ton) | 0.115 | 0.182 | 0.127 | 0.182 |
| Silver produced (oz.) | 559,647 | 866,950 | 1,071,839 | 1,617,753 |
| Gold produced (oz.) | 3,872 | 6,596 | 8,385 | 12,880 |
| Cash cost, after by-product credits, per silver ounce ⁽¹⁾ | \$ 9.79 | \$ (3.31) | \$ 6.46 | \$ (3.29) |
| AISC, after by-product credits, per silver ounce ⁽¹⁾ | \$ 17.15 | \$ 0.06 | \$ 12.95 | \$ 0.24 |
| Capital additions (in thousands) | \$ 1,680 | \$ 2,423 | \$ 2,110 | \$ 4,130 |

Cash cost, after by-product credits, per ounce and AISC, after by-product credits, per ounce represent non-U.S. Generally Accepted Accounting Principles (GAAP) measurements. A reconciliation of cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP) to cash cost, after by-product credits can be found in the cash cost per ounce reconciliation section of this news release. Gold, lead and zinc produced have been treated as by-product credits in calculating silver costs per ounce. The primary metal produced at Casa Berardi is gold, with a by-product credit for the value of silver production.

Non-GAAP Measures (Unaudited)

Reconciliation of Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP) to Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) and All-In Sustaining Cost, Before By-product Credits and All-In Sustaining Cost, After By-product Credits (non-GAAP)

The tables below present reconciliations between the most comparable GAAP measure of cost of sales and other direct production costs and depreciation, depletion and amortization to the non-GAAP measures of Cash Cost, Before By-product Credits, Cash Cost, After By-product Credits, AISC, Before By-product Credits and AISC, After By-product Credits for our operations at the Greens Creek, Lucky Friday, San Sebastian and Casa Berardi units for the three- and six-month periods ended June 30, 2018 and 2017 and for estimated result for the full-year of 2018.

Cash Cost, After By-product Credits, per Ounce is an important operating statistic that we utilize to measure each mine's operating performance. AISC, After By-product Credits, per Ounce is an important operating statistic that we utilize as a measure of our mines' net cash flow after costs for exploration, pre-development, reclamation, and sustaining capital. Current GAAP measures used in the mining industry, such as cost of goods sold, do not capture all the expenditures incurred to discover, develop and sustain silver and gold production. Cash Cost, After By-product Credits, per Ounce and AISC, After By-product Credits, per Ounce also allow us to benchmark the performance of each of our mines versus those of our competitors. As a primary silver mining company, we also use these statistics on an aggregate basis - aggregating the Greens Creek, Lucky Friday and San Sebastian mines - to compare our performance with that of other primary silver mining companies. With regard to Casa Berardi, we use Cash Cost, After By-product Credits, per Gold Ounce AISC, After By-product Credits, per Gold Ounce to compare its performance with other gold mines. Similarly, these statistics are useful in identifying acquisition and investment opportunities as they provide a common tool for measuring the financial performance of other mines with varying geologic, metallurgical and operating characteristics.

Cash Cost, Before By-product Credits and AISC, Before By-product Credits include all direct and indirect operating cash costs related directly to the physical activities of producing metals, including mining, processing and other plant costs, third-party refining expense, on-site general and administrative costs, royalties and mining production taxes. AISC, Before By-product Credits for each mine also includes on-site exploration, reclamation, and sustaining capital costs. AISC, Before By-product Credits for our consolidated silver properties also includes corporate costs for general and administrative expense, reclamation, exploration, and pre-development. By-product credits include revenues earned from all metals other than the primary metal produced at each unit. As depicted in the tables below, by-product credits comprise an essential element of our silver unit cost structure, distinguishing our silver operations due to the polymetallic nature of their orebodies. Cash Cost, After By-product Credits, per Ounce and AISC, After By-product Credits, per Ounce provide management and investors an indication of operating cash flow, after consideration of the average price, received from production. We also use these measurements for the comparative monitoring of performance of our mining operations period-to-period from a cash flow perspective. Cash Cost, After By-product Credits, per Ounce is a measure developed by precious metals companies (including the Silver Institute) in an effort to provide a uniform standard for comparison purposes. There can be no assurance, however, that our reporting of these non-GAAP measures are the same as those reported by other mining companies.

The Casa Berardi section below reports Cash Cost, After By-product Credits, per Gold Ounce and AISC, After By-product Credits, per Gold Ounce for the production of gold, its primary product, and by-product revenues earned from silver, which is a by-product at Casa Berardi. Only costs and ounces produced relating to units with the same primary product are combined to represent Cash Cost, After By-product Credits, per Ounce and AISC, After By-product Credits, per Ounce. Thus, the gold produced at our Casa Berardi unit is not included as a by-product credit when calculating Cash Cost, After By-product Credits, per Silver Ounce and AISC, After By-product Credits, per Silver Ounce for the total of Greens Creek, Lucky Friday and San Sebastian, our combined silver properties.

| In thousands (except per ounce amounts) | Three Months Ended June | |
|--|-------------------------|--------------|
| | Greens Creek | Lucky Friday |
| Cost of sales and other direct production costs and depreciation, depletion and amortization | \$ 47,742 | 1,744 |
| Depreciation, depletion and amortization | (11,813 |) (182 |
| Treatment costs | 9,481 | 55 |
| Change in product inventory | 321 | (1,160 |
| Reclamation and other costs | (449 |) (58 |
| Exclusion of Lucky Friday cash costs | — | (399 |
| Cash Cost, Before By-product Credits ⁽¹⁾ | 45,282 | — |
| Reclamation and other costs | 850 | |
| Exploration | 778 | |
| Sustaining capital | 14,183 | |
| General and administrative | | |
| AISC, Before By-product Credits ⁽¹⁾ | 61,093 | — |
| By-product credits: | | |
| Zinc | (27,492 |) — |
| Gold | (15,716 |) — |
| Lead | (9,022 |) — |
| Silver | | |

| | | |
|--|--------------------------|--------------|
| Total By-product credits | (52,230 |) — |
| Cash Cost, After By-product Credits | \$ (6,948 |) \$ — |
| AISC, After By-product Credits | \$ 8,863 | \$ — |
| Divided by ounces produced | 2,000 | — |
| Cash Cost, Before By-product Credits, per Ounce | \$ 22.65 | \$ — |
| By-product credits per ounce | (26.12 |) — |
| Cash Cost, After By-product Credits, per Ounce | \$ (3.47 |) \$ — |
| AISC, Before By-product Credits, per Ounce | \$ 30.55 | \$ — |
| By-product credits per ounce | (26.12 |) — |
| AISC, After By-product Credits, per Ounce | \$ 4.43 | \$ — |
| In thousands (except per ounce amounts) | Three Months Ended June | |
| | Greens Creek | Lucky Friday |
| Cost of sales and other direct production costs and depreciation, depletion and amortization | \$ 54,318 | \$ — |
| Depreciation, depletion and amortization | (13,503 |) — |
| Treatment costs | 11,423 | — |
| Change in product inventory | (5,542 |) — |
| Reclamation and other costs | (694 |) — |
| Cash Cost, Before By-product Credits ⁽¹⁾ | 46,002 | — |
| Reclamation and other costs | 667 | — |
| Exploration | 1,117 | — |
| Sustaining capital | 11,451 | — |
| General and administrative | | |
| AISC, Before By-product Credits ⁽¹⁾ | 59,237 | — |
| By-product credits: | | |
| Zinc | (21,647 |) — |
| Gold | (13,917 |) |
| Lead | (6,847 |) — |
| Silver | | |
| Total By-product credits | (42,411 |) — |
| Cash Cost, After By-product Credits | \$ 3,591 | \$ — |
| AISC, After By-product Credits | \$ 16,826 | \$ — |
| Divided by ounces produced | 1,932 | — |
| Cash Cost, Before By-product Credits, per Ounce | \$ 23.81 | \$ — |
| By-product credits per ounce | (21.95 |) — |
| Cash Cost, After By-product Credits, per Ounce | \$ 1.86 | \$ — |
| AISC, Before By-product Credits, per Ounce | \$ 30.66 | \$ — |
| By-product credits per ounce | (21.95 |) — |
| AISC, After By-product Credits, per Ounce | \$ 8.71 | \$ — |
| In thousands (except per ounce amounts) | Six Months Ended June 30 | |
| | Greens Creek | Lucky Friday |
| Cost of sales and other direct production costs and depreciation, depletion and amortization | \$ 89,602 | \$ 5,844 |
| Depreciation, depletion and amortization | (22,452 |) (803 |
| Treatment costs | 20,869 | 627 |
| Change in product inventory | 5,475 | (2,182 |
| Reclamation and other costs | (1,360 |) (103 |
| Exclusion of Lucky Friday cash costs | — | (3,383 |
| Cash Cost, Before By-product Credits ⁽¹⁾ | 92,134 | — |
| Reclamation and other costs | 1,699 | — |
| Exploration | 1,138 | — |
| Sustaining capital | 23,665 | — |
| General and administrative | | |
| AISC, Before By-product Credits ⁽¹⁾ | 118,636 | — |
| By-product credits: | | |
| Zinc | (59,634 |) — |
| Gold | (31,008 |) |
| Lead | (17,996 |) — |
| Silver | | |
| Total By-product credits | (108,638 |) — |

| | | |
|--|--|--------------|
| Cash Cost, After By-product Credits | \$ (16,504) | \$ — |
| AISC, After By-product Credits | \$ 9,998 | \$ — |
| Divided by ounces produced | 3,913 | — |
| Cash Cost, Before By-product Credits, per Ounce | \$ 23.54 | \$ — |
| By-product credits per ounce | (27.76) | — |
| Cash Cost, After By-product Credits, per Ounce | \$ (4.22) | \$ — |
| AISC, Before By-product Credits, per Ounce | \$ 30.32 | \$ — |
| By-product credits per ounce | (27.76) | — |
| AISC, After By-product Credits, per Ounce | \$ 2.56 | \$ — |
| In thousands (except per ounce amounts) | Six Months Ended June 30 | |
| | Greens Creek | Lucky Friday |
| Cost of sales and other direct production costs and depreciation, depletion and amortization | \$ 98,314 | \$ 14,542 |
| Depreciation, depletion and amortization | (26,835) | (2,433) |
| Treatment costs | 25,554 | 3,817 |
| Change in product inventory | (2,277) | (149) |
| Reclamation and other costs | (1,080) | (181) |
| Cash Cost, Before By-product Credits ⁽¹⁾ | 93,676 | 15,596 |
| Reclamation and other costs | 1,333 | 179 |
| Exploration | 1,395 | 1 |
| Sustaining capital | 16,685 | 3,990 |
| General and administrative | | |
| AISC, Before By-product Credits ⁽¹⁾ | 113,089 | 19,766 |
| By-product credits: | | |
| Zinc | (45,426) | (4,060) |
| Gold | (28,769) | |
| Lead | (14,629) | (7,496) |
| Silver | | |
| Total By-product credits | (88,824) | (11,556) |
| Cash Cost, After By-product Credits | \$ 4,852 | \$ 4,040 |
| AISC, After By-product Credits | \$ 24,265 | \$ 8,210 |
| Divided by ounces produced | 3,861 | 681 |
| Cash Cost, Before By-product Credits, per Ounce | \$ 24.27 | \$ 22.90 |
| By-product credits per ounce | (23.01) | (16.97) |
| Cash Cost, After By-product Credits, per Ounce | \$ 1.26 | \$ 5.93 |
| AISC, Before By-product Credits, per Ounce | \$ 29.29 | \$ 29.03 |
| By-product credits per ounce | (23.01) | (16.97) |
| AISC, After By-product Credits, per Ounce | \$ 6.28 | \$ 12.06 |
| In thousands (except per ounce amounts) | Current Estimate for Twelve Months Ended June 30 | |
| | Greens Creek | Lucky Friday |
| | | Sebastian |
| Cost of sales and other direct production costs and depreciation, depletion and amortization | \$ 198,000 | \$ 44,000 |
| Depreciation, depletion and amortization | (50,000) | (6,000) |
| Treatment costs | 44,000 | 550 |
| Adjustment for inventory acquired | | |
| Change in product inventory | — | (1,000) |
| Reclamation and other costs | (2,900) | (500) |
| Cash Cost, Before By-product Credits ⁽¹⁾ | 189,100 | 37,050 |
| Reclamation and other costs | 2,500 | 240 |
| Exploration | 3,500 | 4,800 |
| Sustaining capital | 51,000 | 3,700 |
| General and administrative | | |
| AISC, Before By-product Credits ⁽¹⁾ | 246,100 | 45,790 |
| By-product credits | (193,000) | (18,000) |
| Cash Cost, After By-product Credits | \$ (3,900) | \$ 19,050 |
| AISC, After By-product Credits | \$ 53,100 | \$ 27,790 |

| | | |
|---|---|---------|
| Divided by ounces produced | 7,800 | 2,250 |
| Cash Cost, Before By-product Credits, per Ounce | \$ 24.24 | \$ 16.4 |
| By-product credits per ounce | (24.74) | (8.00) |
| Cash Cost, After By-product Credits, per Ounce | \$ (0.50) | \$ 8.47 |
| AISC, Before By-product Credits, per Ounce | \$ 31.55 | \$ 20.3 |
| By-product credits per ounce | (24.74) | (8.00) |
| AISC, After By-product Credits, per Ounce | \$ 6.81 | \$ 12.3 |
| In thousands (except per ounce amounts) | Original Estimate for Twelve Months Ended December 31, 2018 | |

| | Greens | San |
|--|------------|-----------|
| | Creek | Sebastian |
| Cost of sales and other direct production costs and depreciation, depletion and amortization | \$ 198,000 | \$ 44,000 |
| Depreciation, depletion and amortization | (50,000) | (6,000) |
| Treatment costs | 44,000 | 550 |
| Change in product inventory | — | (1,000) |
| Reclamation and other costs | (2,900) | (500) |
| Cash Cost, Before By-product Credits ⁽¹⁾ | 189,100 | 37,050 |
| Reclamation and other costs | 2,500 | 240 |
| Exploration | 3,500 | 4,800 |
| Sustaining capital | 51,000 | 3,700 |
| General and administrative | | |
| AISC, Before By-product Credits ⁽¹⁾ | 246,100 | 45,790 |
| By-product credits | (186,000) | (18,000) |
| Cash Cost, After By-product Credits | \$ 3,100 | \$ 19,050 |
| AISC, After By-product Credits | \$ 60,100 | \$ 27,790 |
| Divided by ounces produced | 7,750 | 2,250 |
| Cash Cost, Before By-product Credits, per Ounce | \$ 24.40 | \$ 16.47 |
| By-product credits per ounce | (24.00) | (8.00) |
| Cash Cost, After By-product Credits, per Ounce | \$ 0.40 | \$ 8.47 |
| AISC, Before By-product Credits, per Ounce | \$ 31.75 | \$ 20.35 |
| By-product credits per ounce | (24.00) | (8.00) |
| AISC, After By-product Credits, per Ounce | \$ 7.75 | \$ 12.35 |

Includes all direct and indirect operating costs related to the physical activities of producing metals, including mining, processing and other plant costs, third-party refining and marketing expense, on-site general and administrative costs, royalties and mining production taxes, before by-product revenues earned from all metals other than the primary metal produced at each unit. AISC, Before By-product Credits also includes on-site exploration, reclamation, and sustaining capital costs.

The unionized employees at Lucky Friday have been on strike since March 13, 2017, and production at Lucky Friday has been limited since that time. As a result, for the first quarter of 2018 and 2017 and the first half of 2018 Cash Cost, Before By-product Credits, Cash Cost, After By-product Credits, AISC, Before By-product Credits, and AISC, After By-product Credits are not presented for Lucky Friday, and costs related to the limited production at Lucky Friday are excluded from the calculation of Cash Cost, Before By-product Credits, Cash Cost, After By-product Credits, AISC, Before By-product Credits, and AISC, After By-product Credits for our combined silver operations.

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

(4) Nevada 2018 estimate is for the time period July 20 to December 31, 2018.

Reconciliation of Net Income (Loss) Applicable to Common Shareholders (GAAP) to Adjusted Net Income (Loss) Applicable to Common Stockholders (non-GAAP)

This release refers to a non-GAAP measure of adjusted net income (loss) applicable to common stockholders and adjusted net income (loss) per share, which are indicators of our performance. They exclude certain impacts which are of a nature which we believe are not reflective of our underlying performance. Management believes that adjusted net income (loss) per common share provides investors with the ability to better evaluate our underlying operating performance.

| Dollars are in thousands (except per share amounts) | Three Months Ended June 30, Six Months Ended June 30 | | | |
|--|--|-------------|-----------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) applicable to common shareholders (GAAP) | \$ 11,936 | \$ (24,154) | \$ 20,038 | \$ 2,542 |
| Adjusting items: | | | | |
| (Gains) losses on derivatives contracts | (16,804) | (2,487) | (20,811) | 5,322 |
| Provisional price losses | 2,517 | 1,308 | 2,582 | 680 |
| Foreign exchange (gain) loss | (2,476) | 3,883 | (5,068) | 6,145 |
| Lucky Friday suspension-related costs | 6,801 | 8,024 | 11,818 | 9,605 |
| Acquisition costs | 1,010 | (2) | 3,517 | 25 |
| Bond offering costs | — | 1,050 | — | 1,050 |
| Nonrecurring deferred income tax adjustments | — | — | — | (17,486) |
| Adjusted net income (loss) applicable to common shareholders | \$ 2,984 | \$ (12,378) | \$ 12,076 | \$ 7,883 |
| Weighted average shares - basic | 400,619 | 396,178 | 399,972 | 395,774 |
| Weighted average shares - diluted | 403,610 | 396,178 | 402,873 | 399,236 |
| Basic adjusted net income (loss) per common share | \$ 0.01 | \$ (0.03) | \$ 0.03 | \$ 0.02 |
| Diluted adjusted net income (loss) per common share | \$ 0.01 | \$ (0.03) | \$ 0.03 | \$ 0.02 |

Reconciliation of Net Income (Loss) (GAAP) and Debt (GAAP) to Adjusted EBITDA (non-GAAP) and Net Debt (non-GAAP)

This release refers to the non-GAAP measures of adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), which is a measure of our operating performance, and net debt to adjusted EBITDA for the last 12 months (or "LTM adjusted EBITDA"), which is a measure of our ability to service our debt. Adjusted EBITDA is calculated as net income (loss) before the following items: interest expense, income tax provision, depreciation, depletion, and amortization expense, exploration expense, pre-development expense, acquisition costs, foreign exchange gains and losses, gains and losses on derivative contracts, Lucky Friday suspension-related costs, provisional price gains and losses, stock-based compensation, unrealized gains on investments, provisions for closed operations, and interest and other income (expense). Net debt is calculated as total debt, which consists of the liability balances for our Senior Notes, capital leases, and other notes payable, less the total of our cash and cash equivalents and short-term investments. Management believes that, when presented in conjunction with comparable GAAP measures, Adjusted EBITDA and net debt to LTM adjusted EBITDA are useful to investors in evaluating our operating performance and ability to meet our debt obligations. The following table reconciles net income (loss) and debt to Adjusted EBITDA and net debt:

| Dollars are in thousands | Three Months Ended June 30, | |
|---|-----------------------------|-------------|
| | 2018 | 2017 |
| Net income (loss) | \$ 12,074 | \$ (24,016) |
| Plus: Interest expense, net of amount capitalized | 10,079 | 10,543 |
| Plus/(Less): Income taxes | 427 | 16,095 |
| Plus: Depreciation, depletion and amortization | 31,817 | 25,569 |
| Plus: Exploration expense | 7,838 | 5,853 |
| Plus: Pre-development expense | 1,415 | 1,052 |
| Plus/(Less): Foreign exchange (gain) loss | (2,476) | 3,883 |
| Plus: Lucky Friday suspension-related costs | 6,801 | 8,024 |
| Plus/(Less): (Gains) losses on disposition of properties, plants, equipment and mineral interests | (36) | — |
| Plus: Acquisition costs | 1,010 | (2) |
| Plus: Stock-based compensation | 1,314 | 1,482 |
| Plus/(Less): (Gains) losses on derivative contracts | (16,804) | (2,487) |
| Plus: Provisional price loss | 2,517 | 1,308 |
| Plus: Provision for closed operations and environmental matters | 1,317 | 1,221 |
| Plus/(Less): Unrealized loss (gain) on investments | 564 | 276 |
| Other | (108) | (319) |
| Adjusted EBITDA | \$ 57,749 | \$ 48,482 |
| Total debt | | |
| Less: Cash, cash equivalents and short-term investments | | |
| Net debt | | |
| Net debt/LTM adjusted EBITDA (non-GAAP) | | |

Reconciliation of Cash Provided by Operating Activities (GAAP) to Free Cash Flow (non-GAAP)

This release refers to a non-GAAP measure of free cash flow, calculated as cash provided by operating activities, less additions to properties, plants, equipment and mineral interests. Management believes that, when presented in conjunction with comparable GAAP measures, free cash flow is useful to investors in evaluating our operating performance. The following table reconciles cash provided by operating activities to free cash flow:

Dollars are in thousands

| | Three Months Ended June 30, | |
|---|--------------------------------|--------------|
| | 2018 | 2017 |
| Cash provided by operating activities | \$ 30,635 | \$ 7,536 |
| Less: Additions to properties, plants equipment and mineral interests | (25,669) | (24,306) |
| Free cash flow | \$ 4,966 | \$ (16,770) |

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Contact

[Hecla Mining Company](#)

Mike Westerlund, 800-HECLA91 (800-432-5291)

Vice President - Investor Relations

hmc-info@hecla-mining.com

www.hecla-mining.com

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