

HECLA MINING CO/DE/
Form 10-K
February 22, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

x Annual report pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 For the fiscal year ended December 31, 2011

Commission file No. 1-8491

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

Delaware
(State or other jurisdiction of
incorporation or organization)

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

6500 N. Mineral Drive, Suite 200
Coeur d'Alene, Idaho
(Address of principal executive offices)

83815-9408
(Zip Code)

208-769-4100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.25 per share	New York Stock Exchange
Series B Cumulative Convertible Preferred Stock, par value \$0.25 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's voting Common Stock held by non-affiliates was \$2,139,690,446 as of June 30, 2011 There were 279,512,363 shares of the registrant's Common Stock outstanding as of June 30, 2011, and 285,291,773 shares as of February 17, 2012.

Documents incorporated by reference herein:

To the extent herein specifically referenced in Part III, the information contained in the Proxy Statement for the 2011 Annual Meeting of Shareholders of the registrant, which will be filed with the Commission pursuant to Regulation 14A within 120 days of the end of the registrant's 2011 fiscal year is incorporated herein by reference. See Part III.

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Special Note on Forward-Looking Statements

Certain statements contained in this report (including information incorporated by reference) are “forward-looking statements” and are intended to be covered by the safe harbor provided for under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Our forward-looking statements include our current expectations and projections about future production, results, performance, prospects and opportunities, including reserves and other mineralization. We have tried to identify these forward-looking statements by using words such as “may,” “might,” “will,” “expect,” “anticipate,” “believe,” “could,” “intend,” “plan,” “similar expressions. These forward-looking statements are based on information currently available to us and are expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual production, results, performance, prospects or opportunities, including reserves and mineralization, to differ materially from those expressed in, or implied by, these forward-looking statements.

These risks, uncertainties and other factors include, but are not limited to, those set forth under Item 1A. Risk Factors. Given these risks and uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements. Projections and other forward-looking statements included in this Form 10-K have been prepared based on assumptions, which we believe to be reasonable, but not in accordance with United States generally accepted accounting principles (“GAAP”) or any guidelines of the Securities and Exchange Commission (“SEC”). Actual results may vary, perhaps materially. You are strongly cautioned not to place undue reliance on such projections and other forward-looking statements. All subsequent written and oral forward-looking statements attributable to Hecla Mining Company or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as required by federal securities laws, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

For information regarding the organization of our business segments and our significant customers, see Note 11 of Notes to Consolidated Financial Statements.

Information set forth in Items 1A, 1B and 2 are incorporated by reference into this Item 1.

Introduction

Hecla Mining Company and its subsidiaries have provided precious and base metals to the U.S. economy and worldwide since incorporation in 1891 (in this report, “we” or “our” or “us” refers to Hecla Mining Company and our affiliates and subsidiaries). We discover, acquire, develop, produce, and market silver, gold, lead and zinc. In doing so, we intend to manage our business activities in a safe, environmentally responsible and cost-effective manner.

We produce lead, zinc and bulk concentrates, which we sell to custom smelters, and unrefined gold and silver bullion bars (doré), which may be sold as doré or further refined before sale to precious metals traders. We are organized and managed into two segments that encompass our operating units: the Greens Creek and Lucky Friday units.

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

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

- Operating our properties safely, in an environmentally responsible manner, and cost-effectively.

Resuming production and construction of the #4 Shaft project at our Lucky Friday unit in light of the halt to most operations at the mine in January 2012. The halt of operations occurred because of an order from the Federal Mine Safety and Health Administration ("MSHA") closing the mine until we remove loose material from the Silver Shaft. In response, we submitted a plan to MSHA and received approval to remove loose cementitious material, along with additional work which should improve the shaft's functionality and possibly improve the shaft's hoisting capacity. In addition to the Silver Shaft work, we also have plans to build a new haulage way to bypass an area damaged by a rock burst in December 2011. We anticipate that production will be suspended at Lucky Friday until early 2013 as that work is completed. Construction of the #4 Shaft, an internal shaft that will provide deeper access at Lucky Friday, will also be temporarily suspended as work on the Silver Shaft is completed. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – The Lucky Friday Segment for more information.

Overcoming the challenges which have arisen at our Lucky Friday unit over the course of 2011 and into 2012. In addition to receiving an order from MSHA closing the Silver Shaft at the Lucky Friday mine (and thus the mine) until the loose material is removed, a number of accidents and other events during the past year have resulted in temporary suspensions of operations at the Lucky Friday. In April 2011, a fall of ground caused the fatality of one employee, resulting in cessation of operations for approximately 10 days. In November 2011, an accident occurring as part of the construction of #4 Shaft resulted in the fatality of one contractor employee. In an unrelated incident, in December 2011, a rock burst occurred in a primary access way at the Lucky Friday and injured seven employees, with no fatalities as a result of that incident. These events and the current halt to most operations at the Lucky Friday are a challenge to us that we will seek to overcome in 2012. See Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – The Lucky Friday Segment for more information.

- Expanding our proven and probable reserves and production capacity at our operating properties.

• Maintaining and investing in exploration projects in the vicinities of four mining districts we believe to be under-explored and under-developed: North Idaho's Silver Valley in the historic Coeur d'Alene Mining District; our Greens Creek unit on Alaska's Admiralty Island located near Juneau; the silver producing district near Durango, Mexico; and the Creede district of Southwestern Colorado.

- Continuing to seek opportunities to acquire and invest in other mining properties and companies.
 - Resolving alleged environmental liabilities on acceptable terms.

Below is a summary of net income (loss) for each of the last five years (in thousands):

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Net income (loss)	\$151,164	\$48,983	\$67,826	\$(66,563)	\$53,197

Our financial results over the last five years have been impacted by:

• Fluctuations in prices of the metals we produce. The high and low daily closing market prices for silver, gold, lead and zinc for each of the last five years are as follows:

	2011	2010	2009	2008	2007
Silver (per oz.):					
High	\$48.70	\$30.70	\$19.18	\$20.92	\$15.82
Low	\$26.16	\$15.14	\$10.51	\$8.88	\$11.67
Gold (per oz.):					
High	\$1,895.00	\$1,421.00	\$1,212.50	\$1,011.25	\$841.10
Low	\$1,319.00	\$1,058.00	\$810.00	\$712.50	\$608.40
Lead (per lb.):					
High	\$1.33	\$1.18	\$1.11	\$1.57	