

February 10, 2017

To the Employees of the Lucky Friday Mine:

As you are aware, the 2010 collective bargaining agreement, under which the mine has been operating, expired in May 2016. The Company and the Union have met 26 times over the past 10 months in an effort to reach a new agreement. A significant amount of time during the 26 meetings was spent discussing compensation and benefits programs.

The Lucky Friday Mine has historically paid among the highest wages and offered some of the best benefits in North Idaho. During 2016, the Lucky Friday Mine employed approximately 225 hourly employees who worked from January 1 to December 31. Of those employees, 198 earned over \$70,000, 37 earned over \$90,000, and 29 earned over \$100,000. The average W-2 earnings of a full-time employee at the Lucky Friday was approximately \$84,000 in 2016. In addition to those wages, the employees were provided between 2 and 5-1/2 weeks of vacation, 11 holidays, full medical, dental, and vision coverage, a 401(k) plan, and a defined benefit pension plan, in addition to other benefits. The Company is proud of those numbers, and looks forward to continuing to offer some of the highest wages and best benefits in North Idaho.

Throughout the negotiations, the Company has proposed modifications to some existing programs, and has also proposed new programs, all of which were focused on gaining efficiencies already in place at many other mines in the United States. The purpose of this correspondence is to provide clarifying information regarding five key components in the Company's final offer. The five issues below were considered primary issues by both the Union and the Company throughout the negotiations.

Vacation Plan

The Lucky Friday Mine's system of accruing individualized vacation time based on the number of shifts worked by each employee, every bi-weekly pay period, is inefficient and extremely time-consuming. The system worked well in the 1970s and 1980s, but is archaic and no longer feasible given today's technology. It would be more efficient to use the same system that calculates and accrues vacation time for salaried employees. The Company's offer regarding vacation time includes a full year's allotment of vacation time each January, grants more vacation time than the salaried employees receive, and provides that the employees may continue to bank vacation time. An employee will no longer have his or her vacation accrual reduced for missing a shift, and all vacation time an employee has banked will immediately be valued at the higher rate of pay the Company is offering in its wage rate section. The Company expects to pay more in vacation benefits under the new system, but also recognizes the efficiencies gained by simplifying today's complicated system will be worth the additional costs.

Base Wages

The current Lucky Friday wage proposal includes significant pay rate increases for most Tech levels. Please see Exhibit A for a comparison of the base wage rates offered to the rates currently in effect. The Company has converted some “at risk” pay from the silver premium plan to “guaranteed” pay in the form of base wages. These increased base rates serve to also increase the value of vacation and holiday pay, as well as overtime pay.

Silver Premium Pay

The purpose of the Silver Price Premium plan has always been to allow the employees to share in the value of silver price increases once the silver price has reached a level at which the Company is profitable. Under the current contract, which was established seven years ago, the trigger point for assumed profitability is \$7.50 per ounce. Both the Company and the Union negotiating committees recognize the mine does not cover its costs with a silver price of \$7.50 per ounce. That fact is undisputed. The Company’s offer contains language that ties the trigger point to the mine’s financial break-even point each quarter. By doing so, the Company avoids the risk of agreeing to a trigger point that is below the cost to run the mine, and the Union avoids the risk of agreeing to a trigger point that is set above the cost to run the mine. Under the Company’s offer, the trigger price moves with the cost of operating the mine, and incentivizes all parties to keep the costs low.

Progression Plan

The Company has offered a progression system for job advancement that is very common among other mines in the western United States. The Company is not aware of any mine in the western United States that has the type of outdated bid system currently in place at the Lucky Friday Mine. The proposed progression system allows employees to advance within the Tech Level system and earn higher wages based on their accomplishments in learning new skills. When an employee becomes proficient in a new set of pre-established skills, the employee can earn the higher wage associated with the advanced Tech Level.

Health Care Plans

Hecla maintains three health care plans for its salaried employees – group medical, dental, and vision plans. Within the salaried medical plan, employees can choose from three plan options which cover themselves as well as their family members. The Bronze Plan, in conjunction with a Health Savings Account, requires no premium, the Silver Plan requires a 5% premium, and the Gold Plan requires a 15% premium. The salaried health care plans are very competitive across the industry for both low premiums and quality of coverage. The salaried medical plan provides certain benefits unavailable under the hourly medical plan, such as child wellness visits. The Company’s offer provides the hourly employees with coverage under the very same plans that the salaried employees enjoy, and at the same low premium percentages. The current practice of the

mine providing the hourly employees a completely separate medical plan, two separate dental plans, and two separate vision plans is incredibly inefficient. Currently, the Company has to administer eight separate health care plans when three would be sufficient if all employees were covered under the same medical, dental and vision plans.

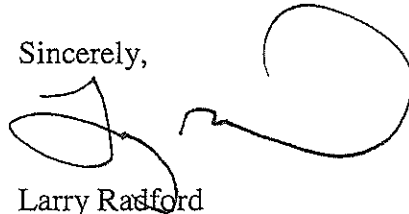
The Company has proposed medical plan premiums, which is a change from the current practice, but the premiums are very reasonable, and in many cases low, when compared to similar employer-provided plans. The dental and vision premiums contained in the Company's offer are actually lower than what the hourly employees are currently paying under the "enhanced" hourly dental and vision plans (a majority of the hourly employees are enrolled in the "enhanced" plans). Please see Exhibit B and Exhibit C for summaries of the group medical/dental/vision plans included in the Company's offer.

The Company's final offer and the Union's last offer contain additional items for which the Union and the Company did not agree, but the intent of this letter is to provide our employees and their families information related to what the Company believes were the five key areas of disagreement with the Union, and for which the most time was spent negotiating over the past 10 months.

These changes to the way the mine operates will remove some significant inefficiencies, bring the Lucky Friday Mine in line with practices at many other western U.S. mining operations, and help extend the life of the mine, all while continuing to provide the employees with a competitive wage and benefits package.

I hope you will carefully consider the Company's final offer, and I sincerely hope you will vote to accept it on February 19th.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Radford", with a large, stylized flourish extending to the right.

Larry Radford
Sr. Vice President - Operations
Hecla Mining Company

Hecla Offer - 2017
SCHEDULE A - Classification of Wage Rates

Positions	Tech Level	Date Year 1	Date Year 2	Date Year 3	Date Year 4	Date Year 5	Date Year 6
Entry Laborer	T1	17.00	17.00	17.00	17.35	17.70	18.00
Support, Surface, Construction, Miner, Hoistman, Mill Operator, Mill Mechanic, Mine Mechanic, Electrician	T2	18.50	18.50	18.50	18.85	19.25	19.65
	T3	20.25	20.25	20.25	20.65	21.05	21.50
	T4	22.25	22.25	22.25	22.70	23.15	23.60
	T5	24.50	24.50	24.50	25.00	25.50	26.00
Mill Mechanic, Mine Mechanic, Electrician	T6	28.50	28.50	28.50	29.05	29.65	30.25
Master Mechanic, Master Electrician ¹	T7	30.50	30.50	30.50	31.10	31.75	32.40

- a. Leadman pay will be at the employee's current classification rate plus \$1.00 per hour.
b. The Support category is defined as any position not specifically defined in this Schedule A.

2010 Collective Bargaining Agreement
SCHEDULE A - Classification of Wage Rates

Positions	Pay Grade	Rates Currently in Effect
Surface Laborer	2	15.19
Underground Laborer, Miner's Helper, Nipper, Motorman, Janitor, Entry Level Operator, Maintenance Helper "B"	4	17.79
Cager, LHD Operator, Truck Driver, Hoistman Single Drum, Sandman, Toplander, Mill Operator 1, Entry Level Mechanic, Batch Plant Operator in Training, Maintenance Helper "A", Apprentice Class 2	6	18.33
Miner, Driller, Road Maintenance, Mill Operator 2, Mill Mechanic 1, Maintenance Mechanic, Apprentice Class 1	7	18.71
Shaft Repairman, Mill Operator 3, Mill Mechanic 2, Batch Plant Operator	8	19.07
Hoistman Double Drum, Mill Operator 4, Mill Mechanic 3	9	19.49
Mine Leadman, Surface Leadman, Mill Operator 5, Mill Mechanic 4, Journeyman Mechanic, Journeyman Electrician	10	19.94
Mill Mechanic 5, Maintenance Leadman	11	20.86
Master Mechanic	12	22.94
Master Electrician	13	22.94

¹ The Master Electrician and Master Mechanic classifications under the 2010 Collective Bargaining Agreement will convert to Tech Level 6 with an increased base wage rate of \$5.56 per hour in Year 1. After 12 months, Tech Level 6 Mine Mechanics and Mine Electricians will be eligible to progress to Tech Level 7 if they have met the established criteria for Tech Level 7.