

Open Letter To The Community:



This year, the Lucky Friday Mine turns 75 years old. There are unique challenges with a mine that dates back over seven decades. Today, with the completion of the No. 4 shaft, it has new operations at nearly two miles below the surface. This requires changes in how the mine is operated, the mix of skill sets, and modernized methods to keep the mine safe and economically viable.

We have been here before. During the 1980s, we were at a similar crossroad. At the beginning of that decade, many producing mines existed in the Silver Valley including the Sunshine, Crescent, Star, Coeur, Galena, Bunker Hill, and Lucky Friday. In addition, five mining companies listed on the New York Stock Exchange had operations in the Silver Valley. Hecla recognized changes would be necessary to continue mining, and invested in new technologies and mining methods. The Lucky Friday proceeded to construct the district's first concrete-lined circular shaft, converted to an innovative underhand mining technique, replaced the underground rail system with mechanized rubber-tired machinery, reduced worker exposure to seismic events, and improved mine safety. Those changes allowed the Lucky Friday Mine to continue to grow, evolve and fund additional exploration. The additional exploration resulted in the discovery and development of the Gold Hunter vein, which is the source of all Lucky Friday production today.

Over the succeeding decades, the mines in the Silver Valley began to close, and as of today only the Galena and the Lucky Friday remain as large scale producers. Of the five NYSE traded mining companies with operations in the Silver Valley, only Hecla remains.

As in the past, the mine's success requires a partnership with our employees. We know there will be times of plenty, when metals prices are high, and times of struggle when prices are low. The labor contract we offered seeks to keep the mine viable throughout these inherent metals price cycles and share in the profits when times are good, while keeping the very competitive wage and benefits package that exists today. Among other provisions, the offer includes:

- Significantly increasing base wages in most cases, which also applies to holiday and vacation pay;
- Vacation will accrue the same as for other Hecla employees, providing more vacation compensation in 2017, but a simplified administrative process;
- A job progression system similar to that used in mines throughout the western U.S.;
- Excellent group medical, dental and vision coverage using the same plans which cover our salaried employees, and at the same low premium percentages; and
- Continuation of a profit-sharing plan as well as a Silver Premium bonus plan which will be triggered by the mine's quarterly cost per ounce.

Change can be difficult, but these changes are needed to keep the mine safe and sustainable over the long term. We appreciate our dedicated workforce and together we can potentially celebrate 100 years of mining at the Lucky Friday Mine. Thank you for your support.

A handwritten signature in black ink, appearing to be "P. B. K.", written over a horizontal line.

President and CEO
Hecla Mining Company