

# Dear Fellow Shareholders



Outside mill at Greens Creek

I am very happy to share this annual report with you. Hecla has a **history of achievement**, with 119 years of operating and building mines. Despite very low silver prices over the last 30 years, Hecla believed in the future of silver, building quality long-term operations. The future is now. The \$22 per ounce average silver price in 2010 is the second highest after 1979. Hecla's silver production is at near record levels. Our cash cost is among the lowest in the industry. The company generated the highest margin per ounce of silver produced in our history, creating record operating cash flow of \$198 million and a very strong balance sheet with \$284 million in cash and no debt. All of this creates a base for further investment in the mines, people, and exploration. But before talking about the exciting future, let me reflect on 2010.

The silver price was in good shape early in the year and continued to outperform gold during 2010. This occurred for two reasons. First, like gold, silver is a monetary metal that provides investors with a store of value. The steps taken to improve western economies made precious metals more attractive compared to other investments. Investment interest was reflected in record demand for the American Eagle gold coin and growth in the silver exchange traded funds, now holding more than 500 million

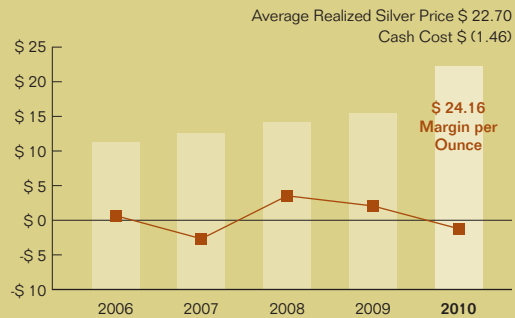
ounces of silver. Because it is more affordable than gold, I believe the gold-silver ratio will continue to narrow in favor of silver. Second, our modern lifestyle requires silver for electronic, green technology, and biological uses. Consequently, there was an 18% rise in silver demand for industrial and consumer products over the past year. This bodes well for continued strong demand as emerging markets develop and new products are created.

Our two properties, Greens Creek and Lucky Friday, are unique mines that have been operating for 21 and 68 years, respectively, and have long mine lives ahead of them. They produce about 30% of all the silver in the U.S. We are in an exceptional position, because many employees have worked at the mines for decades and, in some cases, we have third-generation employees. This experience translates into solid, secure operations which are constantly evolving.

Our workforce at Greens Creek, led by Scott Hartman, continues to look for improvements on top of an already exemplary production and cost record. Over the years, our employees have found ways to increase tonnage and today mine more than two times the tons compared to when the property first began production.

“Hecla’s brand-name recognition, the stable locations and quality of our mining assets, and our low-cost production are all qualities that set us apart. We’re well-positioned to continue to grow and prosper.”

#### Expanding Margins per Ounce of Silver



Phillips S. Baker, Jr.,  
President and Chief Executive Officer



At Lucky Friday, an evolution has occurred over the past five years as the mill was entirely rebuilt and a new tailings facility was completed. And to access deeper and richer ore, a new shaft is being developed. In 2010, more than a mile of excavation was completed while achieving record ore tonnage. It is anticipated that when completed, the shaft will increase silver production 60% by 2016 and generate long-term value. Mike Dexter, the operation’s general manager for the past decade, has retired. He left the property in great shape and in John Jordan’s capable hands as the new general manager.

As part of our **strategy for growth**, exploration has become a fundamental part of Hecla on our four very large properties. We have seen good results, particularly at Lucky Friday – having identified the most reserves and resources in its history. As we explore outside the mine, we have identified the Noonday deposit near the past-producing Star-Morning mine. This is but one of our many outstanding target areas within our extensive land holdings. Greens Creek exploration continues to find resources to extend the mine life while we look for new deposits on identified targets. At the San Juan Silver joint venture in Colorado, permits were received in June 2010 and we’ve already identified a

promising gold-silver discovery on the Amethyst vein where it intersects the Equity structure. And the joint venture already has almost 40 million ounces of silver resources. San Sebastian is our 300-square-mile land package in Mexico. The drilling program is defining new mineralization and promising new targets in addition to the existing Hugh Zone resource.

Our operations are an important part of the communities where we operate, and Hecla has actively participated in policy development for cleanup initiatives in northern Idaho’s Silver Valley. We established the Hecla Charitable Foundation in 2008 and have contributed approximately \$355,000 to our communities since then. After almost 25 years, we have reestablished an office in Wallace, Idaho, where it all started.

Thanks to the dedication of our employees and our board of directors, and with your support, Hecla will continue to build on the success of 2010.

Phillips S. Baker, Jr.  
President and Chief Executive Officer  
March 2, 2011