

HECLA MINING CO/DE/
Form FWP
September 03, 2008

Investor Presentation
September 2008

1
Cautionary Statements
Cautionary Statements
Cautionary
Note
Regarding
Forward

Looking
Statements

Statements made which are not historical facts, such as anticipated payments, litigation outcome, production, sales of assets, exploration results and plans, costs, and prices or sales performance are forward-looking statements

within the meaning of the Private Securities Litigation Reform Act of 1995, and involve a number of risks and uncertainties that could cause actual results to differ materially from those projected, anticipated, expected or implied. These risks and uncertainties include, but are not limited to, metals price volatility, volatility of metals production and costs, exploration risks and results, political risks, project development risks, labor issues and ability to raise financing. Refer to the company's Form 10-Q and 10-K reports for a more detailed discussion of factors that may impact expected future results. The company undertakes no obligation and has no intention of updating forward-looking statements.

Hecla has filed a shelf registration statement (including a prospectus) and a preliminary prospectus supplement with the SEC for the offering to which this communication relates. Before you invest, you should read

the
preliminary
prospectus
supplement
and
the
prospectus
in
that
registration
statement
and
other

documents Hecla has filed with the SEC for more complete information about Hecla and the offering. You may get these documents for free by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, Hecla, any underwriter or any dealer participating in the offering will arrange to send you a copy of the preliminary prospectus supplement and prospectus in the registration statement if you request it by calling Merrill

Lynch,
Pierce,
Fenner
&
Smith
Incorporated
at
212-449-1000
or
Scotia
Capital
(USA)
Inc.
at
212-225-
6853.

Reconciliation of Enterprise Value (EV) and cash cost per ounce can be found in the Appendix.

Edgar Filing: HECLA MINING CO/DE/ - Form FWP

Issuer Free Writing Prospectus, dated September 3,
2008

Filed pursuant to Rule 433

Registration Statement No.: 333-145919

2
Offering Summary
Offering Summary
Issuer
Hecla Mining Company
Offer Size
30 million shares

Over-Allotment

15% greenshoe

Offer Type

Fully registered offer in the U.S.

Private placement in Canada and Europe

Exchange / Ticker

NYSE / HL

Use of Proceeds

Repayment of bridge facility

General corporate purposes

Joint Bookrunners

Merrill Lynch and Scotia Capital

Key Milestones

Roadshow September 2 to September 8

Anticipated pricing September 8

3

Why Hecla?

Why Hecla?

Attractive production profile

mining a great product

Consistently one of the lowest cost silver producers in North America

Geo-politically stable locations
Largest silver producer in the U.S.
100% of silver reserves in the U.S.
Additional exploration opportunities in the U.S. and Mexico
Strength operationally, financially, organizationally
Established history with over 100 years of operational experience
Lucky Friday in operation since 1942
Greens Creek in operation since 1989
Accretive acquisition not yet fully appreciated by the market
Experienced management team

4

6%/annum increase in industrial/consumer demand over last five years (54% of total demand)

New/expanded sophisticated consumer uses (cell phones, laptops)

Developing countries are urbanizing

Physical properties
versatile & difficult to
substitute

Jewelry/Silverware steady (26%)

Photography use becoming irrelevant (15%)

Also an investment vehicle
store of value like
gold

Supply shortage of physical metal

Why Silver?

Why Silver?

A High Growth Metal

A High Growth Metal

5

On April 16, 2008, Hecla completed the acquisition of 70.3% of the Greens Creek joint venture, increasing our ownership interest to 100%

Funded with \$700 million in cash and approximately \$50 million in common stock

Gives Hecla control of 100% of the fifth largest silver mine in the world

Nearly doubles Hecla's annual silver production to approximately 11 million ounces

Significantly increases cash flow from operations

Maintains Hecla's already-low average cash costs per ounce of silver relative to peers

On July 8, 2008, Hecla completed the sale of its Venezuelan properties to Rusoro

Mining for \$25 million

Consideration

consisted

of

\$20

million

in

cash

and

approximately

4.3

million

shares

of

Rusoro

Mining

common

stock

Transforming

Transforming

Transactions

Transactions

6

Silver

Silver

Production Growth

Production Growth

Note: 2008 production estimates include 3.5 months of 29.7% of Greens Creek and 8.5 months of 100.0% of Greens Creek
11 million

ounces
5.6 million
ounces

7

Greens Creek is the largest silver mine owned
by any N. American-listed silver company
(2007 Production)

Largest Silver Producer

Largest Silver Producer

* SLW purchases silver metal under contract from mine owners

Source: Public filings

(\$6)
(\$4)
(\$2)
\$0
\$2
\$4
\$6

\$8

\$10

(\$6)

(\$4)

(\$2)

\$0

\$2

\$4

\$6

\$8

\$10

Low Cost Producer

Low Cost Producer

2007 Cash Costs

2007 Cash Costs

8

Source: GFMS World Silver Survey

Greens Creek is the lowest cost mine owned by any

North American listed silver company

9

Low Costs = High Margins

Low Costs = High Margins

10
194% increase
*
Pro
forma
100%
Greens

Creek
Silver Reserve Growth
Silver Reserve Growth

11
Coeur
Silver Wheaton
Silver Standard
Apex Silver
Locations of Peer Group
Locations of Peer Group

Silver Reserves

Silver Reserves

Australia

22%

Bolivia

71%

Chile

3%

Argentina

4%

Argentina

100%

Pan American Silver

Bolivia

13%

Argentina

17%

Peru

44%

Mexico

26%

Sweden

10%

Greece

3%

Peru

4%

Mexico

83%

USA

100%

Source: Public filings

12

Relative Valuation -

Relative Valuation -

Cash Flow

Cash Flow

Note: Enterprise values as of August 19, 2008 except for Hecla 30% Greens Creek, which is as of February 11, 2008

1

Enterprise Value

=

Market

Capitalization

+

Debt

+

Preferred

Stock

+

Minority

Interests

Cash

and

Equivalents

Hecla generates significantly higher

cash

flow

at

a

much

lower

EV

1

13

Diversified Portfolio in
Diversified Portfolio in
Stable Geographies
Stable Geographies

*San Sebastian, Mexico

*San Juan Silver, Colorado

Greens Creek, Alaska
Lucky Friday Unit, Idaho
Coeur d Alene, Idaho
Vancouver, BC
Silver Properties
Corporate Offices
Exploration Projects

*

14
Hecla's ownership interest: 100%
Underground silver-zinc-gold-lead
mine
World's fifth largest silver mine
1
Low cash cost producer due to

significant byproduct credits

In operation since 1989 with good

history of reserve replacement

Hecla's attributable 2008 production

estimate

2

:

6 million oz. of silver

50,000 oz. of gold

45,000 tons of zinc

16,000 tons of lead

Greens Creek Mine

Greens Creek Mine

1

Source: The Silver Institute

2

Includes 29.7%

of

Greens

Creek

for

3.5

months

and

100.0%

of

Greens

Creek

for

8.5

months.

Admiralty Island,

Alaska

Greens Creek
Greens Creek
Property Boundary
Property Boundary
Projected Mine Contact
Projected Mine Contact
1 mile

1 mile

Greens Creek

Greens Creek

Long-Term Potential

Long-Term Potential

15

16
Mullan, Idaho
Lucky Friday Mine
Lucky Friday Mine
Hecla's
ownership interest:
100%

Underground silver-lead-zinc
mine

Low cash cost producer due to
byproduct credits

In operation since 1942 with
good history of reserve
replacement

Excellent exploration potential
2008 production estimate:

3 million oz. of silver

18,000 tons of lead

5,500 tons of zinc

17

Lucky Friday:

Lucky Friday:

Excellent

Excellent

Exploration Potential

Exploration Potential

Mined Out Area
Identified Reserve and
Other Exploration Opportunities
Potential Discovery
Areas

18

A World Class District

A World Class District

The Silver Valley, North Idaho

1.2 billion oz of historical
silver production

300 million oz silver from

Hecla's
land position
Very significant vertical
continuity in the district
Large 25-square-mile claims
area
Under-explored with modern
exploration techniques
Hecla Land Position

19
Mexican Silver Belt
Mexican Silver Belt
Santa Eulalia
Batopilas

Parral
San Dimas
Fresnillo
Zacatecas
Real de Angeles
Pachuca
Guanajuato
Taxco
Real de Catorce
Concepcion
del Oro
MEXICAN SILVER BELT
10.2 Billion Ounces of
Historical Silver Production
SAN SEBASTIAN
Penasquito

San Sebastian
San Sebastian
Exploration Targets
Exploration Targets
20

21
San Juan Silver JV
San Juan Silver JV
Hecla's earn-in interest:
70%
1
Excellent exploration

potential

District has historically used
narrow-vein mining

84 million ounces of historic
silver production

100 million+ oz potential

mostly on patented

ground

Land package consolidated

1

In February 2008, Hecla acquired the right to earn into a 70% joint venture interest in a roughly
25-square-mile consolidated land package in one of Colorado's most prolific silver-producing districts.

22
Equity
OH
Amethyst
Bulldog
Alpha Corsair
1 mile

Homestake
San Juan patented
San Juan unpatented
25 sq. miles
30 miles of
prospective
veins
An immediate
drilling program
\$23 million of
work and stock
for 70% of JV
San Juan Silver -
San Juan Silver -
Major Veins
Major Veins

23
Silver Valley 3D compilation
25-square-mile target area
Lucky Friday Gap
area and
deep underground drilling
5250 Zone

West Gallagher Zone
Surface drilling for new
deposit
Idaho
Alaska
511-square-mile target
area --
multiple targets
Hugh Zone evaluation
Rio Grande
Mexico
San Juan Silver Mining J.V.
Colorado
Project Pipeline
Project Pipeline

24

Why Hecla?

Why Hecla?

Attractive production profile

mining

a great product

Consistently one of the lowest cost silver producers in North America
Geo-politically stable locations
Largest silver producer in the U.S.
100% of silver reserves in the U.S.
Additional exploration opportunities in the U.S. and Mexico
Strength operationally, financially, organizationally
Established history with over 100 years of operational experience
Lucky Friday in operation since 1942
Greens Creek in operation since 1989
Accretive acquisition not yet fully appreciated by the market
Experienced management team

26
Silver
Silver
A High Growth Metal
A High Growth Metal

Global aluminum consumption and industrial demand of silver have

followed a similar trend in the past. Both have high end consumer uses.

Silver's long-term industrial demand growth could be expected to parallel aluminum's future estimated growth rate of 6-7%.

Sources: Brook Hunt, Silver Institute, Hecla analysis

27

Industrial Demand Grows
Industrial Demand Grows
as GDP Grows
as GDP Grows
Source: GFMS, China GDP
World Bank

Industrial uses of silver in China have increased
with the growth of GDP per capita

28
Silver
Silver
The Rest of the Story
The Rest of the Story
Investment
Silver is an investment vehicle

Silver's investment demand is driven by same factors as gold's (i.e. weak US dollar, negative real interest rates in US, ongoing credit market crisis, inflation fears)

Jewelry and Silverware

Steady demand (30%)

Photographic

Becoming irrelevant and is not a substantial part of the total fabrication demand (15%)

Overall, silver's total fabrication demand is poised for growth

Silver: Not Easily
Silver: Not Easily
Substitutable
Substitutable
Silver has unique properties that make it
versatile and difficult to substitute
Natural bactericide/biocide

water purification,
wound dressings
Photosensitive
photography, x-rays
Highly reflective
mirrors, glass coatings
Chemically useful
catalyst for plastics and
petrochemical industry; used in batteries
Strength and fluidity
used in solders, brazing
alloys
29

30
Silver Industrial Demand
Silver Industrial Demand
is Price Inelastic
is Price Inelastic

31

Strong Silver Industry

Strong Silver Industry

Fundamentals

Fundamentals

Positive trends in end markets

Growth of the middle class in China and India

Growing use of mobile phones/other consumer products
Computerization in the third world
Continued demand for industrial applications
Demand is relatively inelastic to the price of silver (low proportion of cost)
Scarcity of supply
Inventories leveling off over the past year
Silver demand from ETFs expected to result in a continued tightening of the silver market

32
Silver Supply & Demand
Silver Supply & Demand
0
100
200
300

400
500
600
700
800
900
1,000
1,100
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
Mined Silver production
Industrial Applications
Photography
Jewelry
Silverware
Coins & Medals
Source: World Silver Survey 2008

Silver and Gold Prices
Silver and Gold Prices
(2003
(2003
2008 YTD)
2008 YTD)

34
Grade
Contained Metal
Ore
Silver
Gold
Lead

Zinc

Silver

Gold

Lead

Zinc

(tons)

(oz/ton)

(oz/ton)

(%)

(%)

(000 oz.)

(000 oz.)

(MM lbs.)

(MM lbs.)

Proven reserves

Lucky Friday

760,700

12.3

7.2

2.5

9,325

109

38

9,325

109

38

Probable reserves

Lucky Friday

680,000

11.9

7.5

2.5

8,065

102

33

Greens Creek

8,454,000

13.7

0.110

3.8

10.2

116,025

908

642

1,722

Total
124,090
908
744
1,755
Total Reserves
133,415
908
853
1,793
Source:
Hecla's
Q1
2008
Earnings
Release
Proforma
with 100% Greens Creek, Jan. 1, 2008
Reserves
Reserves

35
Exploration and
Exploration and
Capital Expenditures
Capital Expenditures
(US\$ in millions)
Source: Hecla Mining

\$47 mil
Lucky Friday
Silver Valley \$5.5
Mexico
\$5
San Juan Silver \$5
Greens Creek \$4
Lucky Friday \$3
Other
\$2.5
\$47 mil
\$42.2 mil
\$

36

Maintain low cash cost position among precious metal producers

Exploit and develop existing asset base

Grow through new and existing exploration opportunities

Build on the Greens Creek transaction through

new acquisitions
Key Strategies
Key Strategies

37

Snapshot

Snapshot

Market cap: US\$899 million

1

Basic shares outstanding: 126.3 million

Fully diluted shares: 126.4 million

Listings: NYSE: HL

2008 share liquidity: 3.5 million/day

Cash: US\$45.8 million

2

1

Based on share price at August 19, 2008 and diluted shares outstanding calculated using the treasury stock method

2

Cash and cash equivalents as of June 30, 2008 less cash used to acquire the Greens Creek joint venture plus cash from sale of Venezuelan gold assets

38
Experienced Management
Experienced Management
Phillips S. Baker, Jr.
President and
Chief Executive Officer
(21 years in mining)

James A. Sabala
Senior Vice President and
Chief Financial Officer
(27 years in mining)
Ronald W. Clayton
Senior Vice President
Operations
(28 years in mining)
Dr. Dean W. McDonald
Vice President
Exploration
(28 years in mining)
Don Poirier
Vice President
Corporate Development
(25 years in mining)
Michael H. Callahan
Vice President
(18 years in mining)
Vicki Veltkamp
Vice President
Investor
and Public Relations
(20 years in mining)
Philip C. Wolf
Senior Vice President
General Counsel
(36 years in mining)

39

Enterprise Value

Enterprise Value

Reconciliation

Reconciliation

Market Capitalization

1

Plus: Total Debt

Plus: Preferred Stock

2

Less: Cash and Cash Equivalents

3

Enterprise Value

\$898.9

360.0

156.7

(45.8)

\$1,369.8

1

Based on share price at August 19, 2008 and diluted shares outstanding calculated using the treasury stock method

2

Based on market value of preferred stock outstanding as of August 19, 2008

3

Cash and cash equivalents (including short-term investments) as of June 30, 2008 less cash used to acquire the Greens Creek joint venture plus cash from sale of Venezuelan gold assets

Note: US\$ in millions

40

Cash Cost per Ounce

Cash Cost per Ounce

Reconciliation

Reconciliation

1

Includes 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 and marketing expense, on-site general and administrative

costs,
royalties
and
mining
production
taxes,
net
of
by-product
revenues
earned
from
all
metals

other than the primary metal produced at each unit.

Three Months Ended June 30,

Six Months Ended June 30,

2008

2007

2008

2007

Total

cash

costs

1

\$8,269

(\$2,950)

\$6,484

(\$4,699)

Divided by ounces produced

2,409

1,493

3,664

3,050

Total cash cost per ounce produced

\$3.43

(\$1.98)

\$1.77

(\$1.54)

Reconciliation to GAAP:

Total cash costs

\$8,269

(\$2,950)

\$6,484

(\$4,699)

Depreciation, depletion and amortization

9,855

3,078

12,768
6,145
Treatment and freight costs
(23,922)
(7,647)
(34,776)
(16,108)
By-product credits
49,147
26,694
78,729
51,526
Change in product inventory
18,452
1,241
16,523
589
Reclamation and other costs
569
50
617
95
Cost of sales and other direct
production costs and depreciation,
depletion and amortization
\$62,370
\$20,466
\$80,345
\$37,548