HECLA MINING CO/DE/
Form 424B5
December 11, 2008
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Filed Pursuant to Rule 424(b)(5)

Registration No. 333-145919

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value $0.25 per share	10,243,902	$2.05	$21,000,000	$ 825.30(1)
Common Stock underlying Warrants	15,365,854			(2)
Series 1 Warrants	7,682,927	$2.45	$18,823,171	$ 740.00(1)
Series 2 Warrants	7,682,927	$2.35	$18,054,878	$ 709.56(1)
Total				$ 2,274.86(3)

(1) Calculated in accordance with Rule 457(r), payable in connection with the offering of the Common Stock and Warrants pursuant to this prospectus supplement.
(2) Pursuant to Rules 457(i) and 457(g), no separate registration fee is payable with respect to the Common Stock underlying the Warrants.
(3) Pursuant to Rule 457(p) under the Securities Act of 1933, unused filing fees of $19,311.62 have already been paid with respect to unsold securities that were previously registered pursuant to a Registration Statement on Form S-3 (Statement No. 333-126362) filed by the registrant on July 1, 2005, and have been carried forward to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus forms a part. Of those fees, $2,274.86 offsets the registration fee due for this offering, and $17,036.76 remains available for future registration fees. No additional registration fee has been paid with respect to this offering.

PROSPECTUS SUPPLEMENT

(To prospectus dated September 7, 2007)

10,243,902 Shares

Series 1 Warrants to Purchase 7,682,927 Shares

Series 2 Warrants to Purchase 7,682,927 Shares

Common Stock

Warrants

Pursuant to this prospectus supplement and the accompanying prospectus, we are offering up to 10,243,902 shares of our common stock, par value $0.25 per share, Series 1 Common Stock purchase warrants to purchase up to 7,682,927 shares of our common stock (Series 1 Warrants), and Series 2 Common Stock purchase warrants to purchase up to 7,682,927 shares of our common stock (Series 2 Warrants, and together with the Series 1 Warrants, the Warrants). The Series 1 Warrants have an initial exercise price of $2.45 per share and may be exercised at any time and from time to time on or after the 181st day after the Closing Date of this offering (or on or about June 9, 2009) and through and including the fifth anniversary of the 181st day after the Closing Date of this offering (or on or about June 9, 2014). The Series 2 Warrants have an exercise price of $2.35 per share, and may be exercised at any time and from time to time on or after the date of delivery of the Series 2 Warrants through and including February 28, 2009. The securities offered hereby will be issued as units, with each unit comprising one common share, a Series 1 Warrant to purchase a .75 shares of our common stock and a Series 2 Warrant to purchase a .75 shares of our common stock.

We have retained Rodman & Renshaw, LLC, as our exclusive placement agent, to use its best efforts to solicit offers to purchase our securities in this offering. In addition to the placement agent s fee below, we have also agreed to issue the placement agent Series 1 Warrants to purchase up to an aggregate of 460,976 shares of our common stock pursuant hereto at an exercise price of $2.56 per share. See Plan of Distribution beginning on page S-24 of this prospectus supplement for more information regarding these arrangements.

Our common stock is listed on the New York Stock Exchange under the symbol HL. The last reported sale price of the common stock on the New York Stock Exchange on December 10, 2008 was $2.33 per share. There is currently no market for the Series 1 Warrants or Series 2 Warrants and none is expected to develop after this offering.

Investing in shares of the common stock, Series 1 Warrants, or Series 2 Warrants involves a high degree of risk. Before buying any shares and warrants, you should read the discussion of material risks in Risk Factors beginning on page S-4 of this prospectus supplement.

	Per Unit	Total
Public offering price	$ 2.05	$ 21,000,000
Placement agent s fees	$ 0.09225	$ 945,000
Proceeds, before expenses, to Hecla	$ 1.95775	$ 20,055,000

The placement agent is not purchasing or selling any securities pursuant to this prospectus supplement or the accompanying prospectus, nor are we requiring any minimum purchase or sale of any specific number of securities. Because there is no minimum offering amount required as a condition to the closing of this offering, the actual public offering amount, placement agent s fees and proceeds to us are not presently determinable and may be substantially less than the maximum amount set forth above. We expect that delivery of the securities being offered pursuant to this prospectus supplement will be made to purchasers on or about December 15, 2008.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is December 10, 2008.

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You should rely only on the information contained in this prospectus supplement, the accompanying prospectus, any related free writing prospectus issued by us (which we refer to as a *company free writing prospectus*) and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus or to which we have referred you. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus supplement, the accompanying prospectus and any related company free writing prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus supplement, the accompanying prospectus and any related company free writing prospectus in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus and any related company free writing prospectus or any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document. Neither the delivery of this prospectus supplement, the accompanying prospectus and any related company free writing prospectus nor any distribution of securities pursuant to this prospectus supplement and the accompanying prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated by reference into this prospectus supplement, the accompanying prospectus and any related company free writing prospectus or in our affairs since the date of this prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since that date.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement on Form S-3 (File No. 333-145919) that we filed with the Securities and Exchange Commission (SEC) utilizing an automatic shelf registration process and that became effective on September 7, 2007. Under this shelf registration process we will sell units (Units) comprised of shares of our common stock, par value $0.25 per share (Common Stock), Series 1 Warrants, and Series 2 Warrants.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of Units comprised of our Common Stock and Warrants and also adds, updates and changes information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the prospectus, which gives more general information, some of which may not apply to this offering of Common Stock and Warrants. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or any document incorporated by reference, the information in this prospectus supplement shall control. You should read both this prospectus supplement and the accompanying prospectus as well as the additional information described under Where You Can Find More Information on page S-25 of this prospectus supplement before investing in our Common Stock.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements included in this prospectus supplement, the accompanying prospectus, and the other public filings incorporated by reference herein constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). Forward-looking statements are statements of expectations, beliefs, plans, objectives, assumptions or future events or performance. Words or phrases such as may, will, could, anticipate, believe, should, estimate, expect, intend, plan, predict, project, will likely result, will continue, or similar expressions identify statements.

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed. Our expectations, beliefs and projections are expressed in good faith and are believed by us to have a reasonable basis including, without limitation, management s examination of historical operating trends, data contained in records and other data available from third parties, but there can be no assurance that our expectations, beliefs or projections will be achieved or accomplished. In addition to other factors and matters discussed elsewhere in this prospectus supplement or incorporated by reference, some important factors that could cause our actual results or outcomes to differ materially from those discussed in forward-looking statements include:

- metals prices and price volatility;
- volatility of metals production and costs;
- exploration risks and results;
- variance in ore grades;
- political risks;
- project development risks,
- general economic, political, financial market, and infrastructure conditions;

compliance with the terms and conditions of existing or future financings;

mining risks and hazards;

risks inherent in foreign exploration activities and operations;

remediation, reclamation, and environmental costs;

the results or settlements of pending litigation;

cash flow;

currency fluctuations and currency exchange regulations;

reserve estimates;

changes in, and compliance with, environmental laws and policies;

financial or regulatory accounting principles or policies imposed by governing bodies;

our ability to obtain financing for working capital, construction costs and the repayment of any future maturing debt;

capital market conditions, including interest rate fluctuations and capital availability;

new federal, state and local laws that could have adverse effects on operating results;

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- legal and regulatory proceedings and issues;
- the impact of any acquisitions or dispositions of operations, assets, entities, or mining properties; and
- employee workforce factors, including strikes, work stoppages and the loss of key executives.

Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

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RECENT DEVELOPMENTS

Acquisition of 70.3% of Greens Creek; Credit Facilities

On April 16, 2008, we completed the acquisition of the companies owning 70.3% of the Greens Creek mine for $700 million in cash and approximately $50 million in stock (see *Note 14* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)* of our Form 10-Q for the period ended September 30, 2008, our Current Report on Form 8-K filed on April 22, 2008, and our Current Report on Form 8-K filed on September 2, 2008, for further discussion). The acquisition was partially funded by a $380 million debt facility, which includes a $140 million three-year term facility and a $240 million bridge facility, which initially matured on October 16, 2008. We utilized $220 million from the bridge facility at the time of closing the Greens Creek transaction. In September 2008, we utilized the remaining $20 million bridge facility balance, which was available for general corporate purposes. In September 2008, we applied $162.9 million received in connection with a public offering of 34.4 million shares of our common stock (see *Note 15* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)* to our Form 10-Q for the period ended September 30, 2008 for more information) to the bridge facility principal balance, which left an outstanding balance of $77.1 million as of September 30, 2008. On October 16, 2008, we repaid $37.1 million of the bridge facility balance and reached an agreement with the bank syndicate to extend the remaining $40 million balance from its original maturity date of October 16, 2008 until February 16, 2009, subject to certain reporting requirements (including a revised operating plan) and changes to the bridge loan and term loan interest rates. See *Note 11* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)* to our Form 10-Q for the period ended September 30, 2008 for more information on our debt facilities. We delivered the proposed, revised operating plan to its bank syndicate as required under such reporting requirements. On December 10, 2008, the bank syndicate notified us that the revised operating plan is satisfactory, thereby confirming that the remaining balance on the bridge loan is due on February 16, 2009. On December 10, 2008, we received a written amendment to the credit agreement from the bank syndicate waiving (for up to $20,000,000 of net proceeds received by us by December 31, 2008) the requirement that the proceeds of this offering be used for paying down the bridge loan or term loan. In addition, as part of the amendment to the credit agreement, we have agreed to retain a chief restructuring officer by December 31, 2008 to assist us with assessing our operations and financial condition.

Agreement to acquire Independence

On November 6, 2008, we completed the acquisition substantially all of the assets of Independence Lead Mines Company, located in northern Idaho s Silver Valley, for 6,936,884 shares of our Common Stock, which shares are in the process of being distributed to shareholders of Independence Lead Mines Company. Included in the assets acquired is a land position near our Lucky Friday unit in the Silver Valley (where we have initiated a significant generative exploration program). The assets acquired also include mining claims held by Independence under an agreement with Hecla relating to the Lucky Friday mine, which includes all future interest or royalty obligation by Hecla to Independence.

Acquisition of San Juan Silver Mining Joint Venture earn-in rights

On February 21, 2008, we announced that our wholly-owned subsidiary, Rio Grande Silver Inc. (Rio), acquired the right to earn into a 70% interest in the San Juan Silver Joint Venture, which holds an approximately 25-square-mile consolidated land package in the Creede Mining District of Colorado. The agreement initially consisted of a three-year buy-in with a total value of $23.2 million, consisting of exploration work and cash. The agreement provided that we could earn up to a 70% joint interest by paying Emerald Mining & Leasing, LLC (EML), and Golden 8 Mining, LLC (G8), a total of $11.2 million in Common Stock (of which approximately $9 million in our Common Stock was paid at signing), by spending $6 million in exploration on the property during the first year, and by committing to an additional total of $6 million in exploration work over the subsequent two years.

On October 24, 2008, Rio entered into an amendment to the agreement. The amendment delays the incurrence of the qualifying expenses to be paid by Rio under the agreement. Pursuant to the amendment, Rio must now incur $9 million in qualifying expenses on or before the fourth anniversary of the agreement date and incur $12 million in qualifying expenses on or before the fifth anniversary of the agreement date, extending the payment dates under the agreement for such qualifying expenses from the second anniversary and the third anniversary of the agreement date, respectively. Rio no longer is required to incur the initial $6 million in qualifying expenses on or before the first anniversary of the agreement date. Additionally, the amendment required us to issue to EML and G8 $2 million ($1 million to each) in unregistered shares of our common stock (which may be restricted as that term is defined under Rule 144), which shares were issued on November 4, 2008. The agreement originally required such issuance on or before the first anniversary of the agreement date. The amendment also provides that upon the issuance by us of the $2 million in unregistered shares of our common stock, Rio will cause us to guarantee certain indemnification obligations of EML and G8 up to a maximum liability of $2.5 million pursuant to a conditional limited guaranty to be entered by us.

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BNSF Railway Company Claim

In early November 2008, legal counsel for the BNSF Railway Company (BNSF) submitted a contribution claim under CERCLA against Hecla for approximately $52,000 in past costs BNSF incurred in investigation of environmental conditions at the Wallace Yard near Wallace, Idaho. BNSF asserts that a portion of the Wallace Yard site includes the historic Hercules Mill owned and operated by Hercules Mining Company and that Hecla Limited is a successor to Hercules Mining Company. BNSF proposes that we reimburse them for the $52,000 in past costs and agree to pay all future clean up for the Hercules mill portion of the site, estimated to be $291,000, and 12.5% of any other site costs that cannot be apportioned. We are investigating the claim and are seeking additional information from BNSF.

Dividend Deferral

In December, we announced that we will not declare, but will defer, dividends scheduled for January 1, 2009 on our Series B Preferred Stock and our 6.5% Mandatory Convertible Preferred Stock.

CORPORATE OFFICES

Our corporate headquarters are located at 6500 North Mineral Drive, Suite 200, Coeur d Alene, Idaho 83815. Telephone and fax numbers for our corporate headquarters are (208) 769-4100 and (208) 769-7612, respectively. Our Canadian administrative office is located at Suite 440, 580 Hornby Street, Vancouver, British Columbia V6C 3B6. The telephone and fax numbers for this office are (604) 682-6201 and (604) 682-6215, respectively.

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The Offering

The following summary contains basic information about the securities offered by this prospectus supplement and is not intended to be complete. For a more complete understanding of the Common Stock and the Warrants, please refer to the section in the accompanying prospectus entitled Description of Capital Stock.

Issuer	Hecla Mining Company
Securities Offered	Units comprised of: (i) 10,243,902 shares of our Common Stock, par value $0.25 per share; (ii) Series 1 Warrants to purchase up to 7,682,927 shares of our Common Stock at the initial exercise price of $2.45 per share during the exercise period commencing on or about June 9, 2009 and terminating on or about June 9, 2014; and (iii) Series 2 Warrants to purchase up to 7,682,927 shares of our Common Stock at the exercise price of $2.35 per share during an exercise period commencing immediately upon issuance and terminating on February 28, 2009.
Dividend Policy	We do not pay or declare dividends on our Common Stock under our current policy. Our credit facility includes provisions that limit our payment of dividends on our Common Stock.
Use of Proceeds	We intend to use up to $20,000,000 of the net proceeds from this offering, after deducting estimated fees and expenses and placement agent commissions, for working capital and general corporate purposes. We intend to use any proceeds not used for working capital or general corporate purposes to partially repay indebtedness under our bridge facility and our term facility. See Use of Proceeds.
NYSE Trading Symbol	HL
Transfer Agents	American Stock Transfer & Trust Company (Common Stock); Hecla Mining Company (Warrants)
Risk Factors	An investment in the Common Stock and Warrants involves a significant degree of risk. We urge you to carefully consider all of the information described in the section entitled Risk Factors beginning on page S-4.

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RISK FACTORS

An investment in our Common Stock and Warrants involves a high degree of risk. You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this prospectus supplement, before making an investment decision. Our business, financial condition, results of operations and cash flows could be materially adversely affected by any of these risks. The market or trading price of our securities could decline due to any of these risks. In addition, please read Information Regarding Forward-Looking Statements in this prospectus supplement, where we describe additional uncertainties associated with our business and the forward-looking statements included or incorporated by reference in this prospectus supplement. Please note that additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations.

Financial Risks

The global financial crisis has had and may continue to have an impact on our business and financial condition in ways that we currently cannot predict.

The continued credit crisis and related turmoil in the global financial system has had and may continue to have an impact on our business and financial position. The recent high costs of fuel and other consumables have negatively impacted production costs at our operations. In addition, the financial crisis may limit our ability to raise capital through credit and equity markets, both of which we have utilized recently to finance the acquisition of the 70.3% interest in the Greens Creek mine and meet the related debt obligations. As discussed further below, the prices of the metals that we produce are affected by a number of factors, and it is unknown how these factors will be impacted by a continuation of the financial crisis.

We have a history of losses that may continue in the future.

Although we reported net income of $53.2 million for the year ended December 31, 2007 and $69.1 million for the year ended December 31, 2006, we reported a net loss of $25.4 million for the year ended December 31, 2005 and net losses of $3.8 million and $29.3 million, respectively, for the three months and nine months ended September 30, 2008.

Many of the factors affecting our operating results are beyond our control, including the volatility of metals prices; interest rates; global or regional political or economic policies; inflation; developments and crises; governmental regulations; continuity of orebodies; and speculation and sales by central banks and other holders and producers of gold and silver in response to these factors. We cannot foresee whether our operations will continue to generate sufficient revenue in order for us to generate net cash from operating activities. There can be no assurance that we will not experience net losses in the future.

We have limited cash resources and are dependent on accessing additional financing or extending payment provisions of our current debt facility to meet our expected cash needs.

We have cash requirements both for ongoing operating expenses, working capital, and general corporate purposes and for required interest and principal payments on our bridge loan and term loan. See Recent Developments: Acquisition of 70.3% of Greens Creek; Credit Facilities and Financial Risks The inability to meet the payment obligations of our term or bridge debt facilities when due could adversely affect our financial results or condition. While we are currently seeking to extend principal payment dates on both our bridge loan and our term loan, there can be no assurance we will be successful in such effort or that we will obtain other sources of financing for our cash needs. A cash liquidity crisis could have a material adverse affect on us. We have agreed with the bank syndicate for our bridge facility and term facility to retain a chief restructuring officer by December 31, 2008 to assist us with assessing our operations and financial condition.

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A substantial or extended decline in metals prices would have a material adverse effect on us.

The majority of our revenue is derived from the sale of silver, gold, lead and zinc and, as a result, our earnings are directly related to the prices of these metals. Silver, gold, lead and zinc prices fluctuate widely and are affected by numerous factors, including:

- speculative activities;
- relative exchange rates of the U.S. dollar;
- global and regional demand and production;
- recession or reduced economic activity; and
- political and economic conditions.

These factors are largely beyond our control and are difficult to predict. If the market prices for these metals fall below our production or development costs for a sustained period of time, we will experience losses and may have to discontinue exploration, development or operations, or incur asset write-downs at one or more of our properties.

On April 16, 2008, we completed the acquisition of the companies owning 70.3% of the Greens Creek mine (see *Note 14* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* to our Form 10-Q for the period ended September 30, 2008 for further discussion of the acquisition). The acquisition was partially funded by a $380 million debt facility, which included a $140 million three-year term facility and a $240 million bridge facility, which was scheduled to mature in October 2008. We utilized $220 million from the bridge facility at the time of closing the Greens Creek transaction, and used the remaining $20 million balance available for general corporate purposes in September 2008 (see *Note 11* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* to our Form 10-Q for the period ended September 30, 2008 for more information on the debt facility). At September 30, 2008, the outstanding balance associated with the debt facility was $198.8 million, including $77.1 million related to the bridge facility. On October 16, 2008, we paid $37.1 million of the bridge loan and the remaining balance of $40 million was extended to February 16, 2009 subject to the requirement that a revised operating plan be submitted to the bank syndicate by November 14, 2008. On December 10, 2008, the bank syndicate notified us that the revised operating plan is satisfactory, thereby confirming that the remaining outstanding balance on the bridge loan is due on February 16, 2009. Also, on December 10, 2008, we received a written amendment to the credit facility from the bank syndicate waiving (for up to $20,000,000 of net proceeds received by us by December 31, 2008) the requirement that the proceeds of this offering be used for paying down the bridge loan or term loan. If the market prices for the metals we produce decline or we fail to control our production or development costs for a sustained period of time, our ability to service our debt obligations associated with this transaction may be adversely affected.

The following table sets forth the average daily closing prices of the following metals for the years ended December 31, 1995 and 2001 through 2007, and for the nine months ended September 30, 2008.

	September 30,	December 31,							
	2008	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**1995**
Silver (1) (per oz.)	$ 16.63	$ 13.39	$ 11.57	$ 7.31	$ 6.66	$ 4.88	$ 4.60	$ 4.37	$ 5.20
Gold (2) (per oz.)	$ 897.13	$ 696.66	$ 604.34	$ 444.45	$ 409.21	$ 363.51	$ 309.97	$ 272.00	$ 384.16
Lead (3) (per lb.)	$ 1.08	$ 1.17	$ 0.58	$ 0.44	$ 0.40	$ 0.23	$ 0.21	$ 0.22	$ 0.29
Zinc (4) (per lb.)	$ 0.95	$ 1.47	$ 1.49	$ 0.63	$ 0.48	$ 0.38	$ 0.35	$ 0.40	$ 0.47

(1) London Fix

(2) London Final

(3) London Metals Exchange Cash

(4) London Metals Exchange Special High Grade Cash

On December 9, 2008, the closing prices for silver, gold, lead and zinc were $9.83 per ounce, $767.75 per ounce, $0.4274 per pound and $0.5022 per pound, respectively.

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A decline in metals prices may cause us to record write-downs, which could negatively impact our results of operations.

Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of long-Lived Assets* (SFAS 144) establishes accounting standards for impairment of the value of long-lived assets such as mining properties. SFAS 144 requires a company to review the recoverability of the cost of its assets by estimating the future undiscounted cash flows expected to result from the use and eventual disposition of the asset. Impairment, measured by comparing an asset s carrying value to its fair value, must be recognized when the carrying value of the asset exceeds these cash flows, and recognizing impairment write-downs could negatively impact our results of operations. Metal price estimates are a key component used in the analysis of the carrying values of our assets. If the prices of silver, gold, zinc and lead decline or we fail to control production costs or realize the mineable ore reserves at our mining properties, we may be required to recognize asset write-downs.

Base metal hedging activities could expose us to losses.

We periodically enter into hedging activities, such as forward sales contracts and commodity put and call option contracts, to manage the prices received on zinc and lead, which are base metals produced at our operations, and in an attempt to insulate our operating results from declines in prices for those metals. However, hedging our base metals may prevent us from realizing possible revenues in the event that the market price of a metal exceeds the price stated in a forward sale or call option contract. In addition, we may experience losses if a counterparty fails to purchase under a contract when the contract price exceeds the spot price of a commodity.

Our costs are subject to currency fluctuations.

Our products are sold in world markets in United States dollars, although a portion of our operating expenses are incurred in local currencies and are therefore subject to fluctuations in those currencies relative to the U.S. dollar.

Our profitability could be affected by the prices of other commodities.

Our business activities are highly dependent on the costs of commodities such as fuel, steel and cement. The recent prices for such commodities have significantly increased and have increased our costs of production and development. A material increase in costs at any of our operating properties could have a significant effect on our profitability.

The terms of our senior credit facility restrict our current and future operations, particularly our ability to respond to changes in our business or to take certain actions and that, in turn, could impair our ability to meet our obligations.

Our senior credit facility contains various restrictive covenants that limit management s discretion in operating our business. In particular, these covenants limit our ability to, among other things:

- incur additional debt;
- make certain investments or pay dividends or distributions on our capital stock or purchase or redeem or retire capital stock;
- sell assets, including capital stock of our restricted subsidiaries;
- restrict dividends or other payments by restricted subsidiaries;
- create liens;
- enter into transactions with affiliates; and

merge or consolidate with another company.

Our senior credit facility also requires us to maintain specified financial ratios and satisfy certain financial tests. Our ability to maintain or meet such financial ratios and tests may be affected by events beyond our control, including changes in general economic and business conditions, and we cannot assure you that we will maintain or meet such ratios and tests or that the lenders under our senior credit facility will waive any failure to meet such ratios or tests.

These covenants could materially and adversely affect our ability to finance our future operations or capital needs. Furthermore, they may restrict our ability to expand, to pursue our business strategies, and otherwise to conduct our business. Our ability to comply with these covenants may be affected by circumstances and events beyond our control, such as prevailing economic conditions and changes in regulations, and we cannot assure you that we will be able to comply with them. A breach of these covenants could result in a default under our senior credit facility. If there were an event of default under our senior credit facility, the affected creditors could cause all amounts borrowed under these instruments to be due and payable immediately. Additionally, if we fail to repay indebtedness under the senior credit facility when it becomes due, the lenders under the senior credit facility could proceed against the assets which we have pledged to them as security.

The inability to meet the payment obligations of our term or bridge debt facilities when due could adversely affect our financial results or condition.

The total outstanding balance of the debt facility at September 30, 2008 was $198.8 million, comprised of $121.7 million for the term facility and $77.1 million related to the bridge facility. Scheduled debt repayments on the term facility at September 30, 2008 are $18.3 million for the remainder of 2008, $48.3 million in 2009, $43.8 million in 2010 and $11.3 million in 2011. On October 16, 2008, we paid an additional $37.1 million of the bridge loan balance, and the remaining balance of $40 million was extended to February 16, 2009, subject to the requirement that a revised operating plan be submitted to the bank syndicate by November 14, 2008, which revised operating plan was timely submitted. On December 10, 2008, the bank syndicate notified us that the revised operating plan is satisfactory, thereby confirming that the remaining outstanding balance on the bridge loan must be repaid on February 16, 2009. See *Note 11* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)* to our Form 10-Q for the period ended September 30, 2008 for further discussion of our credit facility. On December 10, 2008, we received a written amendment to the credit agreement from the bank waiving (for up to $20,000,000 of net proceeds received by us by December 31, 2008) the requirement that the proceeds of this offering be used for paying down the bridge loan or term loan. Unless payment terms are extended, however, we have significant payments due in December 2008, February 2009, March 2009, June 2009, and thereafter. We may defer some capital investment activities until we secure additional capital, if necessary, to maintain liquidity. We also may pursue additional equity issuances or financing. There can be no assurances that such financing will be available to us. Failure to meet the payment obligations of our credit facilities could cause us to be in default. If there were an event of default under our senior credit facility, the affected creditors could cause all amounts borrowed under these instruments to be due and payable immediately. Additionally, if we fail to repay indebtedness under the senior credit facility when it becomes due, the lenders under the senior credit facility could proceed against the assets which we have pledged to them as security.

We may receive a going concern opinion from our auditors.

Our financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is substantially dependent on the successful execution of our efforts to defer costs and generate cash. If these efforts are not successful, our auditors may express doubt about our ability to continue as a going concern in their opinion on our financial statements as of December 31, 2008.

Continuation of recent low prices of our common stock may affect our ability in the future to pay the quarterly dividends on our 6.5% Mandatory Convertible Preferred Stock in our common stock.

Dividends on our mandatory convertible preferred stock are payable on a cumulative basis when, as, and if declared by our board of directors at an annual rate of 6.5% per share on the liquidation preference of $100 per share. We are scheduled to declare and pay quarterly dividends of $3.3 million in cash, common stock, or a combination thereof, on January 1, April 1, July 1, and October 1 of each year to, and including, January 1, 2011. On October 16, 2008, we reached an agreement with our bank syndicate to extend the remaining $40 million balance of our bridge debt facility balance, originally scheduled to mature on October 16, 2008, until February 16, 2009, subject to certain requirements (see *Note 11* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)* to our Form 10-Q for the period ended September 30, 2008 for more information on our credit facilities). One such requirement is that we must pay any dividends on our mandatory convertible preferred stock, if and when declared, in common stock until the earlier of the date on which the bridge facility is repaid in full and February 16, 2009, to the extent that payment of such dividends in common stock is permitted thereby and under applicable law. The number of shares of common stock which may be delivered in connection with a regular dividend payment is capped. There has recently been a decline in the average price of our common stock. The cap may apply if recent prices of our common stock exist during upcoming calculation periods. The price of our common stock is impacted by numerous factors and has historically been volatile, and there can be no assurance that our ability to pay the quarterly dividends on our mandatory convertible preferred stock will not be impacted by future declines in the average price of our common stock. In December 2008, we announced we will defer the declaration and payment of the dividend scheduled for January 1, 2009.

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Deferral of dividends on our preferred stock may have adverse consequences.

In December 2008, we announced that we were deferring dividends scheduled for January 1, 2009 on our Series B Preferred Stock and 6.5% Mandatory Convertible Preferred Stock. Failures to pay such dividends will affect our eligibility to file Registration Statements on Form S-3 and our status as a well-known seasoned issuer in 2009, which may increase the expense and time associated with both the filing and effectiveness of future Registration Statements and the consummation of future financings. In the event we continue to defer dividends for six dividend periods, our holders of preferred stock will be able to elect two directors.

Our accounting and other estimates may be imprecise.

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts and related disclosure of assets, liabilities, revenue and expenses at the date of the consolidated financial statements and reporting periods. The more significant areas requiring the use of management assumptions and estimates relate to:

- mineral reserves that are the basis for future cash flow estimates and units-of-production depreciation, depletion and amortization calculations;
- future metals prices;
- environmental, reclamation and closure obligations;
- asset impairments, including long-lived assets and investments;
- reserves for contingencies and litigation; and
- deferred tax asset valuation allowance.

Actual results may differ materially from these estimates using different assumptions or conditions.

Our ability to recognize the benefits of deferred tax assets is dependent on future cash flows and taxable income.

We recognize the expected future tax benefit from deferred tax assets when the tax benefit is considered to be more likely than not of being realized. Otherwise, a valuation allowance is applied against deferred tax assets. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Metal price estimates are a key component used in the determination of our ability to realize the expected future benefit of our deferred tax assets. To the extent that future cash flows and taxable income differ significantly from estimates as a result of a decline in the metals prices or other factors, our ability to realize the deferred tax assets could be impacted. Additionally, future changes in tax law could limit our ability to obtain the future tax benefits represented by our deferred tax assets. As of September 30, 2008, our current and non-current deferred tax asset balances were $10.6 million and $36.5 million, respectively. See *Note 3* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* to our Form 10-Q for the period ended September 30, 2008 for further discussion of our deferred tax assets.

Failure to comply with debt covenants could adversely affect our financial results or condition.

In September 2005, we entered into a $30.0 million revolving credit agreement that includes various covenants and other limitations related to our indebtedness and investments that require us to maintain customary measures of financial performance. The revolving credit agreement was replaced on April 16, 2008 by a restated and amended credit agreement in connection with our acquisition of the companies owning 70.3% of the Greens Creek mine, as discussed below.

Our acquisition of the companies owning 70.3% of the Greens Creek mine (see *Note 14* of *Notes to the Condensed Consolidated Financial Statements (Unaudited)* to our Form 10-Q for the period ended September 30, 2008 for further discussion) was partially funded by a $380 million debt facility, which includes a $140 million three-year term facility and a $240 million bridge facility, which was scheduled to mature in October 2008. We utilized $220 million from the bridge facility at the time of closing the Greens Creek transaction, and the remaining $20 million available balance in September 2008. The total outstanding balance on the debt facility at September 30, 2008 was $198.8 million, including $77.1 million related to the bridge facility. On October 16, 2008, we paid an additional $37.1 million of the bridge loan balance and the remaining balance of $40 million was extended to February 16, 2009 subject to the requirement that a revised operating plan be submitted to the bank syndicate by November 14, 2008, which revised operating plan was timely submitted. On December 10, 2008, the bank syndicate notified us that the revised operating plan is satisfactory, thereby confirming that the remaining outstanding balance on the bridge loan is due on February 16, 2009. On

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December 10, 2008, we received a written amendment to the credit facility from the bank syndicate waiving (for up to $20,000,000 of net proceeds received by us by December 31, 2008) from the requirement that the proceeds of this offering be used for paying down the bridge loan or term loan. The debt facility includes various covenants and other limitations related to our indebtedness and investments that require us to maintain customary measures of financial performance. Failure to comply with such provisions could adversely affect our results or financial condition and may limit our ability to obtain financing. See *Note 11* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* to our Form 10-Q for the period ended September 30, 2008 for more information on the debt facility.

Operation, Development Exploration and Acquisition Risks

Our foreign operations are subject to additional inherent risks.

We recently sold our mining operations and assets in Venezuela, but still currently conduct exploration projects in Mexico. We anticipate that we will continue to conduct significant operations in Mexico and possibly other international locations in the future. Because we conduct operations internationally, we are subject to political and economic risks such as:

- the effects of local political, labor and economic developments and unrest;
- significant or abrupt changes in the applicable regulatory or legal climate;
- exchange controls and export or sale restrictions;
- expropriation or nationalization of assets with inadequate compensation;
- currency fluctuations and repatriation restrictions;
- invalidation of governmental orders, permits, or agreements;
- renegotiation or nullification of existing concessions, licenses, permits and contracts;
- recurring tax audits and delays in processing tax credits or refunds;
- corruption, demands for improper payments, expropriation, and uncertain legal enforcement and physical security;
- disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations;
- fuel or other commodity shortages;
- illegal mining;

laws or policies of foreign countries and the United States affecting trade, investment and taxation;