HECLA MINING CO/DE/
Form 424B3
November 20, 2003

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Registration Statement No. 333-100395

SUPPLEMENT NO. 1, DATED NOVEMBER 20, 2003,
TO PROSPECTUS DATED JUNE 18, 2003

[LOGO]

HECLA MINING COMPANY

COMMON STOCK

This prospectus supplement adds to, supplements, or supersedes similar information contained in the prospectus of Hecla Mining Company dated June 18, 2003. This supplement adds to the prospectus as Annex A (pages A-1 through A-49) parts I and II of Hecla's report on Form 10-Q for the quarterly period ended September 30, 2003, as filed November 14, 2003 with the Securities and Exchange Commission.

Referring to the information contained in the prospectus beginning on page 14 under the caption "Selling Stockholders," the following reflects the current ownership of Hecla common stock by the selling stockholders.

NAME	TOTAL NUMBER OF SHARES BEFORE SALE	SHARES OFFERED HEREBY	TOTAL NUM SHARES REM AFTER S
Hecla Mining Company Retirement Plan	1,120,061	1,120,061	0
Lucky Friday Pension Plan................................	274,822	274,822	0
Great Basin Gold Ltd.....................................	2,000,000	2,000,000	0

On November 19, 2003 Great Basin Gold Ltd. exercised in full its warrant issued August 2, 2002 to purchase 2,000,000 shares of Hecla common stock at an exercise price of $3.73 per share as described in the prospectus on page 14 under the caption "Selling Stockholders." Great Basin is generally restricted by the warrant agreement to disposing of no more than 50,000 shares by means of this prospectus in any one trading day.

Referring to the Hecla Series B Cumulative Convertible Preferred Stock dividend arrearage information on page 31 of the prospectus under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation - Other" and under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation - Other" on page A-44 of Annex A, Hecla announced on November 14, 2003 that it would defer the quarterly payment of the preferred stock dividend which would have been payable to the holders of Hecla's Series B Cumulative Convertible Preferred Stock on January 1, 2004.

Referring to the information in the prospectus beginning on page 51 under the caption "Business - Legal Proceedings - Bunker Hill Superfund Site" and on page A-7 in Note 5 to the Notes to Consolidated Financial Statements of Annex A, on November 18, 2003 the Idaho Federal District Court issued its order on

Hecla's and Asarco's request for final relief on their motion to modify the 1994 Consent Decree. The Court held that Hecla and Asarco were entitled to a reduction of 20% of the remaining work under the 1994 Decree. The Court directed the parties to negotiate what remaining work would be reduced to get to the 20%. The Court also ruled on Hecla's appeal of an EPA decision that it was required to complete a 100 yard clean-up program under the 1994 Decree for 2003. The Court held that the EPA's decision requiring Hecla to undertake the 100 yard clean-up was in accordance with the requirements of the 1994 Decree. Hecla cleaned up or paid for clean up of a total of 38 yards during 2003 under its reduced clean-up plan. Hecla hopes to be able to negotiate its further obligations for 2003 work in the context of the final relief granted by the Court on its motion to modify the 1994 Decree.

On November 19, 2003 Hecla entered into an exchange agreement with a holder of approximately 18.8% of Hecla's then outstanding Series B Cumulative Convertible Preferred Stock pursuant to which Hecla has agreed to issue 1,073,880 shares of its common stock in exchange for 141,300 shares of preferred stock held by such stockholder. The exchange will constitute satisfaction in full of any and all amounts owed by Hecla to such stockholder under the preferred stock, including any dividend arrearages.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus supplement is November 20, 2003.

A N N E X A

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2003

Commission file number 1-8491

HECLA MINING COMPANY

(Exact name of registrant as specified in its charter)

Delaware	82-0126240
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6500 Mineral Drive, Suite 200 Coeur d'Alene, Idaho	83815-9408

(Address of principal executive offices) (Zip Code)

208-769-4100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.
Yes _XX_. No __.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes _XX_. No __.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding November 7, 2003
Common stock, par value $0.25 per share	110,482,552

Hecla Mining Company and Subsidiaries
Form 10-Q
For the Quarter Ended September 30, 2003

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*Items omitted are not applicable.

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Part I – Financial Information

Item 1 – Financial Statements

Hecla Mining Company and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share data)

	September 30, 2003 (Unaudited)	D
ASSETS		
Current assets:		
Cash and cash equivalents	$ 102,820	
Short-term investments	12,258	
Accounts and notes receivable	15,616	
Inventories	18,396	
Deferred income taxes	675	
Other current assets	2,466	
Total current assets	152,231	
Investments	564	
Restricted investments	6,442	
Properties, plants and equipment, net	86,013	
Mineral interests, net	4,988	
Deferred income taxes	850	
Other noncurrent assets	12,720	
Total assets	$ 263,808	
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$ 12,060	
Accrued payroll and related benefits	6,871	

Current portion of long-term debt	4,805
Accrued taxes	2,756
Current portion of accrued reclamation and closure costs	7,500
Total current liabilities	33,992
Long-term debt	2,560
Accrued reclamation and closure costs	62,781
Other noncurrent liabilities	4,876
Total liabilities	104,209
SHAREHOLDERS' EQUITY	
Preferred stock, $0.25 par value, authorized 5,000,000 shares; issued 2003 - 752,752 shares, issued 2002 - 753,402 shares liquidation preference 2003 - $46,239 and 2002 - $44,262	188
Common stock, $0.25 par value, authorized 200,000,000 shares; issued 2003 - 110,490,826 shares, issued 2002 - 86,187,468 shares	27,623
Capital surplus	495,157
Accumulated deficit	(363,731)
Accumulated other comprehensive income (loss)	480
Less stock held by grantor trust; 2002 - 81,696 common shares	--
Less treasury stock, at cost; 2003 and 2002 - 8,274 common shares	(118)
Total shareholders' equity	159,599
Total liabilities and shareholders' equity	$ 263,808

The accompanying notes are an integral part of the consolidated financial statements.

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Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
(Dollars and shares in thousands, except for per-share amounts)

	Three Months Ended		
	September 30, 2003	September 30, 2002	
Continuing Operations:			
Sales of products	$ 28,079	$ 27,790	$

Cost of sales and other direct production costs	12,528	15,482
Depreciation, depletion and amortization	5,161	5,894
	17,689	21,376
Gross profit	10,390	6,414
Other operating expenses:		
General and administrative	1,841	1,493
Exploration	2,562	1,257
Depreciation and amortization	69	22
Provision for closed operations and environmental matters	23,284	510
	27,756	3,282
Income (loss) from operations	(17,366)	3,132
Other income (expense):		
Interest and other income	1,434	367
Miscellaneous expense	(989)	(933)
Interest expense	(233)	(437)
	212	(1,003)
Income (loss) from operations before income taxes and cumulative effect of change in accounting principle	(17,154)	2,129
Income tax provision	(306)	(56)
Income (loss) from continuing operations before cumulative effect of change in accounting principle	(17,460)	2,073
Cumulative effect of change in accounting principle, net of income tax	--	--
Discontinued operations, net of income tax	--	(540)
Net income (loss)	(17,460)	1,533
Preferred stock dividends	(659)	(18,568)
Loss applicable to common shareholders	$ (18,119)	$ (17,035)
Net income (loss)	$ (17,460)	$ 1,533
Change in derivative contracts	--	--
Reclassification adjustment of loss included in net income (loss)	10	10
Unrealized holding gains (losses) on securities	289	(26)
Comprehensive income (loss)	$ (17,161)	$ 1,517
Basic and diluted income (loss) per common share:		
Loss from operations after preferred stock dividends	$ (0.16)	$ (0.19)

Cumulative effect of change in accounting principle	--	--	
Loss from discontinued operations	--	(0.01)	
Basic and diluted loss per common share	$ (0.16)	$ (0.20)	$
Weighted average number of common shares outstanding	110,221	86,031	

The accompanying notes are an integral part of the consolidated financial statements.

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Nine Months Ended	
	September 30, 2003	September 3
Operating activities:		
Net income (loss)	$ (8,187)	$
Noncash elements included in net income (loss):		
Depreciation, depletion and amortization	15,553	
Cumulative effect of change in accounting principle	(1,072)	
Gain on disposition of properties, plants and equipment	(306)	
Provision for reclamation and closure costs	23,530	
Deferred income taxes	1,475	
Change in net assets of discontinued operations	--	
Change in assets and liabilities:		
Accounts and notes receivable	(5,462)	
Inventories	(3,638)	
Other current and noncurrent assets	(1,368)	
Accounts payable and accrued expenses	357	
Accrued payroll and related benefits	(82)	
Accrued taxes	1,184	
Accrued reclamation and closure costs and other noncurrent liabilities	(4,376)	
Net cash provided by operating activities	17,608	
Investing activities:		
Purchase of short-term investments	(12,258)	
Proceeds from sale of discontinued operations	--	
Additions to properties, plants and equipment	(12,618)	
Proceeds from disposition of properties, plants and equipment	486	
Increase in restricted investments	(14)	

Other, net	50	
Net cash used by investing activities	(24,354)	
Financing activities:		
Common stock issued for warrants and stock option plans	3,377	
Common stock issuance, net of offering costs	91,235	
Borrowings on long-term debt	1,350	
Repayments on long-term debt	(5,938)	
Net cash provided (used) by financing activities	90,024	
Net increase in cash and cash equivalents	83,278	
Cash and cash equivalents at beginning of period	19,542	
Cash and cash equivalents at end of period	$ 102,820	$

The accompanying notes are an integral part of the consolidated financial statements.

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Basis of Preparation of Financial Statements

In the opinion of management, the accompanying unaudited consolidated balance sheets, consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and notes to consolidated financial statements contain all adjustments, consisting only of normal recurring items, necessary to present fairly, in all material respects, the financial position of Hecla Mining Company ("we" or "our"). These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements and related footnotes as set forth in our annual report filed on Form 10-K for the year ended December 31, 2002.

Note 2. Discontinued Operations

During 2000, in furtherance of our determination to focus our operations on silver and gold mining and to raise cash to retire debt and provide working capital, our board of directors made the decision to sell our industrial minerals segment. In March 2003, we sold the remaining inventories of the briquette division of the Colorado Aggregate division ("CAC") of MWCA, Inc., and no longer produce or sell any product from our former industrial minerals segment. The briquette division of CAC represented the remaining portion of our industrial minerals segment, which reported a loss from operations of

approximately $48,000 and $70,000, respectively, for the third quarter and first nine months of 2003. We did not record any gain or loss from discontinued operations during the third quarter and first nine months of 2003, compared to a loss of $0.5 million ($0.01 per common share) and $1.3 million ($0.02 per common share), respectively, during the third quarter and first nine months of 2002. All activity associated with the former industrial minerals segment during the third quarter and first nine months of 2003 is considered a general corporate activity and is presented as "other" where appropriate.

Note 3. Income Taxes

The income tax provision for the first nine months of 2003 and 2002 varies from the amount that would have been provided by applying the statutory rate to the income (loss) before income taxes primarily due to the availability and utilization of net operating losses in Mexico and Venezuela. For the three and nine months ended September 30, 2003, we recorded a $0.3 million and $1.9 million tax provision, respectively, for foreign income taxes, consisting primarily of deferred taxes and a current provision for accrued Mexican withholding tax payable on interest expense. For the three and nine months ended September 30, 2002, we recognized a $0.1 million and $0.2 million provision, respectively, for foreign income taxes due to Mexican withholding tax payable on interest expense.

Note 4. Inventories

Inventories consist of the following (in thousands):

	September 30, 2003	December 31, 2002
Concentrates, bullion, metals in transit and other products	$ 9,299	$ 7,034
Materials and supplies	9,097	7,724
	$ 18,396	$ 14,758

At September 30, 2003, we had forward sales contracts through December 31, 2004, for 63,828 ounces of gold at an average price of $288.25 per ounce. These contracts meet the criteria to be treated as normal sales in accordance with SFAS 138 and, as a result, these contracts are not required to be accounted for as derivatives under SFAS 133. These forward sales contracts expose us to certain losses, generally the amount by which the contract price exceeds the spot price of a commodity, in the event of nonperformance by the counterparties to these agreements. The London Final gold price at September 30, 2003 was $388.00 per ounce.

We have a quarterly Gold Lease Rate Swap at a fixed rate of 1.5% on 48,928 ounces of the above gold forward contracts. The ounces covered under the swap are adjusted each quarter as the gold forward contracts expire. At September 30, 2003, the fair market value of the Gold Lease Rate Swap was

approximately $218,000, which represents the amount the counterparty would have to pay us if the contract was terminated.

Note 5. Contingencies

Bunker Hill Superfund Site

In 1994, we, as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), entered into a consent decree with the Environmental Protection Agency ("EPA") and the State of Idaho, concerning environmental remediation obligations at the Bunker Hill Superfund site located in Kellogg, Idaho. The 1994 Consent Decree (the "1994 Decree") settled our response-cost responsibility under CERCLA at the Bunker Hill 21-square mile site. In August 2000, Sunshine Mining and Refining Company, which was also a party to the 1994 Decree, filed for Chapter 11 bankruptcy and in January 2001, the Federal District Court approved a new Consent Decree between Sunshine, the U.S. Government and the Coeur d'Alene Indian Tribe which settled Sunshine's environmental liabilities in the Coeur d'Alene Basin lawsuits described below and released Sunshine from further obligations under the 1994 Decree.

In response to a request by us and ASARCO Incorporated, the United States Federal District Court in Idaho, having jurisdiction over the 1994 Decree, issued an Order in September

2001 that the 1994 Decree should be modified in light of a significant change in factual circumstances not reasonably anticipated by the mining companies at the time they signed the 1994 Decree. In its Order, the Court reserved the final ruling on the appropriate modification to the 1994 Decree until after the issuance by the EPA of a Record of Decision ("ROD") on the Basin-wide Remedial Investigation/Feasibility Study. The EPA issued the ROD on the Basin in September 2002, proposing a $359 million Basin clean-up plan to be implemented over 30 years. The ROD also establishes a review process at the end of the 30-year period to determine if further remediation would be appropriate. Based on the 2001 Order issued by the Court, in April 2003, we requested the Court to release Hecla and ASARCO from future work under the 1994 Decree within the Bunker Hill site. We were unsuccessful in negotiating an agreement with the State of Idaho and the United States for the 2003 summer work program under the 1994 Decree and elected to implement a $1.5 million annual work plan without state or federal approval of the $1.5 million limit on our expenditures. Meanwhile, we have submitted our dispute with the U.S. government and the State of Idaho concerning our obligations for the 2003 work under the 1994 Decree to the Idaho Federal District Court for final determination. We expect the work program for 2003 will be subject to a final decision on modification of the 1994 Decree by the Court.

On February 2, 2003, ASARCO entered into a Consent Decree with the United States relating to a transfer of certain assets to its parent corporation, Grupo de Mexico, S.A. de C.V. The Consent Decree also addresses ASARCO's environmental liabilities on a number of sites in the United States, including the Bunker Hill site. The provisions of the Consent Decree could limit ASARCO's annual obligation at the Bunker Hill site for 2003 to 2005.

As of September 30, 2003, we have estimated and accrued a liability for remedial activity costs at the Bunker Hill site of $7.4 million, which are anticipated to be made over the next four to five years. Although we believe the accrual is adequate based upon our current estimates of aggregate costs, it is reasonably possible that our estimate may change in the future due to the assumptions and estimates inherent in the accrual.

Coeur d'Alene River Basin Environmental Claims

Coeur d'Alene Indian Tribe Claims

In July 1991, the Coeur d'Alene Indian Tribe brought a lawsuit, under CERCLA, in Idaho Federal District Court against us, ASARCO and a number of other mining companies asserting claims for damages to natural resources downstream from the Bunker Hill site over which the Tribe alleges some ownership or control. The Tribe's natural resource damage litigation has been consolidated with the United States' litigation described below. Because of various bankruptcies and settlements of other defendants, we are the only remaining defendant in the Tribe's NRD case.

U.S. Government Claims

In March 1996, the United States filed a lawsuit in Idaho Federal District Court against certain mining companies that conducted historic mining operations in the Silver Valley of northern Idaho, including us. The lawsuit asserts claims under CERCLA and the Clean Water Act and seeks recovery for alleged damages to or loss of natural resources located in the Coeur d'Alene River Basin in northern Idaho for which the United States asserts it is the trustee under CERCLA. The lawsuit claims that the defendants' historic mining activity resulted in releases of hazardous substances and damaged natural resources within the Basin. The suit also seeks declaratory relief that we and other defendants are jointly and severally liable for response costs under CERCLA for historic mining impacts in the Basin outside the Bunker Hill site. We have asserted a number of defenses to the United States' claims.

As discussed above, in May 1998, the EPA announced that it had commenced a Remedial Investigation/Feasibility Study under CERCLA for the entire Basin, including Lake Coeur d'Alene, in support of its response cost claims asserted in its March 1996 lawsuit. In October 2001, the EPA issued its proposed clean-up plan for the Basin. The EPA issued the ROD on the Basin in September 2002, proposing a $359 million Basin clean-up plan to be implemented over 30 years. The ROD also establishes a review process at the end of the 30-year period to determine if further remediation would be appropriate.

During 2000 and into 2001, we were involved in settlement negotiations with representatives of the U.S. Government and the Coeur d'Alene Indian Tribe. We also participated with certain of the other defendants in the litigation in a State of Idaho-led settlement effort. On August 16, 2001, we entered into a now terminated Agreement in Principle with the United States and the State of Idaho to settle the governments' claims for natural resource damages and cleanup costs related to the historic mining practices in the Coeur d'Alene Basin in

northern Idaho. In August 2002, because the parties were making no progress toward a final settlement under the terms of the Agreement in Principle, the United States, the State of Idaho and we agreed to discontinue utilizing the Agreement in Principle as a settlement vehicle. However, we may participate in further settlement negotiations with the United States, the State of Idaho and the Coeur d'Alene Indian Tribe in the future.

The first phase of the trial commenced on the consolidated Coeur d'Alene Indian Tribe's and the United States' claims on January 22, 2001, and was concluded on July 30, 2001. The first phase of the trial addressed the extent of liability, if any, of the defendants and the allocation of liability amongst the defendants and others, including the U.S. government. On September 3, 2003, the Court issued its Phase I ruling, holding that we have some liability for Coeur d'Alene Basin environmental conditions. The Court refused to hold the defendants jointly and severally liable for historic tailings releases and instead allocated a 31% share of liability to us for these releases. The natural resource damages to which this 31% applies and the Court's determination of an appropriate cleanup plan will be addressed in the Phase II trial.

The Court also found that while certain Basin natural resources had been injured, the Court stated that "there has been an exaggerated overstatement" by the plaintiffs of Basin environmental conditions and the mining impact. The Court also significantly limited the scope of the trustee plaintiffs' resource trusteeship and will require proof in the Phase II trial of the trustees' percentage of trusteeship in co-managed resources. The Court also left for the Phase II trial issues on the deference, if any, to be afforded the government's cleanup plan and on defendants' constitutional due process/retroactivity defense. The Phase II trial is scheduled to commence on January 18, 2005. Two of the defendant mining companies, Coeur d'Alene Mines Corporation and Sunshine Mining and Refining Company, settled their liabilities under the litigation during the first quarter of 2001. We and ASARCO are the only defendants remaining in the United States' litigation.

Although the U.S. Government has previously issued its Record of Decision proposing a cleanup plan totaling approximately $359 million, based upon the Court's prior orders, including its September 3, 2003 order and other factors and issues to be addressed by the Court in the Phase II trial, we estimated the range of our potential liability in the Basin to be $18.0 million to $58.0 million, with no amount in the range being more likely than any other number at this time. Based upon generally accepted accounting principles (GAAP), we accrued the minimum liability within the range. As of September 30, 2003, we have estimated and accrued a potential liability for claims in the Coeur d'Alene Basin litigation of $18.0 million. It is reasonably possible that our ability to estimate what, if any, liability we may have relating to the Coeur d'Alene Basin may change in the future depending on a number of factors, including the outcome of the Phase II trial.

Class Action Litigation

On or about January 7, 2002, a class action complaint was filed in the Idaho District Court, County of Kootenai, against several corporate defendants, including Hecla. We were served with the complaint on January 29, 2002. The

complaint seeks certification of three plaintiff classes of Coeur d'Alene Basin residents and current and former property owners to pursue three types of relief: various medical monitoring programs, real property remediation and restoration programs, and damages for diminution in property value, plus other damages and costs. On April 23, 2002, we filed a motion with the Court to dismiss the claims for relief relating to any medical monitoring programs and the remediation and restoration programs. At a hearing before the Idaho District Court on our and other defendants' motions held October 16, 2002, the Judge struck the complaint filed by the plaintiffs in January 2002 and instructed the plaintiffs to re-file the complaint limiting the relief requested by the plaintiffs to wholly private damages. The Court also dismissed the medical monitoring claim as a separate cause of action and stated that any requested remedy that encroached upon the EPA's cleanup in the Silver Valley would be precluded by the pending Federal Court case described above. The plaintiffs re-filed their amended complaint on January 9, 2003. As ordered by the Court, the amended complaint omits any cause of action for medical monitoring and no longer requests relief in the form of real property remediation or restoration programs. At a hearing on May 7, 2003, the Court vacated the entire amended complaint, and gave Plaintiffs' counsel until June 30, 2003, to re-file an amended complaint that complies with Idaho law. Plaintiffs submitted a second amended complaint on June 9, 2003, which we have answered. Discovery on the issue of class

certification is proceeding. We believe the claims alleged against us are subject to challenge on a number of bases and we intend to vigorously defend this litigation.

Insurance Coverage Litigation

In 1991, we initiated litigation in the Idaho District Court, County of Kootenai, against a number of insurance companies that provided comprehensive general liability insurance coverage to us and our predecessors. We believe the insurance companies have a duty to defend and indemnify us under their policies of insurance for all liabilities and claims asserted against us by the EPA and the Tribe under CERCLA related to the Bunker Hill site and the Basin in northern Idaho. In 1992, the Idaho State District Court ruled that the primary insurance companies had a duty to defend us in the Tribe's lawsuit. During 1995 and 1996, we entered into settlement agreements with a number of the insurance carriers named in the litigation. We have received a total of approximately $7.2 million under the terms of the settlement agreements. Thirty percent of these settlements were paid to the EPA to reimburse the U.S. government for past costs under the 1994 Decree. Litigation is still pending against one insurer with trial suspended until the underlying environmental claims against us are resolved or settled. The remaining insurer in the litigation, along with a second insurer not named in the litigation, is providing us with a partial defense in all Basin environmental litigation. As of September 30, 2003, we have not reduced our accrual or recorded a receivable for reclamation and closure costs to reflect the receipt of any potential insurance proceeds.

Other Claims

Zemex Litigation

On November 17, 2000, we entered into an agreement with Zemex U.S. Corporation guaranteed by its parent, Zemex Corporation of Toronto, Canada, to sell the Kentucky-Tennessee Clay Company, Kentucky-Tennessee Clay de Mexico and certain other minor inactive industrial minerals companies (collectively the K-T Group) for a price of $68.0 million. On January 18, 2001, Zemex U.S. Corporation failed to close on the transaction, and on January 22, 2001, we brought suit in the United States District Court for the Northern District of Illinois, Eastern Division, against the parent, Zemex Corporation, under its guarantee for its subsidiary's failure to close on the purchase and meet its obligations under the November 2000 agreement. In January 2003, the parties reached an agreement to settle our claims in full for $3,950,000. The payment was recorded as other income during the first quarter of 2003.

Independence Litigation

In March 2002, Independence Lead Mines Company ("Independence"), the holder of a net 18.52% interest in the Gold Hunter or DIA unitized area of the Lucky Friday mine, notified us of certain alleged defaults by us under the 1968 Lease Agreement between the unit owners (Independence and us under the terms of the 1968 DIA Unitization Agreement) as lessors and defaults by us as lessee and operator of the properties. We are a net 81.48% interest holder under these Agreements. Independence alleges that we violated the "prudent operator obligations" implied under the lease by undertaking the Gold Hunter project and violated certain other provisions of the Agreement with respect to milling equipment and calculating net profits and losses. Under the Lease Agreement, we have the exclusive right to manage, control and operate

the DIA properties, and our decisions with respect to the character of work are final. On June 17, 2002, Independence filed a lawsuit in Idaho State District Court seeking termination of the Lease Agreement and requesting unspecified damages. On March 18, 2003, Independence filed a motion for partial summary judgment or in the alternative, for preliminary injunction ("Motion"). The Motion requests that the Court terminate our leasehold interest in property owned by Independence within the DIA area, rule that we have committed waste while mining ore within property owned by Independence, and prohibit us from any further mining within property owned by Independence. We filed our response to the Motion on May 28, 2003 and a hearing was held in July 2003 on the Motion. By order dated August 8, 2003 the court denied Plaintiff's motion and set trial for January, 2004. We believe that we have fully complied with all of our obligations under the 1968 Lease Agreement and intend to defend our right to operate the property under the Lease Agreement.

Velardena Mill Litigation

In Mexico, our subsidiary, Minera Hecla, S.A. de C.V. ("Minera Hecla"), is involved in litigation in Mexico City concerning a lien on certain major components of the Velardena mill at the San Sebastian mine that predated the sale of the mill to Minera Hecla. At the time of the purchase, the lien amount was believed to be approximately $590,000, which was deposited by the prior owner of the mill with the Court. On January 23, 2003, Minera Hecla deposited $145,000, which represented the amount of accrued interest since the date of

sale, and the Court in Mexico City canceled the lien. On September 17, 2003, the lien holder filed the last in a series of unsuccessful appeals before a federal appeals court in Mexico City, which is expected to issue a final ruling before the end of the year. We believe that the lien has been fully satisfied and intend to continue to defend the suit.

Minera Hecla is also involved in other litigation in the State of Durango, Mexico concerning the Velardena mill. On October 10, 2003, representatives from Minera William S.A. de C.V. (an affiliate of the prior owner of the Velardena Mill and subsidiary of ECU Silver Mining, a Canadian company) presented to Minera Hecla court documents from a state court in Durango, Mexico that purported to award custody of the mill to Minera William to satisfy an alleged unpaid debt by the prior owner. Minera Hecla was not a party to and did not have any notice of the legal proceeding in Durango. On October 21, 2003, Minera Hecla obtained a temporary restraining order from a federal court in Durango to preserve our possession of the mill. A hearing for a permanent restraining order will be held on November 18, 2003 in Durango. We believe the claim of Minera William is without merit and they have no right to any portion of the Velardena mill. We intend to zealously defend our rightful ownership interest.

The court order discussed above does not affect Minera Hecla's San Sebastian mine, which is located approximately 65 miles from the Velardena Mill. The above mentioned dispute could result in future disruption of operations at the Velardena Mill. Although there can be no assurance as to the outcome of these proceedings, we believe an adverse ruling will not have a material adverse effect on our financial condition.

We are subject to other legal proceedings and claims not disclosed above which have arisen in the ordinary course of our business and have not been finally adjudicated. Although there can be no assurance as to the ultimate disposition of these other matters, it is the opinion of our management that the outcome of these other proceedings will not have a material adverse effect on our financial condition.

Note 6. Long-Term Debt and Credit Agreements

As of September 30, 2003, our wholly owned subsidiary, Hecla Resources Investments Limited ("HRIL"), had $2.0 million outstanding under a credit agreement used to provide project financing at the La Camorra mine. The project financing agreement is repayable in semiannual payments, including $1.5 million on December 31, 2003 and $0.5 million on June 30, 2004, and had an interest rate of 3.7% at September 30, 2003.

HRIL must comply with financial and other restrictive covenants related to the available ore reserves and performance of the La Camorra mine. We are required to maintain hedged gold positions sufficient to cover all dollar loans, operating expenditures, taxes, royalties and similar fees projected for the project. At September 30, 2003, we had forward sales contracts for 63,828 ounces of gold. The forward sales contracts assume the ounces of gold committed to forward sales at the end of each quarter can be leased at a rate of 1.5% for each following quarter. We maintain a Gold Lease Rate Swap at a fixed rate of

1.5% on the outstanding notional volume of the flat forward sale, with settlement being made quarterly with us receiving the fixed rate and paying the current floating gold lease rate.

In connection with the project financing agreement, we have outstanding a $2.0 million subordinated loan agreement, repayable in equal installments on December 31, 2003, and June 30, 2004. The loan agreement gives us the option to capitalize interest payments by adding them to the principal amount of the loan. At September 30, 2003, the interest amount added to principal was approximately $0.7 million and is included in accrued expenses on our consolidated balance sheets. The interest rate under the subordinated loan agreement was 5.3% as of September 30, 2003.

At September 30, 2003, our wholly owned subsidiary, Minera Hecla, S.A. de C.V. ("Minera Hecla"), had $3.4 million outstanding under a project loan used to acquire a processing mill at Velardena, Mexico, to process ore mined from the San Sebastian mine near Durango, Mexico. The credit facility is nonrecourse to us. Under the terms of the credit facility, Minera Hecla will make monthly payments for principal and interest over 63 months at a fixed interest rate equal to 13%. The loan is collateralized by the mill at Velardena and the Saladillo, Saladillo 1 and Saladillo 5 mining concessions.

In March 2003, we canceled a $7.5 million revolving bank agreement established in March 2002. At the time of cancellation, no amount was outstanding under the agreement.

Note 7. Investments

Current Investments

At September 30, 2003, short-term investments included certificates of deposit and held-to-maturity securities, which are carried at amortized cost, which approximates fair value. All of these investments are due within the next twelve months and consisted of the following:

	2003	2002
Current Investments:		
Certificates of deposit	$ 1,600	$ --
United States government and federal agency securities	4,225	--
Municipal securities	5,612	--
Corporate bonds	821	--
	$ 12,258	$ --

Non-current Investments

As of September 30, 2003, non-current investments consisted of marketable equity securities categorized as available for sale and carried at quoted market value. Realized gains and losses on the sale of such securities are recognized on a specific identification basis. Unrealized gains and losses

are included as a component of accumulated other comprehensive income (loss), net of related deferred income taxes, unless a permanent impairment in value has occurred, which is then charged to operations.

Restricted Investments

Restricted investments primarily represent investments in money market funds and bonds of U.S. Government Agencies. These investments are restricted primarily for reclamation funding or surety bonds.

Note 8. Loss per Common Share

The following table presents a reconciliation of the numerators and denominators used in the basic and diluted loss per common share computations. Also shown is the effect that has been given to cumulative preferred dividends in arriving at the loss applicable to common shareholders for the three months and nine months ended September 30, 2003 and 2002, in computing basic and diluted loss per common share (dollars and shares in thousands, except per-share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Income (loss) from continuing operations before cumulative effect of change in accounting principle	$ (17,460)	$ 2,073	$ (9,259)	$ 8,100
Cumulative effect of change in accounting principle, net of income tax	--	--	1,072	--
Discontinued operations, net of income taxes	--	(540)	--	(1,326)
Preferred stock dividends	(659)	(18,568)	(1,977)	(22,593)
Basic and diluted loss applicable to common shareholders	$ (18,119)	$ (17,035)	$ (10,164)	$ (15,819)
Weighted average number of common shares outstanding	110,221	86,031	109,656	78,294
Basic and diluted loss per common share	$ (0.16)	$ (0.20)	$ (0.09)	$ (0.20)

These calculations of diluted loss per share for the three months and nine months ended September 30, 2003 and 2002 exclude the effects of convertible preferred stock ($37.6 million in 2003 and $37.7 million in 2002), as well as common stock issuable upon the exercise of various stock options as their conversion and exercise would be antidilutive. For the three and nine months ended September 30, 2003 and 2002, 2,889,236 and 2,817,335 stock options, respectively, were excluded in the calculation of diluted loss per share as they

are antidilutive.

Note 9. Business Segments

We are organized and managed primarily on the basis of the principal products being produced from our operating units. Three of our operating units have been aggregated into the silver segment and one into the gold segment. General corporate activities not associated with operating units, as well as idle properties, are presented as "other."

The following tables present information about reportable segments for the three months and nine months ended September 30, 2003 and 2002 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net sales to unaffiliated customers:				
Silver	$ 19,485	$ 13,983	$ 55,681	$ 42,718
Gold	8,611	13,807	28,522	37,118
Other	(17)	--	520	--
	$ 28,079	$ 27,790	$ 84,723	$ 79,836
Income (loss) from operations:				
Silver	$ 6,343	$ (85)	$ 12,567	$ 2,567
Gold	1,539	5,242	6,166	12,451
Other	(25,248)	(2,025)	(29,935)	(5,995)
	$(17,366)	$ 3,132	$(11,202)	$ 9,023

The following table presents identifiable assets by reportable segment as of September 30, 2003 and December 31, 2002 (in thousands):

	September 30, 2003	December 31, 2002
Identifiable assets:		
Silver	$ 87,779	$ 82,522
Gold	39,063	40,004
Other	136,966	37,615

	$ 263,808	$ 160,141

Note 10. Shareholders' Equity

In January 2003, we completed an underwritten public offering of 23.0 million shares of our common stock. The public offering also included 2.0 million shares offered by the Hecla Mining Company Retirement Plan and the Lucky Friday Pension Plan ("the benefit plans"). We received net proceeds from the offering totaling approximately $91.2 million, which will be used to fund future exploration and development, working capital requirements, capital expenditures, possible future acquisitions and for other general corporate purposes. Our benefit plans realized net proceeds of approximately $8.0 million from the sale of the 2.0 million shares included in the public offering.

We also filed a Registration Statement with the Securities and Exchange Commission covering 1,394,883 shares of our common stock offered by the benefit plans and 2.0 million shares of our common stock issuable upon exercise of a warrant issued to Great Basin Gold Ltd. ("Great Basin") pursuant to an Earn-in Agreement concerning exploration, development and production in an area of Great Basin's Hollister Development Block gold property, located on the Carlin Trend in Nevada. The Registration Statement became effective in January 2003.

In July 2002, 1,546,598 preferred shares were exchanged for shares of our common stock (each preferred share was exchanged for seven shares of our common stock) in an exchange offering meant to reduce cumulative preferred dividends that are included in the calculation of earnings applicable to common shareholders. As of September 30, 2003, 752,752 shares of preferred stock remain outstanding and we have not declared or paid $8.6 million in cumulative preferred dividends. We are currently not planning to reinstate the preferred stock dividend.

Note 11. Stock-Based Plans

At September 30, 2003, executives, key employees and directors had been granted options to purchase our common shares or were credited with common shares under the stock-based plans below. We have adopted the disclosure-only provisions of SFAS No. 123, except

for the impact of tax offset bonuses. No compensation expense was recognized during the three and nine months ended September 30, 2003 and 2002 for options related to the stock-based plans. Had compensation expense for our stock-based plans been determined based on the fair market value at the grant date for awards during these periods consistent with the provisions of SFAS No. 123, our loss and per share loss applicable to common shareholders would have been increased to the pro forma amounts indicated below (in thousands, except per share amounts):

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Nine Mon Septe 2003
Loss applicable to common shareholders			
As reported	$ (18,119)	$ (17,035)	$ (10,164
Stock-based employee compensation expense included in reported income (loss)	363	(77)	953
Total stock-based employee compensation expense determined under fair value based methods for all awards	(1,026)	(4)	(3,220
Pro forma	$ (18,782)	$ (17,116)	$ (12,431
Loss applicable to common shareholders per common share:			
As reported	$ (0.16)	$ (0.20)	$ (0.09
Pro forma	$ (0.17)	$ (0.20)	$ (0.11

Note 12. Asset Retirement Obligations

In August 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations," which amends SFAS No. 19, and establishes a uniform methodology for accounting for estimated reclamation and abandonment costs. This statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Subsequently, reclamation costs will be allocated to expense over the life of the related assets and will be adjusted for changes resulting from the passage of time and changes to either the timing or amount of the original fair value estimate underlying the obligation.

Upon initial application of SFAS No. 143 on January 1, 2003, we recorded the following:

1. An increase of approximately $0.7 million to accrued reclamation and

closure costs to reflect the estimated present value of reclamation liabilities based on the discounted fair market value of future cash flows to settle the obligation;

2. An increase to the carrying amounts of the associated long-lived assets of approximately $3.3 million to capitalize the present value of the liabilities as of the date the obligation occurred, offset by $1.5 million of accumulated depletion through January 1, 2003; and

3. A cumulative effect of change in accounting principle of $1.1 million gain, reflecting the difference between those amounts and amounts previously recorded in our consolidated financial statements at January 1, 2003.

The sum of our estimated reclamation and abandonment costs was discounted using a credit adjusted, risk-free interest rate of 6% from the time we expect to pay the retirement obligation to the time we incurred the obligation.

The following is a reconciliation of the total liability for asset retirement obligations (in thousands):

Balance January 1, 2003	$ 6,088
Accretion expense	295
Cash payments	(222)
Balance September 30, 2003	$ 6,161

There are no assets legally restricted for purposes of settling asset retirement obligations at September 30, 2003.

The following table presents the pro forma effects of the application of SFAS No. 143 for the three and nine months ended September 30, 2002, as if the Statement had been in effect for those periods (in thousands, except per share data):

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

	Three Months Ended September 30, 2002	Nine Month Septembe 200
Loss applicable to common shareholders	$ (17,035)	$ (15
Cost of sales and other direct production costs	270	
Depreciation, depletion and amortization	(132)	
Pro forma	$ (16,897)	$ (15
Basic and diluted earnings per share:		
As reported	$ (0.20)	$ (
Pro forma	$ (0.20)	$ (

Note 13. New Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS No. 145). SFAS No. 145 updates, clarifies and simplifies existing accounting pronouncements, by rescinding SFAS No. 4, which required all gains and losses from extinguishments of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in Accounting Principles Board Opinion No. 30 will now be used to classify those gains and losses. Additionally, SFAS No. 145 amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. Finally, SFAS No. 145 also makes technical corrections to existing pronouncements. While those corrections are not substantive in nature, in some instances, they may change accounting practice. The provisions of SFAS No. 145 that amend SFAS No. 13 were effective for transactions occurring after May 15, 2002, with all other provisions of SFAS No. 145 being required to be adopted by us in January 2003. The adoption of SFAS No. 145 did not have a material impact on our consolidated financial statements.

On July 30, 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing or other exit or disposal activity. SFAS No. 146 replaces the prior guidance that was provided by EITF Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on our consolidated financial statements.

In November 2002, the FASB issued FASB Interpretation No. 45, Guarantor's Accounting for Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34, Disclosure of Indirect Guarantees of Indebtedness of Others ("FIN 45"). FIN 45 clarifies the requirements for a guarantor's accounting for and disclosure of certain guarantees issued and outstanding. It also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This interpretation also incorporates without reconsideration the guidance in FASB Interpretation No. 34, which is being superseded. The adoption of FIN 45 did not have a material effect on our consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation, Transition and Disclosure, an amendment of FASB Statement No. 123." SFAS No. 148 provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects of reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this statement amends APB Opinion No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information. The amendments to SFAS No. 123, which provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation is effective for financial statements for fiscal years ending after December 15, 2002. The amendment to SFAS No. 123 relating to disclosures and the amendment to Opinion 28 is effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. We have adopted the disclosure-only provisions of SFAS No. 123 and do not intend to adopt the fair value accounting provisions of SFAS No. 123. The adoption of SFAS No. 148 did not have a material impact on our consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46) "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin (ARB) No. 51, Consolidated Financial Statements." FIN 46 clarifies the application of ARB No. 51 to certain

entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The adoption of FIN 46 did not have a material

effect on our consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is effective for all contracts created or modified after June 30, 2003. The adoption of this standard did not have a material effect on our consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards on the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003, and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material effect on our consolidated financial statements.

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CERTAIN STATEMENTS CONTAINED IN MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK ARE FORWARD-LOOKING STATEMENTS THAT REFLECT OUR CURRENT EXPECTATIONS AND PROJECTIONS ABOUT OUR FUTURE RESULTS, PERFORMANCE, RESULTS OF LITIGATION, PROSPECTS AND OPPORTUNITIES. WE HAVE TRIED TO IDENTIFY THESE FORWARD-LOOKING STATEMENTS BY USING WORDS SUCH AS "MAY," "WILL," "EXPECT," "ANTICIPATE," "BELIEVE," "INTEND," "PLAN," "ESTIMATE" AND SIMILAR EXPRESSIONS. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON INFORMATION CURRENTLY AVAILABLE TO US AND ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND OTHER FACTORS THAT COULD CAUSE OUR ACTUAL RESULTS, PERFORMANCE, PROSPECTS OR OPPORTUNITIES TO DIFFER MATERIALLY FROM THOSE EXPRESSED IN, OR IMPLIED BY, THESE FORWARD-LOOKING STATEMENTS. THESE RISKS, UNCERTAINTIES AND OTHER FACTORS INCLUDE, BUT ARE NOT LIMITED TO, THOSE SET FORTH UNDER ITEM 1 - BUSINESS - RISK FACTORS IN OUR ANNUAL

REPORT FILED ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2002.

OTHER MATTERS, INCLUDING UNANTICIPATED EVENTS AND CONDITIONS, ALSO MAY CAUSE OUR ACTUAL FUTURE RESULTS TO DIFFER MATERIALLY FROM THESE FORWARD-LOOKING STATEMENTS. THERE CAN BE NO ASSURANCE THAT OUR EXPECTATIONS WILL PROVE TO BE CORRECT AND UNDUE RELIANCE SHOULD NOT BE PLACED ON THESE FORWARD-LOOKING STATEMENTS. ALL OF THESE FORWARD-LOOKING STATEMENTS ARE BASED ON OUR EXPECTATIONS AS OF THE DATE OF THIS FILING. EXCEPT AS REQUIRED BY FEDERAL SECURITIES LAWS, WE DO NOT INTEND TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

A 112-year-old company, we have long been known as a precious metals producer and are principally engaged in the exploration, development, mining and processing of silver, gold, lead and zinc. We are operated and organized into two segments, silver and gold, with three operating properties included in the silver segment (San Sebastian, Greens Creek and Lucky Friday) and one in the gold segment (La Camorra). The following maps indicate the locations of our operations as well as the Hollister Development Block, an exploration property:

[MAP]

We also own or have interests in a number of precious and nonferrous metals properties. Our strategy for growth is to focus our efforts and resources on expanding our precious metals reserves through exploration efforts, primarily on properties we currently own. We will also consider acquisition opportunities as a component of our growth strategy.

RESULTS OF OPERATIONS

In January 2003, we completed an underwritten public offering of 23.0 million shares of our common stock, resulting in net cash proceeds totaling approximately $91.2 million to be used to fund future exploration and development, working capital requirements, capital expenditures, possible future acquisitions and for other general corporate purposes. For additional information regarding the public offering, see Note 10 of Notes to Consolidated

Financial Statements.

At September 30, 2003, we recorded adjustments totaling $23.1 million for future environmental and reclamation expenditures, primarily for future anticipated expenditures in Idaho's Coeur d'Alene Basin ($16.0 million) and for the Grouse Creek mine cleanup in central Idaho ($6.8 million). The adjustment for the Coeur d'Alene Basin was recorded in response to a United States District Court ruling on September 3, 2003, which held that we had some liability for yet-to-be determined natural resource damages and response costs due to our historic mining practices. Although the U.S. Government has previously issued its Record of Decision proposing a cleanup plan totaling approximately

$359 million, based upon the Court's prior orders, including its September 3, 2003 order and other factors and issues to be addressed by the Court in the Phase II trial, we estimated the range of our potential liability in the Basin to be $18.0 million to $58.0 million, with no amount in the range being more likely than any other number at this time. Based upon generally accepted accounting principles (GAAP), we accrued the minimum liability within the range. As of September 30, 2003, we have estimated and accrued a potential liability for claims in the Coeur d'Alene Basin litigation of $18.0 million. For additional information on the Coeur d'Alene Basin and Court ruling, see Note 5 of Notes to Consolidated Financial Statements.

At the Grouse Creek mine, which suspended operations in 1997, we have developed a revised reclamation cost estimate. The estimate was based on a conceptual reclamation plan submitted to the regulatory authorities in 2003. To date, we have commenced dewatering of the tailings impoundment and developed a conceptual 15-year closure plan that has provided the basis for the increase in estimated costs. As of September 30, 2003, we have estimated and accrued a liability for reclamation activities at the Grouse Creek mine of $32.6 million.

During the third quarter and first nine months of 2003, we recorded losses applicable to common shareholders of approximately $18.1 million and $10.2 million, or $0.16 and $0.09 per common share, respectively, compared to losses applicable to common shareholders of $17.0 million and $15.8 million, or $0.20 and $0.20 per common share, respectively, during the third quarter and first nine months of 2002.

Included in the losses applicable to common shareholders were undeclared and unpaid preferred stock dividends of $0.7 million and $2.0 million, respectively, during the third quarter and first nine months of 2003, compared to dividends of $18.6 million and $22.6 million, respectively, during the same periods in 2002. The variance in preferred stock dividends during the 2003 and 2002 comparative periods is due to a preferred stock exchange offer completed during the third quarter of 2002, pursuant to which 67.2% of the preferred shares outstanding at the time (2.3 million) were exchanged for shares of common stock (seven shares of common for every share of preferred). During the third quarter of 2002, we incurred a non-cash dividend of approximately $17.6 million, which represented the difference between the value of the common stock issued in the exchange offer and the value of the shares that were issuable under the stated conversion terms of the preferred stock.

Included in the loss for the nine months ended September 30, 2003, is a $4.0 million cash settlement received from Zemex Corporation during the first quarter of 2003 for its subsidiary's failure to close on its agreement to purchase the Kentucky-Tennessee Clay Company, Kentucky-Tennessee Clay de Mexico and certain other minor inactive industrial minerals companies (collectively the K-T Group) in January 2001. In November 2000, we entered into an agreement with Zemex U.S. Corporation, guaranteed by its parent, Zemex Corporation of Toronto, Canada, to sell the stock of the K-T Group for a price of $68.0 million. For additional information on the settlement from Zemex Corporation, see Note 5 of Notes to Consolidated Financial Statements.

Also included in the loss for the nine months ended September 30, 2003 is a positive cumulative effect of a change in accounting principle of $1.1 million relating to the adoption of SFAS No. 143 "Accounting for Asset Retirement Obligations." This statement was adopted on January 1, 2003, and required that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. The gain of $1.1 million recognized represents the

difference between the amounts determined under SFAS No. 143 and amounts previously recorded in our consolidated financial statements. For additional information, see Note 12 of Notes to Consolidated Financial Statements.

Reflected in the losses applicable to common shareholders during the third quarter and first nine months of 2002 is a loss from discontinued operations of $0.5 million and $1.3 million, respectively. In March 2003, we sold the remaining inventories of the briquette division of the Colorado Aggregate division ("CAC") of MWCA, Inc., and no longer produce or sell any product from our former industrial minerals segment. The briquette division of CAC represented the remaining portion of our industrial minerals segment, which reported a loss from operations of approximately $48,000 and $70,000, respectively, for the third quarter and first nine months of 2003. All activity associated with the former industrial minerals segment during the third quarter and first nine months of 2003 is considered a general corporate activity and is presented as "other" where appropriate. For additional information, see Note 2 of Notes to Consolidated Financial Statements.

Silver Operations and Production

For the three and nine months ended September 30, 2003, the silver segment reported income from operations of $6.3 million and $12.6 million, respectively, compared to a loss from operations of $0.1 million during the third quarter of 2002 and income of $2.6 million during the first nine months of 2002. Sales of products increased by $5.5 million and cost of sales and other direct production costs as a percentage of sales from products decreased to 46.0% in the third quarter of 2003, from 75.7% in the third quarter of 2002. During the nine-month period, sales of products increased by $13.0 million and cost of sales and other direct production costs as a percentage of sales from products decreased to 55.1% in 2003 from 70.2% in the first nine months of 2002. Factors contributing to these changes for both the third quarter and nine-month periods are in the discussion of each operating property following the table

below.

Silver production during the third quarter and first nine months of 2003 totaled 2.6 million ounces and 7.5 million ounces, respectively, compared to 2.1 million ounces and 6.4 million ounces, respectively, during the same periods in 2002. The average total cash cost per ounce decreased 46%, from $2.44 per silver ounce during the third quarter of 2002 to $1.33 per silver ounce during the third quarter of 2003. During the first nine months of 2003, the average total cash cost per ounce decreased 35% compared to the same period in 2002, from $2.32 per silver ounce during the first nine months in 2002 to $1.52 per silver ounce in 2003. Gold produced at our silver operations had a significant impact on our average total cash cost per ounce. Because it is considered a by-product of our silver production, it contributed to the decrease in average total cash costs during the comparable periods due primarily to a higher average gold price, as well as increased gold production.

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

The following table presents total production, total cash costs, total production costs and average metals prices as they pertain to our silver operations for the periods indicated:

	Three Months Ended September 30,		Nine Months End September 30,	
	2003	2002	2003	20
Silver ounces produced (in thousands):				
San Sebastian	1,104	823	3,135	2,
Greens Creek	1,046	827	2,620	2,
Lucky Friday	493	429	1,731	1,
Gold ounces produced:				
San Sebastian	11,988	10,112	35,047	29,
Greens Creek	7,401	7,333	22,355	23,
Lead produced (tons):				
Greens Creek	2,047	1,839	6,158	6,
Lucky Friday	2,942	2,135	9,865	7,
Zinc produced (tons):				
Greens Creek	4,163	5,665	16,980	17,
Lucky Friday	648	497	1,835	1,
Total cash costs per ounce ($/oz.) (1,2)	1.33	2.44	1.52	2
Total production costs per ounce ($/oz.) (1,2)	2.64	3.85	2.76	3
Average Metals Prices:				
Silver-Handy & Harman ($/oz.)	5.03	4.70	4.78	4
Gold-London Final ($/oz.)	363	314	354	
Lead-LME Cash ($/pound)	0.232	0.195	0.216	0.
Zinc-LME Cash ($/pound)	0.372	0.347	0.360	0.

(1) Includes by-product credits from gold, lead and zinc production and are calculated pursuant to standards of the Gold Institute.

(2) Cash costs per ounce of silver or gold represent non-U.S. Generally Accepted Accounting Principles (GAAP) measurements that management uses to monitor and evaluate the performance of its mining operations. We believe cash costs per ounce of silver or gold provide an indicator of profitability and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other mining operating properties. A reconciliation of this non-GAAP measure to cost of sales and other direct production costs, the most comparable GAAP measure, can be found below under Reconciliation of Total Cash Costs to Costs of Sales and Other Direct Production Costs.

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Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

San Sebastian

For the third quarter and first nine months of 2003, the San Sebastian mine, located in the State of Durango, Mexico, reported sales of $8.4 million and $25.2 million, respectively, compared to $5.5 million and $17.6 million, respectively, during the same periods in 2002. These increases are primarily due to increased production resulting from significantly higher silver and gold ore grades, combined with higher average metals prices. San Sebastian commenced mining operations in May 2001 and reached full capacity during the second quarter of 2002.

The grade of silver ore at San Sebastian improved to approximately 29 ounces per ton during the third quarter of 2003, compared to 24 ounces per ton during the third quarter of 2002, and to approximately 30 ounces per ton during the first nine months of 2003, compared to approximately 24 ounces per ton during the first nine months of 2002. San Sebastian had an average grade of 0.32 ounce of gold per ton during the third quarter of 2003 and an average grade of 0.34 ounce of gold per ton during the first nine months of 2003, a 6% and 16% increase, respectively, over the same periods in 2002. For the three and nine months ended September 30, 2003, silver production increased 34% and 27%, respectively, over the same periods a year ago, while gold production increased 19% and 17%, respectively, in the 2003 periods from the third quarter and first nine months of 2002.

The total cash cost at San Sebastian decreased by approximately 120% and 103%, respectively, from the third quarter and first nine months of 2002, to a negative $0.22 and negative $0.04 per silver ounce during the third quarter and first nine months of 2003, primarily due to significant by-product credits from increased gold production and a higher average gold price. Silver and gold production at San Sebastian is estimated to be approximately 3.9 million ounces and 46,000 ounces, respectively, for the year ended December 31, 2003.

Greens Creek

The Greens Creek mine, a 29.73%-owned joint-venture arrangement with

Kennecott Greens Creek Mining Company located on Admiralty Island, near Juneau, Alaska, reported sales of $8.3 million and $21.6 million, respectively, for our account during the third quarter and first nine months of 2003, as compared to $6.5 million and $18.2 million, respectively, during the same periods in 2002, primarily due to higher average metals prices. During the third quarter of 2003, Greens Creek reported a 10% increase in tons milled, a 9% increase in the silver ore grade and an increase of 26% in silver production, partially offset by lower zinc production, when compared to the third quarter of 2002. Silver production during the first nine months of 2003 was slightly higher than its comparable period in 2002 (4%), while gold, lead and zinc production was lower (3%, 1% and 5%, respectively).

The total cash costs per silver ounce decreased by approximately 41% and 29%, respectively, from $1.93 and $1.76 per silver ounce during the third quarter and first nine months of

2002, to $1.14 and $1.25 per silver ounce, respectively, during the third quarter and first nine months of 2003. The decreases in costs per ounce are primarily due to the increased by-product credits primarily from a higher average gold price during 2003. For the year ending December 31, 2003, production is forecasted to total approximately 3.4 million silver ounces, 29,000 ounces of gold and 7,500 and 22,500 tons of lead and zinc, respectively.

Lucky Friday

The Lucky Friday mine, located in northern Idaho and a producing mine for Hecla since 1958, reported sales of approximately $2.8 million and $8.9 million, respectively, during the third quarter and first nine months of 2003, compared to $2.0 million and $6.9 million, respectively, during the same periods in 2002. The 40% increase in sales during the third quarter of 2003 over the third quarter in 2002 is due primarily to an increase in metals prices and a 32% increase in the silver ore grade resulting in a 15% increase in silver production, offset slightly by a 13% decrease in tons milled. During the first nine months of 2003, Lucky Friday reported approximately the same tons milled, or 116,000 tons, a 19% increase in the silver ore grade, resulting in a 21% increase in silver ounces produced over the first nine months of 2002. Also contributing to the increase in sales during both comparable periods is an increase in lead and zinc production, as well as increases in their prices.

Due primarily to the increase in silver production, the total cash costs per silver ounce for the third quarter and first nine months of 2003 decreased to $5.20 and $4.75, respectively, compared to $5.96 and $5.08 per silver ounce during the same periods in 2002. For the year ending December 31, 2003, production is forecasted to total approximately 2.0 million silver ounces and 12,000 tons of lead.

Reconciliation of Total Cash Costs (non-GAAP) to Cost of Sales and Other Direct Production Costs (GAAP)

The following tables present reconciliations between non-GAAP total cash costs to cost of sales and other direct production costs (GAAP) for our

silver operations in total, as well as for each individual operating property, for the three months and nine months ended September 30, 2003 and 2002 (in thousands, except costs per ounce). We believe cash costs per ounce of silver or gold provide an indicator of profitability and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other mining operating properties. Cost of sales and other direct production costs is the most comparable financial measure calculated in accordance with GAAP to total cash costs. The sum of the cost of sales and other direct production costs for our gold and silver segments is presented in our Consolidated Statement of Operations and Comprehensive Loss.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
TOTAL SILVER SEGMENT				
Total cash costs	$ 3,515	$ 5,068	$ 11,371	$ 14,901
Divided by silver ounces produced	2,643	2,079	7,486	6,423
Total cash cost per ounce produced	$ 1.33	$ 2.44	$ 1.52	$ 2.32
Reconciliation to GAAP:				
Total cash costs	3,515	5,068	11,371	14,901
Treatment & freight costs	(4,498)	(4,114)	(13,753)	(13,403)
By-product credits	11,452	8,949	33,674	27,803
Change in product inventory	(1,640)	419	(1,012)	(200)
Reclamation and other costs	143	271	415	838
Cost of sales and other direct production costs (GAAP)	$ 8,972	$ 10,593	$ 30,695	$ 29,939
SAN SEBASTIAN				
Total cash costs	$ (247)	$ 914	$ (112)	$ 3,184
Divided by silver ounces produced	1,104	823	3,135	2,472
Total cash cost per ounce produced	$ (0.22)	$ 1.11	$ (0.04)	$ 1.29
Reconciliation to GAAP:				
Total cash costs	(247)	914	(112)	3,184
Treatment & freight costs	(578)	(560)	(1,594)	(1,743)
By-product credits	4,347	3,177	12,383	9,182
Change in product inventory	(1,067)	(641)	(1,292)	(621)
Reclamation and other costs	75	89	216	308
Cost of sales and other direct production costs (GAAP)	$ 2,530	$ 2,979	$ 9,601	$ 10,310

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
GREENS CREEK				
Total cash costs	$ 1,196	$ 1,596	$ 3,264	$ 4,426
Divided by silver ounces produced	1,046	827	2,620	2,515
Total cash cost per ounce produced	$ 1.14	$ 1.93	$ 1.25	$ 1.76
Reconciliation to GAAP:				
Total cash costs	1,196	1,596	3,264	4,426
Treatment & freight costs	(2,940)	(2,852)	(9,008)	(9,261)
By-product credits	5,771	4,970	17,458	15,975
Change in product inventory	(406)	1,083	383	326
Reclamation and other costs	57	155	170	455
Cost of sales and other direct production costs (GAAP)	$ 3,678	$ 4,952	$ 12,267	$ 11,921
LUCKY FRIDAY				
Total cash costs	$ 2,566	$ 2,558	$ 8,219	$ 7,291
Divided by silver ounces produced	493	429	1,731	1,436
Total cash cost per ounce produced	$ 5.20	$ 5.96	$ 4.75	$ 5.08
Reconciliation to GAAP:				
Total cash costs	2,566	2,558	8,219	7,291
Treatment & freight costs	(980)	(702)	(3,151)	(2,399)
By-product credits	1,334	802	3,833	2,646
Change in product inventory	(167)	(23)	(103)	95
Reclamation and other costs	11	27	29	75
Cost of sales and other direct production costs (GAAP)	$ 2,764	$ 2,662	$ 8,827	$ 7,708

Gold Operations and Production

We currently operate the La Camorra mine, located in the eastern Venezuelan State of Bolivar, approximately 120 miles southeast of Puerto Ordaz. At the present time, La Camorra is our sole gold operating unit.

Sales of product decreased by $5.2 million (38%) and $8.5 million

(23%), respectively, during the third quarter and first nine months of 2003, compared with the same periods in 2002,

primarily due to decreases in gold ounces produced (42% and 29%, respectively) due to lower grade ore, offset by increases in the realized price of gold, which increased 10% during both the quarter and nine-month comparative periods. Our realized gold price per ounce for the third quarter and nine months of 2003 was $337 and $332, respectively, compared to the London Final gold price per ounce of $363 and $354, respectively. Our realized gold prices were less than the London Final prices due to our forward gold sales commitments at $288 per ounce. For the three and nine months ended September 30, 2003, income from operations decreased $3.7 million and $6.3 million, respectively, or 71% and 50%, compared to the three and nine months ended September 30, 2002, primarily due to the above-mentioned decrease in sales, as well as an increase in exploration expenditures.

During the third quarter and first nine months of 2003, La Camorra produced approximately 28,000 and 95,000 gold ounces, respectively, at a total cash cost of $161 and $145 per ounce, compared to approximately 48,000 and 134,000 gold ounces, respectively, at total cash costs of $121 and $130 per ounce during the same periods in 2002. La Camorra had a record-breaking year in 2002, producing gold at an average grade of 1.03 ounces of gold per ton during the third quarter and 0.93 ounce of gold per ton in the first nine months. In 2003, La Camorra had an average grade of 0.58 ounce of gold per ton during the third quarter, with an average grade of 0.69 ounce of gold per ton for the first nine months. For the year ended December 31, 2002, La Camorra produced over 167,000 ounces of gold. Gold production is projected to reach approximately 122,000 to 124,000 ounces for the year ending December 31, 2003.

The lower ore grade during the third quarter of 2003 at La Camorra resulted from development of fewer high grade tons on the Betzy vein than the reserve model estimated. Development of the Betzy vein on the recently started minus 440 meter level, and drilling between this elevation and minus 550 meters, leads management to be encouraged regarding the development of higher grade ore on deeper levels. These factors, along with other information obtained from the 2003 drilling programs and mining experience, will be evaluated during the fourth quarter in order to calculate ore reserves at the end of the year.

Cost of sales and other direct production costs as a percentage of sales from products increased to 43.8% during the third quarter of 2003, from 35.8% during the third quarter of 2002, and increased to 40.4% during the first nine months of 2003, from 38.9% during the same period in 2002. We have been able to maintain low costs during 2003 as compared to 2002 despite the lower production levels, in part due to the weakening of the Venezuelan currency, the bolivar.

As described below, the Venezuelan government has fixed the exchange rate of the bolivar to the U.S. dollar at 1,600 to 1; however, markets outside of Venezuela reflect a devaluation of the Venezuelan currency at approximately 30%, which has benefited our cost structure despite the lower production levels during the first nine months of 2003.

Beginning late in the fourth quarter of 2002, Venezuela experienced a general strike that ended in February 2003. The result of the strike included shortages of oil and gas supplies in Venezuela and a severe economic downturn. We continued to operate the La Camorra mine during the general strike and were able to obtain adequate supplies, including oil and gas for our operations. Although we believe we will be able to manage and operate our La Camorra mine and related exploration projects successfully, due to the continued political, regulatory and economic uncertainty and its ramifications on exchange controls, labor stoppages and supplies of oil, gas and other products, there can be no assurance we will be able to operate without interruptions to our operations.

Following the general strike in Venezuela, the Venezuelan government announced its intent to implement exchange controls on foreign currency transactions. Rules and regulations regarding the implementation of exchange controls in Venezuela have been published and periodically revised/updated. Since February 2003, the Venezuelan government-fixed exchange rate has been 1,600 bolivares to one U.S. dollar, which is the exchange rate we have utilized to translate the financial statements of our Venezuelan subsidiary included in our consolidated financial statements. Because of the exchange controls in place and their impact on local suppliers, some supplies, equipment parts and other items once purchased in Venezuela have been ordered outside the country due to lack of local inventories. Increased lead times in receiving orders from outside Venezuela has created an increased supply inventory at September 30, 2003, compared to December 31, 2002. Although management is actively monitoring exchange controls in Venezuela, there can be no assurance that the exchange controls will not further affect our operations in Venezuela in the future.

Reconciliation of Total Cash Costs (non-GAAP) to Cost of Sales and Other Direct Production Costs (GAAP)

The following table presents a reconciliation between non-GAAP total cash costs to cost of sales and other direct production costs (GAAP) for the La Camorra mine for the three months and nine months ended September 30, 2003 and 2002 (in thousands, except costs per ounce). We believe cash costs per ounce of silver or gold provide an indicator of profitability and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other mining operating properties. The sum of the cost of sales and other direct production costs for our gold and silver segments is presented in our Consolidated Statement of Operations and Comprehensive Loss.

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Total cash costs	$ 4,496	$ 5,802	$ 13,736	$ 17,359
Divided by gold ounces produced	28	48	95	134
Total cash cost per ounce produced	$ 161	$ 121	$ 145	$ 130
Reconciliation to GAAP:				
Total cash costs	4,496	5,802	13,736	17,359
Treatment & freight costs	(370)	(512)	(1,175)	(1,404)
Change in product inventory	(586)	(505)	(1,428)	(2,007)
Reclamation and other costs	(8)	112	53	316
Cost of sales and other direct production costs (GAAP)	$ 3,532	$ 4,897	$ 11,186	$ 14,264

Corporate Matters

The provision for closed operations and environmental matters increased $22.8 million and $22.7 million, respectively, during the third quarter and first nine months of 2003, compared to the same periods in 2002, principally due to a provision for future reclamation and other closure costs during the third quarter of 2003 ($23.1 million), primarily for future anticipated expenditures in Idaho's Coeur d'Alene Basin ($16.0 million) and for the Grouse Creek mine cleanup in central Idaho ($6.8 million). For additional information, see "Item 2 - Results of Operations."

Interest and other income increased $5.5 million, from $1.5 million to $7.0 million, during the first nine months of 2003, compared to the same period in 2002, primarily due to a cash settlement from Zemex Corporation during the first quarter of 2003 for its subsidiary's failure to close on the sale of the K-T Group in 2001 ($4.0 million), interest income received during the second and third quarters of 2003 from the Mexican government for interest on unpaid value-added tax receivables ($1.3 million), as well as interest income generated from an increased cash balance due to the public offering in January 2003 ($0.8 million). Lower mark to market adjustments on our outstanding gold lease rate swap offset the positive variance described above during the first nine months of 2003 ($0.5 million). Interest and other income increased $1.1 million during the third quarter of 2003 when compared to the third quarter of 2002 primarily due to the receipt of interest income on unpaid value-added tax receivables from the Mexican government ($1.0 million) and interest income generated from an increased cash balance ($0.3 million).

Exploration expense increased $1.3 million and $5.3 million, respectively, during the third quarter and first nine months of 2003, compared to the same periods in 2002, primarily due to

increased exploration expenditures in Mexico on the Don Sergio vein ($0.4 million and $1.2 million, respectively) and other areas at or near the San Sebastian mine ($0.3 million and $0.9 million, respectively); and in Venezuela on the Block B concessions ($0.7 million and $1.6 million, respectively) and the Canaima resource ($48,000 and $0.6 million, respectively), offset by lower expenditures at or near the La Camorra mine ($0.5 million and $0.7 million, respectively). Exploration at the Hollister Development Block in Nevada during the third quarters of 2003 and 2002 was approximately the same, or $0.1 million, during both periods, however for the first nine months of 2003, exploration increased $1.0 million compared to the same period in 2002. Also included in the increased exploration expenditures during the first nine months of 2003 are increased project evaluation costs ($0.1 million and $0.5 million, respectively) and increased exploration expenditures at the Lucky Friday mine ($0.2 million and $0.2 million, respectively).

We estimate that exploration expenditures for the remainder of 2003 will be in the range of $2.0 million to $3.0 million, principally for continued drilling in Venezuela and Mexico and permitting activities at the Hollister Development Block in Nevada. In Venezuela, exploration will focus on the Main and Betzy veins at La Camorra, at Mina Isidora located on the Block B concessions and at the Canaima property, located approximately five miles from La Camorra. Block B and Canaima are both within trucking distance of the La Camorra mill. In October 2003, we completed an acquisition of a pre-existing lease within the Block B area for $750,000 in cash plus the assumption of $1.3 million in debt, which we paid. We are currently evaluating whether this new property, which includes an incline shaft and eliminates the need for a barrier pillar, will provide earlier access to the adjacent Mina Isidora orebody. We also continue to evaluate the development of an underground ramp to access the Mina Isidora orebody and a decision to commence development could be made by the end of 2003. We have also previously announced plans to commence construction of a production shaft to access the lower areas of the Main and Betzy veins at La Camorra. In Mexico, exploration will focus on the Don Sergio vein, which has completed ramp preparation, surface facilities and an access road, and other targets surrounding the San Sebastian mine. First access to the Don Sergio vein has been completed and we anticipate commencing commercial production during the fourth quarter of 2003. Permitting continues at the Hollister Development Block and, although difficult to predict, we anticipate the approval of all permits necessary to begin the underground exploration ramp sometime during the first quarter of 2004.

Provision for income taxes increased $0.3 million and $1.8 million, respectively, during the third quarter and first nine months of 2003, compared to the same periods in 2002, primarily a result of utilization of deferred tax assets in Mexico and accrued Mexican withholding tax payable on interest expense. For further information see Note 3 of Notes to Consolidated Financial Statements.

Miscellaneous expense increased $1.4 million during the first nine months of 2003, compared to the same period in 2002, primarily due to a foreign exchange gain in 2002 due to the devaluation of the Venezuelan bolivar ($0.8 million), a foreign exchange variance in Mexico ($0.6 million) and increased corporate insurance expense ($0.3 million), offset by accruals for tax offset bonuses on employee stock option plans ($0.2 million). During the third quarter of 2003, miscellaneous expense increased $0.1 million over the same period in 2002.

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

General and administrative expenses increased $0.3 million and $1.0 million, respectively, during the third quarter and first nine months of 2003, compared to the same periods in 2002, primarily due to accruals for employee incentive compensation during 2003.

Interest expense decreased $0.2 million and $0.5 million, respectively, during the third quarter and first nine months of 2003, compared to the same periods in 2002, principally due to lower average borrowings and lower interest rates on debt.

FINANCIAL CONDITION AND LIQUIDITY

Our financial condition has improved considerably since the beginning of 2003 due to operating performance and the completion of a public offering, which resulted in net cash proceeds of approximately $91.2 million. At September 30, 2003, we held cash and cash equivalents of $102.8 million (compared to $19.5 million at December 31, 2002) and $12.3 million in securities due within the next twelve months, with a current ratio of 4.5 to 1. For additional information regarding the public offering, see Note 10 of Notes to Consolidated Financial Statements.

We believe cash requirements over the next twelve months will be funded through a combination of current cash, future cash flows from operations and/or future debt or equity security issuances. Although we believe existing cash and cash equivalents are adequate, we cannot project the cash impact of possible future investment opportunities or acquisitions, and our operating properties may require more cash than forecasted.

Contractual Obligations and Contingent Liabilities and Commitments

The table below presents our future contractual obligations and commitments primarily with regards to payment of debt, certain capital expenditures and lease arrangements as of September 30, 2003 (in thousands). For additional information on outstanding debt, see Note 6 of Notes to Consolidated Financial Statements.

	Payments Due By Period			
Contractual obligations	2003	2004	2005	2006
Debt	$ 2,708	$ 2,332	$ 1,366	$ 959
Capital expenditure commitments(1)	4,461	--	--	--
Earn-in agreement	420	8,094	85	--
Operating lease commitments	157	553	526	501
Total contractual cash obligations	$ 7,746	$ 10,979	$ 1,977	$ 1,460

(1) As of September 30, 2003, we were committed to approximately $0.6 million for the commencement of a project to sink a shaft at the La Camorra mine. On November 1, 2003, we signed a contract committing ourselves further by an additional $5.4 million, also in regards to the shaft at La Camorra.

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Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

We maintain reserves for costs associated with mine closure, reclamation of land and other environmental matters. At September 30, 2003, our reserves for these matters totaled $70.3 million, for which no contractual or commitment obligations exist. Future expenditures related to closure, reclamation and environmental expenditures are difficult to estimate, although we anticipate we will make expenditures relating to these reserves over the next thirty years. During 2003, expenditures for environmental remediation and reclamation are estimated to be in the range of $6.0 million and $6.5 million. For additional information relating to our environmental obligations, see Notes 5 and 12 of Notes to Consolidated Financial Statements.

Operating Activities

Operating activities provided approximately $17.6 million in cash during the first nine months of 2003, primarily from cash provided by La Camorra, San Sebastian and Greens Creek. Net cash provided by operating activities was negatively affected by increases in accounts and notes receivable ($5.5 million), cash required for reclamation activities and other noncurrent liabilities ($4.4 million), increases in inventories ($3.6 million) and changes in other current and noncurrent assets ($1.4 million), offset by an increase in accrued taxes payable ($1.2 million) and increases in accounts payable and other accrued expenses ($0.4 million). Positive noncash elements included provisions for reclamation and closure costs ($23.5 million), which includes the third quarter accrual of $23.1 million related to the Coeur d'Alene Basin and Grouse Greek mine cleanup, charges for depreciation, depletion and amortization ($15.6 million) and a change in deferred income taxes ($1.5 million), offset by a gain on the disposition of fixed assets ($0.3 million) and a cumulative effect of change in accounting principle upon adoption of SFAS No. 143 ($1.1 million).

Beginning late in the fourth quarter of 2002, Venezuela experienced a general strike that ended in February 2003. The result of the strike included shortages of oil and gas supplies in Venezuela and a severe economic downturn. We continued to operate the La Camorra mine during the general strike and were able to obtain adequate supplies, including oil and gas for our operations. Although we believe we will be able to manage and operate our La Camorra mine and related exploration projects successfully, due to the continued political, regulatory and economic uncertainty and its ramifications on exchange controls, labor stoppages and supplies of oil, gas and other products, there can be no assurance we will be able to operate without interruptions to our operations.

Following the general strike in Venezuela, the Venezuelan government announced its intent to implement exchange controls on foreign currency transactions. Rules and regulations regarding the implementation of exchange controls in Venezuela have been published and periodically revised/updated. Since February 2003, the Venezuelan government-fixed exchange rate has been

1,600 bolivares to one U.S. dollar, which is the exchange rate we have utilized to translate the financial statements of our Venezuelan subsidiary included in our consolidated

financial statements. Because of the exchange controls in place and their impact on local suppliers, some supplies, equipment parts and other items once purchased in Venezuela have been ordered outside the country due to lack of local inventories. Increased lead times in receiving orders from outside Venezuela has created an increased supply inventory at September 30, 2003, compared to December 31, 2002. Although management is actively monitoring exchange controls in Venezuela, there can be no assurance that the exchange controls will not further affect our operations in Venezuela in the future.

Investing Activities

Investing activities required $24.4 million in cash during the first nine months of 2003 primarily for additions to properties, plants and equipment of ($12.6 million) and the purchase of short term investments ($12.3 million), offset by proceeds received on the sale of fixed assets of $0.5 million. Capital expenditures during 2003 consist of additions at the La Camorra mine ($6.5 million), the San Sebastian mine ($3.6 million), the Greens Creek mine ($0.9 million), the commencement of a sampling plant in Venezuela ($0.8 million) and capital additions at the Hollister Development Block ($0.7 million).

Commencing in the fourth quarter of 2003, the Greens Creek joint venture will establish a $26.6 million restricted trust for reclamation funding in the future. The $26.6 million will be funded from operating cash flows over the next twelve months, with approximately $14.0 million anticipated to be funded during the fourth quarter. Our 29.73% portion of the $26.6 million will be approximately $7.9 million, including $4.2 million anticipated to be funded in the fourth quarter of 2003, which will be recorded as a noncurrent, restricted investment on our consolidated balance sheet.

In 2003, we estimate our capital expenditures will be in the range of $19.0 to $24.0 million, which represents sustaining capital at our existing operations, equipment acquisitions at the San Sebastian mine in Mexico and at the Hollister Development Block in Nevada, development expenditures at the Don Sergio vein in Mexico and a custom milling project at the La Camorra mine in Venezuela. The estimate also includes commencement of a project to sink a shaft at the La Camorra mine and for equipment and potential development at Mina Isidora, located on the Block B concessions in Venezuela. Also included in the estimate of capital expenditures is the October 2003 acquisition of a pre-existing lease within the Block B area for $750,000 in cash plus the assumption of $1.3 million in debt, which we paid. There can be no assurance that our estimated capital expenditures for 2003 will be in the range we have projected.

Financing Activities

During the first nine months of 2003, financing activities generated approximately $90.0 million in cash due to the public offering in January for

$91.2 million, proceeds of $3.4 million

for common stock issued upon exercise of employee stock options and short-term borrowings on a line of credit for national currency in Venezuela ($1.4 million), offset slightly by the repayment of project financing debt ($5.9 million), including the line of credit in Venezuela.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make a wide variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements. Our management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increases, these judgments become even more subjective and complex. We have identified certain accounting policies that are most important to the portrayal of our current financial condition and results of operations.

Revenue Recognition

Sales of metals products sold directly to smelters are recorded when title and risk of loss transfer to the smelter at current spot metals prices. Due to the time elapsed from the transfer to the smelter and the final assay settlement with the smelter (generally three months), we must estimate the price at which our metals will be sold in reporting our profitability and cash flow. Recorded values are adjusted monthly until final settlement at month-end metals prices. If there was a significant variance in estimated metals prices or assays compared to the final actual metals prices and assays, our monthly results of operations could be affected. Sales of metal in products tolled, rather than sold to smelters, are recorded at contractual amounts when title and risk of loss transfer to the buyer.

Changes in the market price of metals significantly affect our revenues, profitability and cash flow. Metals prices can and often do fluctuate widely and are affected by numerous factors beyond our control, such as political and economic conditions, demand, forward selling by producers, expectations for inflation, central bank sales, the relative exchange rate of the U.S. dollar, purchases and lending, investor sentiment, and global mine production levels. The aggregate effect of these factors is impossible to predict. Because a significant portion of our revenues is derived from the sale of silver, gold, lead and zinc, our earnings are directly related to the prices of these metals. If the market price for these metals falls below our total production costs, we will experience losses on such sales.

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

Proven and Probable Ore Reserves

On a periodic basis, management reviews the reserves that reflect estimates of the quantities and grades of ore at our mines which management believes can be recovered and sold at prices in excess of the total cost associated with extraction and processing the ore. Management's calculations of Proven and Probable ore reserves are based on in-house engineering and geological estimates using current operating costs, metals prices and demand for our products. Periodically, management obtains external determinations of reserves.

Reserve estimates will change as existing reserves are depleted through production, as well as changes in estimates caused by changing production cost and/or metals prices. Changes in reserves may also reflect that actual grades of ore processed may be different from stated reserve grades because of variation in grades in areas mined, mining dilution and other factors. Reserves estimated for properties that have not yet commenced production may require revision based on actual production experience.

Declines in the market price of metals, as well as increased production or capital costs or reduced recovery rates, may render ore reserves uneconomic to exploit unless the utilization of forward sales contracts or other hedging techniques is sufficient to offset such effects. If our realized price for the metals we produce, including hedging benefits, were to decline substantially below the levels set for calculation of reserves for an extended period, there could be material delays in the development of new projects, net losses, reduced cash flow, restatements or reductions in reserves and asset write-downs in the applicable accounting periods. Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. No assurance can be given that the estimate of the amount of metal or the indicated level of recovery of these metals will be realized.

Depreciation and Depletion

Depreciation is based on the estimated useful lives of the assets and is computed using straight-line and unit-of-production methods. Depletion is computed using the unit-of-production method. The unit-of-production method is based on Proven and Probable ore reserves. As discussed above, our estimates of Proven and Probable ore reserves may change, possibly in the near term, resulting in changes to depreciation, depletion, amortization and reclamation accrual rates in future reporting periods.

Impairment of Long-Lived Assets

Management reviews the net carrying value of all facilities, including idle facilities, on a periodic basis. We estimate the net realizable value of each property based on the estimated undiscounted future cash flows that will be generated from operations at each property, the

estimated salvage value of the surface plant and equipment and the value associated with property interests. These estimates of undiscounted future cash flows are dependent upon the future metals price estimates over the estimated remaining mine life. If undiscounted cash flows are less than the carrying value of a property, an impairment loss is recognized based upon the estimated expected future cash flows from the property discounted at an interest rate commensurate with the risk involved.

Management's estimates of metals prices, recoverable Proven and Probable ore reserves, and operating, capital and reclamation costs are subject to risks and uncertainties of change affecting the recoverability of our investment in various projects. Although management believes it has made a reasonable estimate of these factors based on current conditions and information, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimate of net cash flows expected to be generated from our operating properties and the need for asset impairment write-downs.

Environmental Matters

On January 1, 2003, we adopted SFAS No. 143 "Accounting for Asset Retirement Obligations," which requires that the fair value of a liability for an environmental remediation obligation, or an asset retirement obligation (ARO), at our operating properties be recognized in the period in which it is incurred. Reclamation costs are allocated to expense over the life of the related assets and will be adjusted for changes resulting from the passage of time and changes to either the timing or amount of the original present value estimate underlying the obligation.

At our non-operating properties, we accrue costs associated with environmental remediation obligations when it is probable that such costs will be incurred and they are reasonably estimable. Accruals for estimated losses from environmental remediation obligations have historically been recognized no later than completion of the remedial feasibility study for such facility and are charged to provision for closed operation and environmental matters.

We periodically review our accrued liabilities for remediation costs as evidence becomes available indicating that our remediation liabilities have potentially changed. Such costs are based on management's current estimate of amounts expected to be incurred when the remediation work is performed within current laws and regulations. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable.

Future closure, reclamation and environment-related expenditures are difficult to estimate in many circumstances due to the early stages of investigation, uncertainties associated with defining the nature and extent of environmental contamination, the uncertainties relating to specific reclamation and remediation methods and costs, application and changing of

Part I - Financial Information (Continued)

environmental laws, regulations and interpretations by regulatory authorities and the possible participation of other potentially responsible parties. Reserves for closure costs, reclamation and environmental matters totaled $70.3 million at September 30, 2003. We anticipate that expenditures relating to these reserves will be made over the next thirty years. It is reasonably possible that the ultimate cost of remediation could change in the future and that changes to these estimates could have a material effect on future operating results as new information becomes known.

NEW ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations," which amends SFAS No. 19, and establishes a uniform methodology for accounting for estimated reclamation and abandonment costs. The statement was required to be adopted by January 1, 2003. For information regarding the impact to our consolidated financial statements upon adoption, see Note 11 of Notes to Consolidated Financial Statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS No. 145). SFAS No. 145 updates, clarifies and simplifies existing accounting pronouncements, by rescinding SFAS No. 4, which required all gains and losses from extinguishments of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result, the criteria in Accounting Principles Board Opinion No. 30 will now be used to classify those gains and losses. Additionally, SFAS No. 145 amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. Finally, SFAS No. 145 also makes technical corrections to existing pronouncements. While those corrections are not substantive in nature, in some instances, they may change accounting practice. The provisions of SFAS No. 145 that amend SFAS No. 13 were effective for transactions occurring after May 15, 2002, with all other provisions of SFAS No. 145 being required to be adopted by us in January 2003. The adoption of SFAS No. 145 did not have a material impact on our consolidated financial statements.

On July 30, 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing or other exit or disposal activity. SFAS No. 146 replaces the prior guidance that was provided by EITF Issue No. 94-3 "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs

Incurred in a Restructuring)." SFAS No. 146 is to be applied prospectively to

exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material impact on our consolidated financial statements.

In November 2002, the FASB issued FASB Interpretation No. 45, Guarantor's Accounting for Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34, Disclosure of Indirect Guarantees of Indebtedness of Others ("FIN 45"). FIN 45 clarifies the requirements for a guarantor's accounting for and disclosure of certain guarantees issued and outstanding. It also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This interpretation also incorporates without reconsideration the guidance in FASB Interpretation No. 34, which is being superseded. The adoption of FIN 45 did not have a material effect on our consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation, Transition and Disclosure, an amendment of FASB Statement No. 123." SFAS No. 148 provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects of reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this statement amends APB Opinion No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information. The amendments to SFAS No. 123, which provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation is effective for financial statements for fiscal years ending after December 15, 2002. The amendment to SFAS No. 123 relating to disclosures and the amendment to Opinion 28 is effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. We have adopted the disclosure-only provisions of SFAS No. 123 and do not intend to adopt the fair value accounting provisions of SFAS No. 123. The adoption of SFAS No. 148 did not have a material impact on our consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46) "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin (ARB) No. 51, Consolidated Financial Statements." FIN 46 clarifies the application of ARB No. 51 to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional

subordinated financial support from other parties. The adoption of FIN 46 did not have a material effect on our consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments,

including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is effective for all contracts created or modified after June 30, 2003. The adoption of this standard did not have a material effect on our consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150 "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards on the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003, and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material effect on our consolidated financial statements.

OTHER

Holders of our Series B preferred stock are entitled to receive cumulative cash dividends at the annual rate of $3.50 per share, payable quarterly, when and if declared by the board of directors. As of January 31, 2002, we had not declared and paid the equivalent of six quarterly dividends, entitling holders of the preferred stock to elect two directors at our annual shareholders' meeting. On May 10, 2002, holders of the preferred stock, voting as a class, elected two additional directors. As of September 30, 2003, we have not declared or paid $8.6 million of preferred stock dividends. We are currently not planning to reinstate the preferred stock dividend.

We filed a Registration Statement with the Securities and Exchange Commission (SEC) covering 1,394,883 shares of our common stock held by the Hecla Mining Company Retirement Plan and the Lucky Friday Pension Plan (the "benefit plans") and 2.0 million shares of our common stock issuable upon exercise of a warrant issued to Great Basin Gold Ltd. (Great Basin) pursuant to an Earn-in Agreement concerning exploration, development and production in an area of Great Basin's Hollister Development Block gold property, located on the Carlin Trend in Nevada. The warrant to purchase our common stock is exercisable on or before August 1, 2004 at $3.73 per share. The Registration Statement became effective in January 2003. For additional information, see Note 10 of Notes to Consolidated Financial Statements.

For information on hedged positions and derivative instruments, see Item 3 "Quantitative and Qualitative Disclosures About Market Risk."

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion about our risk-management activities includes forward-looking statements that involve risk and uncertainties, as well as summarizes the financial instruments and derivative instruments held by us at September 30, 2003, which are sensitive to changes in interest rates and commodity prices and are not held for trading purposes. Actual results could differ materially from those projected in the forward-looking statements. We believe there has not been a material change in our market risk since the end of our last fiscal year. In the normal course of business, we also face risks that are either nonfinancial or nonquantifiable (See Part I, Item 1 - Risk Factors in our 2002 Annual Report on Form 10-K).

Interest-Rate Risk Management

At September 30, 2003, our debt and short-term investments were subject to changes in market interest rates and was sensitive to those changes. We currently have no derivative instruments to offset the risk of interest rate changes. We may choose to use derivative instruments in the future, such as interest rate swaps, to manage the risk associated with interest rate changes.

The following table presents principal cash flows (in thousands) for debt outstanding and short-term investments at September 30, 2003, by maturity date and the related average interest rate. The variable rates are estimated based on implied forward rates in the yield curve at the reporting date.

Expected Maturity Date					
2003	2004	2005	2006	2007	Total

Subordinated debt	$ 1,000	$ 1,000	--	--	--	$ 2,000
Average interest rate	5.2%	5.7%	--	--	--	
Project financing debt	$ 1,500	$ 500	--	--	--	$ 2,000
Average interest rate	3.7%	4.2%	--	--	--	
Project financing debt	$ 208	$ 832	$ 1,366	$ 959	--	$ 3,365
Average interest rate	13%	13%	13%	13%	--	
Short-term investments	$ 8	$12,250	--	--	--	$12,258
Average interest rate	1.12%	1.32%	--	--	--	

Commodity-Price Risk Management

We use commodity forward sales commitments, commodity swap contracts and commodity put and call option contracts to manage our exposure to fluctuation in the prices of certain metals which we produce. Contract positions are designed to ensure that we will receive a defined minimum price for certain quantities of our production. We use these instruments to reduce risk by offsetting market exposures. We are exposed to certain losses, generally the amount by which the contract price exceeds the spot price of a commodity, in the event of nonperformance by the counterparties to these agreements. The instruments held by us are not leveraged and are held for purposes other than trading. These contracts meet the criteria to be treated as normal sales in accordance with SFAS No. 138 and as a result, these contracts are not required to be accounted for as derivatives under SFAS No. 133.

The following table provides information about our forward sales contracts at September 30, 2003. The table presents the notional amount in ounces, the average forward sales price and the total-dollar contract amount expected by the maturity dates, which occur between December 31, 2003, and December 31, 2004.

	Expected Maturity Date		Estimated Fair Value
	2003	2004	
Forward contracts:			
Gold sales (ounces)	14,900	48,928	
Future price (per ounce)	$ 288	$ 288	
Contract amount (in $000's)	$ 4,295	$ 14,103	$ (6,305)
Estimated % of annual production committed to contracts	30%	25%	

In addition to the above contracts, we have a quarterly Gold Lease Rate Swap at a fixed rate of 1.5% on 48,928 ounces of the above gold forward contracts. The ounces covered under the swap are adjusted each quarter, in accordance with the expiration of the gold forward contracts. At September 30, 2003, the fair market value of the Gold Lease Rate Swap was approximately $218,000, which represents the amount the counterparty would have to pay us if

the contract was terminated.

Part I - Financial Information (Continued)

Hecla Mining Company and Subsidiaries

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the CEO and CFO, concluded that disclosure controls and procedures were effective as of September 30, 2003, in ensuring that all material information required to be filed in this quarterly report has been made known to them in a timely fashion.

There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to September 30, 2003.

Part II - Other Information

Hecla Mining Company and Subsidiaries

Item 1. Legal Proceedings

For information concerning legal proceedings, refer to Note 5 of Notes to Consolidated Financial Statements.

Item 3. Defaults Upon Senior Securities

As of September 30, 2003, we have not declared or paid $8.6 million of Series B Convertible Preferred stock dividends.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

See the exhibit index to this Form 10-Q for the list of exhibits.

(b) Reports on Form 8-K filed during the quarter ended September 30, 2003

Form 8-K dated September 3, 2003, announcing the Judge's ruling in the first phase of the Coeur d'Alene Basin trial in a news release.

Items 2, 4 and 5 of Part II are not applicable and are omitted from this report.