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UNITED STATES DISTRICT COURT
DISTRICT OF IDAHO

BRICKLAYERS OF WESTERN)	Case No.
PENNSYLVANIA PENSION PLAN,)	
Individually and on Behalf of All Others)	<u>CLASS ACTION</u>
Similarly Situated,)	
)	COMPLAINT FOR VIOLATION OF THE
Plaintiff,)	FEDERAL SECURITIES LAWS
)	
vs.)	
)	
HECLA MINING COMPANY, PHILLIPS S.)	
BAKER, JR. and JAMES A. SABALA,)	
)	
Defendants.)	
)	<u>DEMAND FOR JURY TRIAL</u>

INTRODUCTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of Hecla Mining Company (“Hecla” or the “Company”) between October 26, 2010 and January 11, 2012, inclusive (the “Class Period”), against Hecla and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 (“1934 Act”).

2. Hecla is engaged in discovering, acquiring, developing, producing, and marketing silver, gold, lead and zinc. The Company is organized into two segments: the Greens Creek and Lucky Friday units. Its wholly-owned subsidiary is Hecla Alaska LLC. It produces zinc, lead and bulk concentrates at its Greens Creek unit, and lead and zinc concentrates at its Lucky Friday unit, which it sells to custom smelters on contract, and unrefined gold and silver bullion bars at Greens Creek, which are sold directly to customers or further refined before sale to precious metals traders. The concentrates produced at its Greens Creek and Lucky Friday units contain payable silver, zinc and lead, and the concentrates produced at Greens Creek also contain payable gold.

3. During the Class Period, defendants issued materially false and misleading statements regarding the Company’s business and financial results. Specifically, defendants failed to disclose operational problems at its Lucky Friday unit. As a result of defendants’ false statements, Hecla’s stock traded at artificially inflated prices during the Class Period, reaching a high of \$11.34 per share on December 29, 2010.

4. The Lucky Friday mine is one of the nation’s deepest underground silver producing mines. The mine is accessed by two shafts. The primary shaft is the Silver Shaft, which is one-mile deep. While there are two entrances to the mine, both of the entrances must be functioning in order for the mine to produce ore.

5. In April 2011, a miner was killed when his work area collapsed in the Lucky Friday mine. Then, in November 2011, in a second incident, a miner was killed while working in the Lucky Friday mine after he was buried in rubble while trying to dislodge jammed rock. Finally, in December 2011, in a separate, unrelated accident, seven miners were injured when a rock burst in the Lucky Friday mine. Following the December incident, the Company suspended operations at the Lucky Friday mine, announcing that mining operations at the mine would resume in February 2012.

6. Based upon these series of accidents, federal mining regulators engaged in a close inspection of the Lucky Friday mine. In early December, the Mine Safety and Health Administration (“MSHA”) issued an accident report, accusing Hecla of safety failures that led to the death of the miner in the April incident. In conjunction with the report, the Company received four citations and faced a nearly \$1 million fine. Thereafter, on January 5, 2012, MSHA issued a closure order for the Lucky Friday mine for the removal of built-up material in the shaft. Federal inspectors determined that sand and concrete material had been leaking from a pipe into the shaft for a number of years. The sand and concrete material created a safety hazard because it could break off and fall down the shaft, injuring people or damaging the elevators.

7. On January 11, 2012, Hecla announced that the Lucky Friday mine would be closed for up to a year based upon MSHA’s order, as the Company would be required to engage in an extensive clean-up of the mine in order to meet safety regulations. As a result of the closure, Hecla reduced its estimated silver production for 2012 from more than 9 million ounces to around 7 million ounces.

8. On this news, Hecla stock dropped \$1.23 per share, to close at \$4.61 per share on January 11, 2012, a one-day decline of 21% on volume of 53.6 million shares.

9. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company was not in compliance with safety regulations at its Lucky Friday mine;

(b) The Company had allowed sand and concrete material to improperly build up in the Silver Shaft over a period of years, creating a safety hazard;

(c) Following the December closure, the Company would be unable to reestablish mining operations at the Lucky Friday mine by February 2012;

(d) The Company improperly accounted for its contingent liabilities in violation of Generally Accepted Accounting Principles (“GAAP”); and

(e) Based on the foregoing, defendants lacked a reasonable basis for their positive statements about the Company’s operations and its expected silver production.

10. As a result of defendants’ false statements, Hecla stock traded at artificially inflated levels during the Class Period. However, after the above revelations seeped into the market, the Company’s shares were hammered by massive sales, sending them down over 59% from their Class Period high.

JURISDICTION AND VENUE

11. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5.

12. Venue is proper in this district pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this district.

13. Hecla's registered agent is located in Boise, Idaho. Certain of the acts and conduct complained of herein, including the dissemination of materially false and misleading information to the investing public, occurred in this district.

14. In connection with the acts and conduct alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails and interstate wire and telephone communications.

PARTIES

15. Plaintiff Bricklayers of Western Pennsylvania Pension Plan purchased the common stock of Hecla during the Class Period as set forth in the certification attached hereto and was damaged as the result of defendants' wrongdoing as alleged in this complaint.

16. Defendant Hecla is engaged in discovering, acquiring, developing, producing, and marketing silver, gold, lead and zinc.

17. Defendant Phillips S. Baker, Jr. ("Baker") is, and at all relevant times was, the Company's President, Chief Executive Officer ("CEO") and a director. During the Class Period, Baker reaped nearly \$2 million in insider trading proceeds by selling 246,000 shares of his Hecla stock at artificially inflated prices.

18. Defendant James A. Sabala ("Sabala") is, and at all relevant times was, the Company's Chief Financial Officer ("CFO") and Senior Vice President. During the Class Period, Sabala reaped nearly \$1.1 million in insider trading proceeds by selling 124,406 shares of his Hecla stock at artificially inflated prices.

19. The defendants named above in ¶¶17-18 are referred to herein as the "Individual Defendants."

20. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Hecla's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. They were provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

21. Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about Hecla. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Hecla common stock was a success, as it: (i) deceived the investing public regarding Hecla's prospects and business; (ii) artificially inflated the price of Hecla common stock; (iii) caused plaintiff and other members of the Class to purchase Hecla common stock at inflated prices; and (iv) allowed certain of the Individual Defendants to sell over \$3 million worth of their own Hecla shares at artificially inflated prices.

BACKGROUND

22. Hecla, together with its subsidiaries, engages in the discovery, acquisition, development, production, and marketing of silver, gold, lead, and zinc. The Company produces

lead, zinc, and bulk concentrates and sells them to custom smelters, and unrefined gold and silver bullion bars, which it sells to precious metals traders. It holds 100% interest in the Greens Creek operating unit located near Admiralty Island in Alaska and 100% interest in the Lucky Friday operating unit located in Idaho. Hecla was founded in 1891 and is based in Coeur d'Alene, Idaho.

23. On October 25, 2010, Hecla issued a press release announcing an update to the Lucky Friday #4 Shaft Project at the Company's Lucky Friday mine. The Company reported that the mine could increase its annual silver production by approximately 50% from its current levels and extend the mine life beyond 2030. The release stated in part:

“This is a major milestone in the mine's history and we are very excited about the organic growth opportunity at Lucky Friday,” said Phillips S. Baker, Jr., President and Chief Executive Officer. “The mine has been in production for more than 68 years and we believe that it may extend much further into the future with the addition of the #4 Shaft. With no debt and approximately \$200 million of cash on hand at June 30, 2010, Hecla is currently well positioned to fund all of its capital requirements internally.”

Project Update

The development of a new #4 Shaft and related infrastructure at Lucky Friday, when completed, would increase annual silver production from current levels of approximately 3 million ounces to 5 million ounces, with an expected average total cash cost of less than \$4.00 per ounce of silver in the first five years of operation. The two key drivers for this potential increase of silver production are: 1) ore grade is expected to increase from the current grade of 10.4 ounces of silver per ton to over 14 ounces of silver per ton (a corresponding increase in lead ore grade is also expected); and 2) mill throughput of ore is expected to increase from approximately 350 thousand tons to 375 thousand tons annually.

(Footnote omitted.)

DEFENDANTS' FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

24. On October 26, 2010, Hecla issued a press release entitled “Hecla Reports a 30% Increase in Cash Flow from Its Operations in Q3 Compared to the Same Period in 2009.” The

Company reported net income of \$19.8 million, or \$0.06 diluted earnings per share (“EPS”) in the third quarter of 2010. Further, the Company reported for the quarter silver production of 2.7 million ounces at a total cash cost of negative \$1.01 per ounce. The release stated in part:

“Both Greens Creek and Lucky Friday had a good quarter and have generated more net cash from operating activities so far this year, compared to the full year of 2009, which was a record for Hecla,” said Phillips S. Baker Jr., President and Chief Executive Officer. “Our cash position, strong operating performance and district size properties in the U.S. and Mexico, position us well to fund development and capital projects, as well as take advantage of other potential opportunities that may arise.”

* * *

Lucky Friday

At the Lucky Friday mine in Idaho, silver production was 0.8 million ounces at a total cash cost of \$3.38 per ounce compared to 0.9 million ounces at a total cash cost of \$3.42 per ounce in the same quarter in 2009. For the first nine months of 2010, Lucky Friday produced 2.5 million ounces of silver at a total cash cost of \$3.67 per ounce, compared to 2.7 million ounces of silver at a total cash cost of \$5.89 in the same period the prior year.

The third quarter total cash cost decrease of \$0.04 per ounce of silver compared to the same period in the prior year, was mainly due to higher lead and zinc by-product credits resulting from increased average market prices for those metals and partially offset by higher price-sensitive production costs and taxes. For the nine months ended September 30, 2010, the \$2.22 decrease in total cash cost per ounce of silver compared to the same period in 2009, is attributable to higher by-product credits and partially offset by costs that are sensitive to metals price increases.

25. On December 29, 2010, Hecla stock closed at \$11.34 per share – its Class Period high.

26. On February 24, 2011, Hecla issued a press release announcing its fourth quarter and full year 2010 financial results. The Company reported a net loss of (\$9.7) million, or (\$0.05) diluted EPS for the fourth quarter of 2010. Additionally, the Company reported net income of \$35.4 million, or \$0.13 diluted EPS for the full year 2010. Further, the Company reported full year silver

production of 10.6 million ounces at a total cash cost of negative \$1.46 per ounce, net of by-products. The release stated in part:

“The fourth quarter and year-end results were record setting in a number of areas, reflecting increased throughput and low costs at our Greens Creek and Lucky Friday operations, and strong metals prices,” said Hecla’s President and Chief Executive Officer, Phillips S. Baker, Jr. “After considering all investing and financing activities, we generated \$178.9 million in net cash flow last year. Our strong balance sheet and growing cash flow should be sufficient to meet our financial obligations of a potential Basin litigation settlement, as well as continuing to fund capital projects to expand our operations and explore our large land packages in the U.S. and Mexico.”

* * *

Lucky Friday

Full year silver production at Lucky Friday was 3.4 million ounces and 819,317 ounces in the fourth quarter, compared to 3.5 million ounces and 865,595 ounces, in the respective periods in 2009. The overall decrease in production year-over-year and quarter-over-quarter is primarily due to lower silver ore grade, which was expected. The operation achieved record lead and zinc production in 2010 with 21,619 tons and 9,286 tons, respectively, which included 5,356 tons and 2,214 tons, respectively, in the fourth quarter.

Total cash cost at Lucky Friday for the full year was \$3.76 per ounce, net of by-product credits and \$4.06 per ounce in the fourth quarter, net of by-product credits, in comparison to \$5.21 and \$3.10 per ounce, respectively, for the same periods in 2009. The decrease in total cash cost per ounce year-over-year is due to higher by-product credits resulting from higher lead and zinc prices, partially offset by higher employee profit sharing, production costs, expensed site infrastructure, and treatment and freight costs. The increase in total cash cost per ounce over the fourth quarter in 2009 is attributable to lower silver grades.

27. On April 18, 2011, Hecla issued a press release entitled “Hecla Provides Update on Fall of Ground at the Lucky Friday Operation,” which stated in part:

Hecla Mining Company (“Hecla”) provides an update on the localized fall of ground in a stope which occurred at its Lucky Friday mine in Northern Idaho on April 15, 2011. An employee is unaccounted for.

* * *

The Lucky Friday mine has ceased mining to focus on rescue operations. Hecla does not know how long the rescue efforts will continue or if it will impact the 2011 production guidance.

28. On May 9, 2011, Hecla issued a press release announcing its first quarter 2011 financial results. The Company reported net income of \$43.4 million, or \$0.15 diluted EPS for the first quarter of 2011. Further, the Company reported for the quarter silver production of 2.5 million ounces at a total cash cost of \$1.03 per ounce, net of by-products. The release stated in part:

“Hecla’s first quarter results were records for revenue, gross profit, and net income reflecting the strong operating performance and metals prices,” said Hecla’s President and Chief Executive Officer, Phillips S. Baker, Jr. “We expect our balance sheet and growing cash flow will meet our financial obligations, fund capital projects that expand our operations, and advance organic growth projects on our large land packages in the U.S. and Mexico. . . .”

* * *

Lucky Friday

First quarter silver production at Lucky Friday was 0.8 million ounces, which was slightly lower than the same period in 2010. The overall decrease in production quarter-over-quarter is primarily due to lower silver ore grade.

Total cash cost at Lucky Friday was \$4.99 per ounce, net of by-product credits, in comparison to \$3.21 per ounce, for the same period in 2010. The increase in total cash cost per ounce quarter-over-quarter is mainly due to higher treatment and freight costs, employee profit-sharing due to higher metals prices, and increased production costs. This was partially off-set by higher lead and zinc by-product credits. Mining and milling costs per ton increased in the first quarter 2011 by 10% and 6%, respectively, due to a decrease in tonnage produced, increased fuel costs, and consumable underground materials.

On April 15, 2011, a fatal accident occurred at the Lucky Friday Mine resulting in our decision to immediately halt all operations at the mine (other than rescue efforts) for a period of 10 days. The accident involved a localized fall of ground at 6150 level in the west 15 stope. The Mine Safety Health Administration (“MSHA”) had representatives on-site during the rescue and recovery effort. They will access the mine during the investigation. Stopes 15 and 12 are currently closed; however, it is not anticipated to impact guidance.

29. On August 8, 2011, Hecla issued a press release announcing final board approval of the Lucky Friday #4 Shaft project, which stated in part:

“Hecla is now positioned to significantly grow production over the next five years,” said Hecla’s President and Chief Executive Officer, Phillips S. Baker, Jr. “With approval of the #4 Shaft Project, developments at the Greens Creek mine and the scoping studies in the Silver Valley, San Juan Silver, and San Sebastian properties, we have a goal of 15 million ounces of annual silver production by 2016. We believe our strong financial position combined with cash flow generation from Greens Creek and Lucky Friday would be sufficient to cover our settlement obligations, sustaining and capital expenditures, pre-development projects, and exploration programs.”

30. On August 9, 2011, Hecla issued a press release announcing its second quarter 2011 financial results. The Company reported net income of \$33.3 million, or \$0.11 diluted EPS for the second quarter of 2011. Further, the Company reported for the quarter silver production of 2.3 million ounces at a total cash cost of \$0.52 per ounce, net of by-products. The release stated in part:

“Hecla had solid operational and financial results year-to-date generating significant cash flow from Greens Creek and Lucky Friday to fund our capital projects and meet our environmental settlement obligations,” said Hecla’s President and Chief Executive Officer, Phillips S. Baker, Jr. “The #4 Shaft Project combined with the new pre-development initiatives at our four properties are expected to increase production by approximately 50-60% over the next 5 years.

“We continue to benefit from high silver margins even with increasing industry cost pressures. Hecla’s cost increase during the quarter is mainly attributable to higher metals prices, which was partially offset by strong by-product credits. Both Greens Creek and Lucky Friday remain among the lowest cost mines in the silver space.”

* * *

Lucky Friday

Silver production at Lucky Friday was 0.8 million ounces in the second quarter of 2011 and 1.5 million ounces in the first half of 2011, compared to 0.8 million ounces and 1.7 million ounces, in the respective periods in 2010. The overall decrease in production year-over-year is primarily due to lower silver ore grade, which was expected.

Mining and milling costs were up by 9% for both the second quarter and six-month period ended June 30, 2011. The increase was driven primarily by increased cost of fuel, consumable underground materials, reagents, power, and maintenance supplies.

Total cash cost per ounce of silver produced at Lucky Friday was \$6.46 and \$5.74, net of by-product credits, for the second and first half of 2011, respectively, compared to \$4.47 and \$3.81, for the same respective periods in 2010. The increase in total cash cost per ounce quarter-over-quarter and year-over-year is primarily due to higher employee profit sharing, production costs, expensed site infrastructure, and treatment costs, which are partially offset by higher by-product credits resulting from higher zinc and lead prices. Higher profit sharing and treatment costs are due to higher metals prices.

31. On November 8, 2011, Hecla issued a press release announcing its third quarter 2011 financial results. The Company reported net income of \$55.8 million, or \$0.19 diluted EPS for the third quarter of 2011. Further, the Company reported for the quarter silver production of 2.3 million ounces at a total cash cost of \$0.67 per ounce, net of by-products. The release stated in part:

“Hecla’s financial position and asset base is the strongest it’s been in its history after a unique third quarter generating the highest net income and cash position, establishing a dividend, approving the #4 Shaft, initiating work to reopen three mines, and settling the Basin litigation,” said Hecla’s President and Chief Executive Officer, Phillips S. Baker, Jr. “From this quarter, we are poised to grow production 50% over the next five years.”

* * *

Lucky Friday Mine – Idaho

Silver production at Lucky Friday was 0.9 million ounces in the third quarter of 2011 and 2.5 million ounces in the first nine months of 2011, which is substantially equal to the silver production for the respective periods in 2010.

Mining and milling costs per ton were up by 7% and 11%, respectively, for the third quarter and up by 9% and 10%, respectively, for the first nine months of 2011, driven primarily by increased cost of fuel, consumable underground materials, reagents, electric power, and maintenance supplies.

Total cash cost per ounce of silver produced at Lucky Friday was \$5.94 and \$5.82, net of by-product credits, for the third quarter and first nine months of 2011,

respectively, compared to \$3.38 and \$3.67, for the same periods in 2010. The increase in total cash cost per ounce quarter-over-quarter was primarily due to higher employee profit sharing, higher treatment costs, and lower lead and zinc by-product credits by \$1.82, \$0.72, and \$1.06 per ounce, respectively, which were partially offset by lower production costs of \$1.12 per ounce. Higher profit sharing and treatment costs were due to higher metals prices and lower by-product credits as the result of lower lead and zinc production.

32. On November 18, 2011, Hecla issued a press release reporting an accident at the Lucky Friday mine. The release stated in part:

Hecla Mining Company (“Hecla”) reports an accident occurred at its Lucky Friday mine in Northern Idaho on November 17, 2011.

The accident occurred as part of the construction of the #4 Shaft at the Lucky Friday operation. Two contractors were involved in the accident during routine activities involving the construction of a 16-foot diameter underground rock bin (a storage area for broken rock). The work involved drilling, blasting, and mucking of rock into a previously constructed area. Both men were believed to be wearing all required personal protection equipment, including fall protection. For reasons that are unknown at this time, the two men were drawn into material that was moving underneath them. Both contractors were removed from the area and transported to the hospital, and one has been released. All personnel are accounted for.

“Our thoughts and prayers are with the family and for a safe recovery of the injured contractor,” said Phil Baker, President and Chief Executive Officer. “Operating our mines safely is a top priority for Hecla, and we will continue to work to prevent such incidents from occurring.”

The accident is being investigated by the Company and representatives from the federal Mine Safety and Health Administration. The workers’ families have been notified. The Lucky Friday mine has temporarily ceased mining to investigate this accident.

33. Subsequently, on November 19, 2011, Hecla issued a press release announcing an update about the Lucky Friday mine accident on November 18, 2011, which stated in part:

Hecla Mining Company (“Hecla”) is saddened by the news that Brandon Lloyd Gray, the 26-year-old miner critically injured at its Lucky Friday mine in North Idaho on November 17, succumbed to his injuries early Saturday morning with his family at his side. Gray, a miner since 2008, had been working for Cementation Inc.

since February 2011, a company that is under contract for the construction of the mine's #4 Shaft.

"We are deeply saddened by Brandon's passing," said Phil Baker, President and Chief Executive Officer. "Everyone at Hecla extends our sincere condolences to his family and loved ones."

Mike Nadon, President of Cementation U.S.A. said, "The whole Cementation family is grieving this terrible loss, and our immediate focus is in supporting Brandon's family with our assistance and our prayers."

Immediately following the accident, Hecla chose to cease mining operations at the Lucky Friday mine in order to focus our attention on the emergency response and to provide support to the affected employees and families of both Hecla and Cementation. The federal Mine Safety and Health Administration ("MSHA") subsequently issued a 103(j) order. An integrated team of Hecla and Cementation as well as representatives from MSHA are investigating the accident, which is unrelated to the fall of ground accident that occurred on April 15, 2011. A start-up date for resuming operations has not yet been established.

"Hecla is committed to preventing such accidents from happening," added Phil Baker, President and Chief Executive Officer. "We will continue to emphasize safety throughout all of our properties."

34. On November 21, 2011, Hecla issued a press release entitled "Hecla Maintains 2011 Production and Cash Cost Guidance," which stated in part:

Hecla Mining Company ("Hecla") reports that the suspension of operation on November 18 at its Lucky Friday mine is not expected to impact the 2011 silver production guidance of 9 to 10 million ounces and cash cost of approximately \$1.00 per ounce, net of by-products.

35. On December 2, 2011, Hecla issued a press release entitled "Hecla Responds to MSHA's Accident Report," which stated in part:

Hecla Mining Company ("Hecla") received the Report of Investigation ("Report") from the United States Department of Labor Mine Safety and Health Administration ("MSHA") relating to the April 15, 2011 fatal accident at the Lucky Friday mine in Mullan, Idaho.

Prior to the fall of ground in April, Hecla's safety record at the Lucky Friday mine was excellent. Hecla employees, past and present, worked for more than 25

years, and 8.5 million man-hours without a fatality. During that same time period, the Company continued to make strides in accident reduction.

“Our Company works hard each day to have our miners return home safely to their families at the end of their shift. This has been a gut-wrenching time for our Company and for our communities,” said Phil Baker, President and Chief Executive Officer. “In my opinion and upon examination, the Report does not substantiate MSHA’s previously issued citations.”

Hecla has already worked with MSHA to address issues outlined in the Report which resulted in the re-opening of the mine and continued operations. However, Hecla is contesting the citations referenced in the Report. For example, contrary to MSHA’s claims, the work was being conducted in accordance with Hecla’s ground control plan. Hecla understands MSHA is planning on posting the Report on its website in the near future.

36. On December 15, 2011, Hecla issued a press release regarding a rock burst that had occurred in the Lucky Friday mine, entitled “Hecla Reports Update on Lucky Friday Mine,” which stated in part:

Hecla Mining Company (“Hecla”) reports that all miners have been safely removed from the Lucky Friday mine near Mullan, Idaho, following a rock burst that occurred Wednesday, December 14, at approximately 7:40 p.m.

“We are thankful that all employees are out of the mine and have been accounted for, and that those injured have been treated. The safety of our employees is our primary concern,” said Phil Baker, President and Chief Executive Officer. “The mine is currently shut down, and once we have cared for our people, we will be investigating the cause of the seismic activity.”

The incident occurred at 5900 feet below the surface. Seven people were transported to local hospitals and treated for non-life-threatening injuries. No mine blasting had taken place anywhere in the mine for the previous 24 hours; therefore, the rock burst is unrelated to mining activities. The mine is currently closed pending further investigation. The federal Mine Safety and Health Administration has been notified and investigators are en route to the mine.

37. Subsequently, on December 16, 2011, the Company issued a press release entitled “Hecla Reports Rock Burst Unrelated to Previous Events at the Lucky Friday Mine,” which stated in part:

Hecla Mining Company (“Hecla”) is reporting that the rock burst that injured seven miners Wednesday night at the Lucky Friday mine near Mullan, Idaho, is unrelated to two previous fatal accidents which occurred earlier in the year. In addition, all seven Hecla miners are expected to fully recover from their non-life-threatening injuries. Most of the miners were treated and released by area hospitals, with the most serious injuries involving lacerations, a broken arm and a broken pelvis. There were 25 Hecla employees and 18 contractor employees underground in the mine at the time of the rock burst. All were immediately evacuated, and most were not in the vicinity of the affected area.

“Thankfully, our miners were not more seriously injured and all seven are expected to fully recover,” said Phil Baker, President and Chief Executive Officer for Hecla. “There’s no connection to the previous fatal events. Our peoples’ safety is very important to us, and we are working hard to get the mine back on track to its longstanding safety record prior to this year, characterized by more than 25 years and 8.5 million man-hours without a fatality.”

On November 16, 2011, shortly after 1 a.m., Hecla reported a seismic event that caused a rock burst in approximately the same location as this most recent incident at 5900 feet below surface, in the area of the pillar that crosses through the 30 vein. This rock burst was triggered by mine blasting at the end of a shift. As a result, no one was in the area at the time of the incident and no injuries were reported.

The most recent incident also occurred at 5900 feet below the surface. Rock failures around a mining excavation can be triggered by natural occurrences or by mine blasting. Baker said Hecla was in the process of installing designed tunnel supports, which consist of a steel liner and other materials such as shotcrete, in that particular area. This method is very similar to that used in road construction in underground tunnels which is meant to provide a support canopy for the roadway.

“Both rock bursts occurred approximately in the same location; however, this most recent event was not triggered by mine blasting, since blasting had not taken place within the previous 24 hours. Consequently, we need more information about what triggered this rock burst,” Baker said. “The mine is currently shut down to give us time to examine this in conjunction with federal Mine Safety and Health Administration representatives.”

38. On December 21, 2011, Hecla issued a press release entitled “Hecla Provides Update on Lucky Friday and Announces Hecla’s 2012 Production Estimate,” which stated in part:

Hecla Mining Company (“Hecla”) reports that in order to ensure safe and efficient operations for its personnel, Hecla will develop a new haulage way to bypass the

rock burst that occurred at the Lucky Friday mine near Mullan, Idaho, on December 14. Creating the bypass and reestablishing mine production is expected to be complete by the end of February 2012.

Hecla's silver output remains within its previous estimates with 2011 production expected at more than 9 million ounces and cash cost estimates remaining unchanged at approximately \$1.00 per ounce, net of by-products. For 2012, Hecla expects to increase silver production to more than 9.5 million ounces including the loss of two months of production at the Lucky Friday mine while the bypass is completed.

Phil Baker, Hecla's President and Chief Executive Officer said: "While 2011 has been a difficult year for Hecla and the Lucky Friday, the previous 25 years at the Lucky Friday have been characterized by an extraordinary safety record. Looking forward, our goal, which we will relentlessly pursue, is to reestablish the same safety and operating performance decades into the future. I am happy to report that everyone who was injured on December 14 has been released from the hospital and is on the road to recovery."

Hecla will not repair the area where the rock burst occurred. Instead, Hecla is planning a 750-foot bypass creating a new haulage way, which will be a significant distance from where the rock burst occurred and in a previously mined area reducing the risk of future rock bursts.

Hecla expects that a majority of Lucky Friday employees will stay at the mine to work on the bypass or other Lucky Friday projects. Any remaining qualified employees will be given the opportunity to work at Hecla's other properties.

Hecla closed the mine when the accident occurred on December 14 to ensure employee safety, investigate the accident, and evaluate alternative plans. Subsequently, the federal Mine Safety and Health Administration ("MSHA") issued an order closing the mine. Hecla is working with MSHA to finalize the investigation and lift the closure order to start the development of the new haulage way, resume construction of the #4 Shaft, and work on other maintenance projects.

39. Then, on January 11, 2012, Hecla issued a press release entitled "Hecla Reports Temporary Care and Maintenance at Lucky Friday Mine," which stated in part:

Hecla Mining Company ("Hecla") reports that the Mine Safety and Health Administration ("MSHA") has ordered the Silver Shaft at the Lucky Friday mine in Mullan, Idaho closed for removal of built-up material in the shaft. This order is pursuant to the investigation following the December 14, 2011 rock burst.

Compliance with the order is expected to take through year-end. Hecla's 2012 silver production is now estimated to be approximately 7 million ounces.

"While we are disappointed with this order and are considering what action we might take, work has already begun to resume production as quickly as possible," said Phil Baker, Hecla's President and Chief Executive Officer. "The Lucky Friday mine is a world-class mine that we see producing silver for decades to come. Hecla and the Lucky Friday mine have faced challenges in the past and we will once again overcome them."

The Silver Shaft is a one-mile deep shaft from surface and the primary access to the Lucky Friday mine. The sand and concrete material to be removed from the shaft has built up over a number of years and is expected to be removed primarily by power washing. All other significant activities at the mine including construction of the #4 Shaft and bypass around the rock burst are on hold. Care and maintenance of the underground will be focused on the 4900 level where the #4 Shaft infrastructure is located. Production is expected to resume in early 2013.

40. On this news, Hecla stock dropped \$1.23 per share, to close at \$4.61 per share on January 11, 2012, a one-day decline of 21% on volume of 53.6 million shares.

41. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) The Company was not in compliance with safety regulations at its Lucky Friday mine;

(b) The Company had allowed sand and concrete material to improperly build up in the Silver Shaft over a period of years, creating a safety hazard;

(c) Following the December closure, the Company would be unable to reestablish mining operations at the Lucky Friday mine by February 2012;

(d) The Company improperly accounted for its contingent liabilities in violation of GAAP; and

(e) Based on the foregoing, defendants lacked a reasonable basis for their positive statements about the Company's operations and its expected silver production.

42. As a result of defendants' false statements, Hecla stock traded at artificially inflated levels during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down over 59% from their Class Period high.

LOSS CAUSATION

43. During the Class Period, as detailed herein, the defendants made false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Hecla common stock and operated as a fraud or deceit on Class Period purchasers of Hecla common stock by misrepresenting the Company's business and prospects. Later, when the defendants' prior misrepresentations and fraudulent conduct became apparent to the market, the price of Hecla common stock fell precipitously, as the prior artificial inflation came out of the price over time. As a result of their purchases of Hecla common stock during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

NO SAFE HARBOR

44. Hecla's verbal "Safe Harbor" warnings accompanying its oral forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability.

45. The defendants are also liable for any false or misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was

authorized and/or approved by an executive officer of Hecla who knew that the FLS was false. None of the historic or present tense statements made by defendants were assumptions underlying or relating to any plan, projection or statement of future economic performance, as they were not stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

CLASS ACTION ALLEGATIONS

46. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Hecla common stock during the Class Period (the “Class”). Excluded from the Class are defendants and their families, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

47. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Hecla has more than 279 million shares of stock outstanding, owned by hundreds if not thousands of persons.

48. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) whether the 1934 Act was violated by defendants;
- (b) whether defendants omitted and/or misrepresented material facts;

(c) whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) whether defendants knew or deliberately disregarded that their statements were false and misleading;

(e) whether the price of Hecla common stock was artificially inflated; and

(f) the extent of damage sustained by Class members and the appropriate measure of damages.

49. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

50. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

51. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

52. Plaintiff incorporates ¶¶1-51 by reference.

53. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

54. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- (a) employed devices, schemes and artifices to defraud;
- (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Hecla common stock during the Class Period.

55. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Hecla common stock. Plaintiff and the Class would not have purchased Hecla common stock at the prices they paid, or at all, if they had been aware that the market price had been artificially and falsely inflated by defendants' misleading statements.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

56. Plaintiff incorporates ¶¶1-55 by reference.

57. The Individual Defendants acted as controlling persons of Hecla within the meaning of §20(a) of the 1934 Act. By virtue of their positions with the Company, and ownership of Hecla stock, the Individual Defendants had the power and authority to cause Hecla to engage in the wrongful conduct complained of herein. Hecla controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages, including interest;
- C. Awarding plaintiff reasonable costs and attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: February __, 2012

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