HECLA MINING CO/DE/
Form 424B4
January 22, 2003

File Pursuant to Rule 424(b)(4)
Registration File No: 333-102398

P R O S P E C T U S

22,000,000 SHARES

[GRAPHIC OMITTED]

HECLA MINING COMPANY

COMMON STOCK

This is an offering of common stock of Hecla Mining Company by Hecla and certain Selling Stockholders. Hecla is selling 20,000,000 shares of common stock, and the Selling Stockholders are selling 2,000,000 shares of common stock. We will not receive any proceeds from the sale of the shares of common stock offered by the Selling Stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol "HL." On January 21, 2003, the closing price of our common stock as reported on the New York Stock Exchange was $4.53 per share.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 5.

	PER SHARE	TOTAL
Public Offering Price	$4.25	$93,500,000
Underwriting Discount	$.255	$5,610,000
Proceeds, before expenses, to Hecla	$3.995	$79,900,000
Proceeds, before expenses, to Selling Stockholders	$3.995	$7,990,000

The underwriters may also purchase up to an additional 3,000,000 of our shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

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

The shares of common stock will be ready for delivery in New York, New York on or about January 27, 2003.

MERRILL LYNCH & CO.
CIBC WORLD MARKETS CORP.
SALOMON SMITH BARNEY

The date of this prospectus is January 21, 2003

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You should rely only on the information contained in this prospectus and any supplement. We have not authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. This prospectus is not an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any supplement is accurate as of its date only. Our business, financial condition, results of operations, and prospects may have changed since that date.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly, and special reports, proxy statements, and other information with the Securities and Exchange Commission (SEC). You may read our filings at the web site maintained by the SEC at http://www.sec.gov. You may also read and copy our filings at the SEC's public reference rooms at Judiciary Plaza Building, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, as well as at the SEC's regional office at 175 W. Jackson Boulevard, Suite 900, Chicago, Illinois 60604. You may obtain information about the operation of the SEC public reference room in Washington, D.C. by calling the SEC at 1-800-SEC-0330. You may obtain a copy of a filing from the SEC at prescribed rates by writing to the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549 or from commercial document retrieval services.

Our common stock and Series B cumulative convertible preferred stock (Series B preferred stock) are both listed on the New York Stock Exchange (NYSE). You can inspect and copy reports, proxy statements and other information about us at the NYSE's offices at 20 Broad Street, New York, New York 10005.

This prospectus is part of a registration statement on Form S-1 that we filed with the SEC. The registration statement contains more information about us and our common stock, including certain exhibits and schedules. You can obtain a copy of the registration statement from the SEC in the manner described above.

A glossary of certain terms appears near the end of this prospectus under "Glossary of Certain Terms."

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that reflect our current expectations and projections about our future results, performance, 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:

- metals prices and price volatility;
- amount of metals production;
- costs of production;
- remediation, reclamation, and environmental costs;
- regulatory matters;
- the results or settlements of pending litigation;
- cash flow;
- revenue calculations;
- the nature and availability of financing; and
- project development risks.

See "Risk Factors" for a description of these factors. Other matters, including unanticipated events and conditions, also may cause our actual future results to differ materially from these forward-looking statements. We cannot assure you that our expectations will prove to be correct. In addition, all subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements mentioned above. You should not place undue reliance on these forward-looking statements. All of these forward-looking statements are

based on our expectations as of the date of this prospectus. 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.

PROSPECTUS SUMMARY

This summary highlights material information discussed in more detail elsewhere in this prospectus. You are strongly urged to review the entire prospectus before investing in our common stock.

HECLA MINING COMPANY

HISTORY AND DEVELOPMENT

Hecla Mining Company, established in 1891, is principally engaged in the exploration, development and mining of precious and nonferrous metals, including gold, silver, lead and zinc.

During the first nine months of 2002, we produced 187,028 ounces of gold at an average total cash cost of $130 per ounce and 6.4 million ounces of silver at an average total cash cost of $2.22 per ounce. We reduced our average total cash cost per ounce of silver by 36% and our average total cash cost per ounce of gold from $134 when compared to the same nine month period during 2001. We believe we are one of the world's low cost producers in the precious metals mining industry. As of December 31, 2001, we had proven and probable reserves of 808,773 ounces of gold and 46.2 million ounces of silver.

CURRENT OPERATIONS

Our principal producing metals properties include:

- The San Sebastian silver mine, located in the State of Durango, Mexico, an underground mine and exploration project in which operations commenced in May 2001, had 8.6 million ounces of proven and probable silver reserves and more than 91,000 ounces of proven and probable gold reserves as of December 31, 2001. During the first nine months of 2002, the San Sebastian mine produced nearly 2.5 million ounces of silver and 30,000 ounces of gold at an average total cash cost of $1.29 per ounce of silver.

- The La Camorra gold mine, located in the State of Bolivar, Venezuela had 418,050 ounces of proven and probable gold reserves as of December 31, 2001. During the first nine months of 2002, the La Camorra mine produced nearly 134,000 ounces of gold at an average total cash cost of $130 per ounce.

- The Greens Creek silver mine, located near Juneau, Alaska, a large polymetallic mine in which we own a 29.73% interest, through a joint-venture arrangement with Kennecott Greens Creek Mining Company (KGCMC), the manager of the mine, and Kennecott Juneau Mining Company (KJMC), both wholly owned subsidiaries of Kennecott Corporation. Our share of Greens Creek had over 37.6 million ounces of silver and over 299,000 ounces of gold in proven and probable reserves as of December 31, 2001. During the first nine months of 2002, the Greens Creek mine produced more than 2.5 million ounces of silver and 23,000 ounces of gold for Hecla's account at an average total cash cost of $1.76 per ounce of silver.

- The Lucky Friday silver mine, located near Mullan, Idaho, produced over 1.4 million ounces of silver during the first nine months of 2002 at an average total cash cost of $4.65 per ounce.

We have a 50% joint venture agreement in a gold property near Carlin Trend, Nevada. The interest requires the completion of a multi-stage exploration and development program leading to commercial production. In addition, we were awarded the 1,795 hectare Block B land position exploration and mining lease near El Callao in the Venezuelan State of Bolivar.

STRATEGY FOR GROWTH

Our strategy is to focus our efforts and resources on expanding our precious metal reserves through exploration efforts, primarily on properties we currently own. Our near-term exploration plan consists of exploring for additional reserves at, or in the vicinity of, our San Sebastian mine in Mexico, the La Camorra mine in Venezuela and the Greens Creek mine in Alaska.

Our strategy regarding reserve replacement is to concentrate our efforts on:

- existing operations where infrastructure already exists;

- other properties presently being developed; and

- advanced-stage exploration properties that have been identified as having potential for additional discoveries principally in the United States, Mexico and Venezuela.

Exploration expenditures for the three years ended December 31, 2001, 2000 and 1999, were approximately $2.2 million, $6.3 million and $5.5 million, respectively. We currently estimate that exploration expenditures for the year ended December 31, 2002 were in the range of $5.5 million to $6.5 million. We intend to focus on low-cost properties that yield high returns and we continuously evaluate opportunities to acquire additional properties, although we currently have no contract, arrangement or understanding with respect to any material acquisitions.

OPERATING STRENGTHS

LOW COST PRODUCER -- We believe we are one of the world's low cost producers in the precious metals mining industry and the lowest cost silver producer.

HIGH QUALITY ASSET BASE -- We believe we are an operator of low cost, high quality, low-capital, geographically diversified, high-rate-of-return mines and projects in both silver and gold.

FOCUS ON DEVELOPING OUR PROPERTIES -- We believe our existing operations and development properties present significant opportunity for future development and reserve replacement. We are actively exploring a total of 14 properties throughout the United States, Mexico and Venezuela with advanced drilling exploration on a total of 7 properties.

UNDERGROUND MINE EXPERTISE -- We believe we have earned the reputation as one of the world's best narrow-vein, hard rock, underground mining companies, based on our expertise developed during more than a century of operating underground mines and maintained by our strong corporate culture of operating excellence.

STRONG MANAGEMENT TEAM -- Our senior management team has a total of 147 years of operating and exploration experience in the mining industry. Management's significant experience has been instrumental in our historical growth and provides a solid base upon which to expand our operations.

We are a Delaware corporation, with principal executive offices located at 6500 N. Mineral Drive, Suite 200, Coeur d'Alene, Idaho 83815-9408, and the telephone number is (208) 769-4100. Our web site address is www.hecla-mining.com. Information contained in the web site is not incorporated by reference into this prospectus, and you should not consider information contained in the web site as part of this prospectus. See "Where you can find more information."

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THIS OFFERING

SECURITIES OFFERED FOR SALE BY THE COMPANY......................	20,000,000 shares of common stock, $0.25 par value per share, each accompanied by series A junior participating preferred stock purchase rights pursuant to our rights agreement.
SECURITIES OFFERED FOR SALE BY THE SELLING STOCKHOLDERS..........	2,000,000 shares of common stock, $0.25 par value per share, each accompanied by series A junior participating preferred stock purchase rights pursuant to our rights agreement.
VOTING RIGHTS.................	Each share of common stock is entitled to one vote per share on all matters submitted to a vote of stockholders (except for the election of two directors by holders of preferred stock in the case of preferred dividend arrearages, which arrearages currently exist).
USE OF PROCEEDS...............	We plan to use the net proceeds of the sale of the common stock offered by us to fund future exploration and development, working

capital requirements, capital expenditures and for other general corporate purposes. See "Use of Proceeds." We will not receive any of the proceeds from the sale of the common stock by the Selling Stockholders.

DIVIDENDS.................... We have not declared or paid any cash dividends for several years and we have no present intention of paying dividends in the foreseeable future (and our preferred dividend arrearages currently restrict us from paying any cash dividends on our common stock).

STOCK EXCHANGE............... Our common stock, including the shares offered by the Selling Stockholders, is listed on the New York Stock Exchange under the symbol "HL." Application has been made to list the common stock offered by us on the New York Stock Exchange.

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SUMMARY FINANCIAL DATA
(in thousands, except per share data)

The following table sets forth selected historical consolidated financial data for us for each of the years ended December 31, 1997 through 2001, and is derived from our audited financial statements. The following table also sets forth selected historical consolidated financial data for the three months ended September 30, 2001 and 2002, and the nine months ended September 30, 2001 and 2002, and is derived from our unaudited consolidated financial statements. The data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements, beginning on page F-1 of this prospectus.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2002	2001	2002	2001
	(UNAUDITED)			
Sales of products	$ 27,790	$ 22,501	$ 79,836	$ 63,479
Income (loss) from continuing operations	$ 2,073	$ (2,037)	$ 8,100	$ (6,935)
Income (loss) from discontinued operations(2)......	$ (540)	$ (419)	$ (1,326)	$ 12,459
Net income (loss)	$ 1,533	$ (2,456)	$ 6,774	$ 5,524
Preferred stock dividends(3)	$ (18,568)	$ (2,013)	$ (22,593)	$ (6,038)
Loss applicable to common shareholders(4)	$ (17,035)	$ (4,469)	$ (15,819)	$ (514)
Loss from continuing operations per common share	$ (0.19)	$ (0.06)	$ (0.18)	$ (0.19)
Basic and diluted loss per common share	$ (0.20)	$ (0.06)	$ (0.20)	$ (0.01)
Total assets(5)	$ 154,983	$159,780	$ 154,983	$159,780

Noncurrent portion of debt(5)	$ 7,376	$ 13,774	$ 7,376	$ 13,774

	YEARS ENDED DECEMBER 31,				
	2001	2000	1999(1)	1998	1997
Sales of products	$ 85,247	$ 75,850	$ 73,703	$ 75,108	$ 89,48
Income (loss) from continuing operations	$ (9,582)	$ (84,847)	$ (43,391)	$ (4,674)	$ (3,74
Income (loss) from discontinued operations(2)......	$ 11,922	$ 1,529	$ 4,786	$ 4,374	$ 3,25
Net income (loss)	$ 2,340	$ (83,965)	$ (39,990)	$ (300)	$ (48
Preferred stock dividends(3)	$ (8,050)	$ (8,050)	$ (8,050)	$ (8,050)	$ (8,05
Loss applicable to common shareholders(4)	$ (5,710)	$ (92,015)	$ (48,040)	$ (8,350)	$ (8,53
Loss from continuing operations per common share	$ (0.25)	$ (1.39)	$ (0.83)	$ (0.23)	$ (0.2
Basic and diluted loss per common share	$ (0.08)	$ (1.38)	$ (0.77)	$ (0.15)	$ (0.1
Total assets(5)	$153,116	$ 194,836	$ 268,357	$252,062	$250,66
Noncurrent portion of debt(5)	$ 11,948	$ 10,041	$ 55,095	$ 42,923	$ 22,13

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(1) On January 1, 1999, we changed our method of accounting for start-up costs in accordance with Statement of Position 98-5 (SOP 98-5)"Reporting on the Costs of Start-up Activities." The impact of this change in accounting principle related to unamortized start-up costs associated with our 29.7331% interest in the Greens Creek Mine and resulted in a $1.4 million cumulative effect of this charge in accounting principle for the year ended December 31, 1999.

(2) In November 2000, our board of directors decided to sell Kentucky-Tennessee Clay Company, K-T Feldspar Corporation, K-T Clay de Mexico and certain other minor inactive minerals companies which represented the major remaining portion of our industrial minerals segment. Accordingly, the industrial minerals segment has been recorded as a discontinued operation as of and for each of the periods ended presented above. As of September 30, 2002 and 2001, and as of December 31, 2001 and 2000, only, the balance sheets have been reclassified to reflect the net assets of the industrial minerals segment as a discontinued operation.

(3) As of September 30, 2002, we have not declared or paid $5.9 million of Series B preferred stock dividends. However, since the dividends are cumulative, they continue to be reported in determining the income (loss) applicable to common stockholders, but are excluded in the amount reported as cash dividends paid per preferred share. We completed an offer to acquire all of our currently outstanding Series B preferred stock in exchange for newly issued shares of our common stock on July 25, 2002. A total of 1,546,598 shares or 67.2%, of the total number of Series B preferred shares outstanding were validly tendered and exchanged into 10,826,186 shares of our common stock. During the third quarter of 2002, we incurred a non-cash dividend of approximately $17.6 million related to

the completed exchange offering. The $17.6 million dividend represents 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 Series B preferred stock. The non-cash dividend had no impact on our total shareholders' equity as the offset was an increase in common stock and surplus. As a result of the completed exchange offering, the total of cumulative preferred dividends is anticipated to be $23.4 million for the year ending December 31, 2002. In 2003, the $8.0 million annual cumulative preferred dividends that have historically been included in income (loss) applicable to common shareholders will be reduced to approximately $2.6 million. The completed exchange offering also eliminated $10.9 million of previously undeclared and unpaid preferred stock dividends.

(4) After recognizing a $1.3 million loss from discontinued operations and $22.6 million in preferred stock dividends, our loss applicable to common stockholders for the nine months ended September 30, 2002 was approximately $15.8 million, compared to a loss of $0.5 million in the same period in 2001, after recognizing $12.5 million in income from discontinued operations, due to a gain of $12.7 million on the sale of the majority of our industrial minerals assets and $6.0 million in preferred stock dividends.

(5) Total assets and noncurrent portion of debt at September 30, 2002 on an "as adjusted" basis to reflect the effects of the estimated net proceeds from the offering by us of 20 million shares of common stock are $234.2 million and $7.4 million, respectively.

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RISK FACTORS

You should carefully consider the risks and uncertainties described below, and all of the other information included in this prospectus, before you decide whether to purchase shares of our common stock. Any of the following risks could materially adversely affect our business, financial condition, or operating results and could negatively impact the value of our common stock. A glossary of certain terms appears near the end of this prospectus under "Glossary of Certain Terms."

OUR CURRENT AND FUTURE CASH POSITION MAY NOT PROVIDE US WITH SUFFICIENT LIQUIDITY.

We had cash and cash equivalents at September 30, 2002 of approximately $17.8 million. We believe cash requirements over the next twelve months will be funded through a combination of current cash, future cash flows from operations, amounts available under existing loan agreements, proceeds from potential asset sales, and/or future debt or equity security issuances. Our ability to raise capital is highly dependent upon the commercial viability of our projects and the associated prices of the metals we produce. Because of the significant impact that changes in the prices of silver, gold, lead and zinc have on our financial condition, declines in these metals prices may negatively impact short-term liquidity and our ability to raise additional funding for long-term projects. In the event that cash balances decline to a level that cannot support our operations, our management will defer certain planned capital expenditures and exploration expenditures as needed to conserve cash. If our plans are not successful, operations and liquidity may be adversely affected.

ALTHOUGH OUR OPERATIONS WERE PROFITABLE IN 2001 AND THE FIRST NINE MONTHS OF 2002, WE DID INCUR A TOTAL OF $178.5 MILLION OF LOSS APPLICABLE TO COMMON

SHAREHOLDERS SINCE 1997 AND THERE CAN BE NO ASSURANCE THAT OUR OPERATIONS WILL REMAIN PROFITABLE.

Our net income improved in 2001 and in the first nine months of 2002 as a result, in large part, of increased gold production, lower silver and gold production costs, lower interest expense, a gain on the sale of our subsidiary, Kentucky-Tennessee Clay Company and, recently, increased gold prices. Prior to 2001, we incurred net losses from operations for each of the prior ten years. Many of the factors affecting our operating results are beyond our control, including expectations with respect to the rate of inflation, the relative strength of the United States dollar and certain other currencies, interest rates, global or regional political or economic crises, global or regional demand, speculation, and sales by central banks and other holders and producers of gold and silver in response to these factors, and we cannot foresee whether our operations will continue to generate sufficient revenue for us to be profitable. While silver and gold prices improved in the first nine months of 2002 over average prices in 2001, there can be no assurance such prices will continue at or above such levels.

OUR PREFERRED STOCK HAS A LIQUIDATION PREFERENCE OF $50 PER SHARE, OR $37.7 MILLION, PLUS DIVIDENDS IN ARREARS OF APPROXIMATELY $6.6 MILLION.

This means that if we were liquidated as of January 2, 2003, holders of our Series B preferred stock would be entitled to receive approximately $44.3 million from any liquidation proceeds before holders of our common stock would be entitled to receive any proceeds.

WE ARE CURRENTLY INVOLVED IN ONGOING LITIGATION WHICH MAY ADVERSELY AFFECT US.

There are several ongoing lawsuits in which we are involved. If any of these cases results in a substantial monetary judgment against us or is resolved on unfavorable terms, our results of operations, financial condition and cash flows could be materially adversely affected. For example, we may ultimately incur environmental remediation costs substantially in excess of the amounts we have accrued and the plaintiffs in environmental proceedings may be awarded substantial damages (which costs and damages we may not be able to recover from our insurers). See "Business -- Legal Proceedings."

OUR EARNINGS MAY BE AFFECTED BY METALS PRICE VOLATILITY.

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

- expectations for inflation;
- speculative activities;
- relative exchange rate of the U.S. dollar;
- global and regional demand and production;
- political and economic conditions; and
- production costs in major producing regions.

These factors are beyond our control and are impossible for us to predict.

If the market prices for these metals fall below our costs to produce them for a sustained period of time, we will experience additional losses and may have to discontinue development or mining at one or more of our properties.

In the past, we have used limited hedging techniques to reduce our exposure to price volatility, but we may not be able to do so in the future. See "-- Our hedging activities could expose us to losses."

The following table sets forth the average daily closing prices of the following metals for 1980, 1985, 1990, 1995, 1997 and each year thereafter through 2002.

	1980	1985	1990	1995
Gold(1) (per oz.)	$ 612.56	$ 317.26	$ 383.46	$ 384.16
Silver(2) (per oz.)	20.63	6.14	4.82	5.19
Lead(3) (per lb.)	0.41	0.18	0.37	0.29
Zinc(4) (per lb.)	0.34	0.36	0.69	0.47

	1997	1998	1999	2000	2001
Gold(1) (per oz.)	$ 331.10	$ 294.16	$ 278.77	$ 279.03	$ 271.00
Silver(2) (per oz.)	4.90	5.53	5.25	5.00	4.39
Lead(3) (per lb.)	0.28	0.24	0.23	0.21	0.22
Zinc(4) (per lb.)	0.60	0.46	0.49	0.51	0.40

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(1) London Final

(2) Handy & Harman

(3) London Metals Exchange -- Cash

(4) London Metals Exchange -- Special High Grade -- Cash

On January 2, 2003, the closing prices for gold, silver, lead and zinc were $343.80 per ounce, $4.80 per ounce, $0.19 per ounce and $0.34 per ounce.

THE VOLATILITY OF METALS PRICES MAY ADVERSELY AFFECT OUR DEVELOPMENT AND EXPLORATION EFFORTS.

Our ability to produce silver and gold in the future is dependent upon our exploration efforts, and our ability to develop new ore reserves. If prices for these metals decline, it may not be economically feasible for us to continue our development of a project or to continue commercial production at some of our properties.

OUR DEVELOPMENT OF NEW ORE BODIES MAY COST MORE AND PROVIDE LESS RETURN THAN WE ESTIMATED.

Our ability to sustain or increase our current level of production of metals partly depends on our ability to develop new ore bodies and/or expand existing mining operations. Before we can begin a development project, we must first determine whether it is economically feasible to do so. This determination is based on estimates of several factors, including:

- reserves;
- expected recovery rates of metals from the ore;
- facility and equipment costs;
- capital and operating costs of a development project;
- future metals prices;
- comparable facility and equipment costs; and
- anticipated climate conditions.

Development projects may have no operating history upon which to base these estimates, and these estimates are based in large part on our interpretation of geological data, a limited number of drill holes, and other sampling techniques. As a result, actual cash operating costs and returns from a development project may differ substantially from our estimates as a result of which it may not be economically feasible to continue with a development project.

OUR ORE RESERVE ESTIMATES MAY BE IMPRECISE.

Our ore reserve figures and costs are primarily estimates and are not guarantees that we will recover the indicated quantities of these metals. Reserves are estimates made by our technical personnel and 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. Reserve estimation is an interpretive process based upon available data. Our reserve estimates for properties that have not yet started may change based on actual production experience. Further, reserves are valued based on estimates of costs and metals prices. The economic value of ore reserves may be adversely affected by:

- declines in the market price of the various metals we mine;
- increased production or capital costs; or
- reduced recovery rates.

Short-term operating factors relating to our ore reserves, such as the need to sequentially develop ore bodies and the processing of new or different ore grades, may adversely affect our profitability. We use forward sales contracts and other hedging techniques to partially offset the effects of a drop in the market prices of the metals we mine. However, if the price of metals that we produce declines substantially below the levels used to calculate reserves for an extended period, we could experience:

- delays in new project development;
- increased net losses;

- reduced cash flow;
- reductions in reserves; and
- possible write-down of asset values.

OUR AVAILABLE CASH AND CASH FLOWS MAY BE INADEQUATE TO FUND EXPANSION PROJECTS.

Based upon our estimate of metals prices and metals production for 2002, we currently believe that our cash on hand, operating cash flows, amounts available under current credit facilities, proceeds from potential asset sales, and/or future debt or equity security issuances will be adequate to fund our:

- anticipated minimum capital expenditure requirements;
- idle property expenditures;
- debt service; and
- exploration expenditures.

Cash flows from operations, however, could be significantly impacted if the market price of silver, gold, lead and zinc fluctuate. In the event that cash balances decline to a level that cannot support our operations, our management will defer certain planned capital and exploration expenditures as needed to conserve cash for operations. If our plans are not successful, operations and liquidity may be adversely affected.

OUR MINERAL EXPLORATION EFFORTS MAY NOT BE SUCCESSFUL.

We must continually replace ore reserves depleted by production. Our ability to expand or replace depleted ore reserves depends on the success of our exploration program. Mineral exploration, particularly for silver and gold, is highly speculative. It involves many risks and is often nonproductive. Even if we find a valuable deposit of minerals, it may be several years before production is possible.

During that time, it may become economically unfeasible to produce those minerals. Establishing ore reserves requires us to make substantial capital expenditures and, in the case of new properties, to construct mining and processing facilities. As a result of these costs and uncertainties, we may not be able to expand or replace our existing ore reserves as they are depleted by current production.

OUR JOINT DEVELOPMENT AND OPERATING ARRANGEMENTS MAY NOT BE SUCCESSFUL.

We often enter into joint venture arrangements in order to share the risks and costs of developing and operating properties. For instance, our Greens Creek mine is operated through a joint venture arrangement. In a typical joint venture arrangement, we own a percentage of the assets in the joint venture. Under the agreement governing the joint venture relationship, each party is entitled to indemnification from each other party and is only liable for the liabilities of the joint venture in proportion to its interest in the joint venture. However, if a party fails to perform its obligations under the joint venture agreement, we could incur losses in excess of our pro-rata share of the joint venture. In the event any party so defaults, the joint venture agreement provides certain rights and remedies to the remaining participants, including the right to sell the defaulting party's percentage interest and use the proceeds to satisfy the defaulting party's obligations. We currently believe that our joint venture partners will meet their obligations.

WE FACE STRONG COMPETITION FROM OTHER MINING COMPANIES FOR THE ACQUISITION OF NEW PROPERTIES.

Mines have limited lives and as a result, we continually seek to replace and expand our reserves through the acquisition of new properties. In addition, there is a limited supply of desirable mineral lands available in the United States and other areas where we would consider conducting exploration and/or production activities. Because we face strong competition for new properties from other mining companies, some of whom have greater financial resources than we do, we may be unable to acquire attractive new mining properties on terms that we consider acceptable.

THE TITLES TO SOME OF OUR PROPERTIES MAY BE DEFECTIVE.

Unpatented mining claims constitute a significant portion of our undeveloped property holdings. The validity of these unpatented mining claims is often uncertain and may be contested. In accordance with mining industry practice, we do not generally obtain title opinions until we decide to develop a property. Therefore, while we have attempted to acquire satisfactory title to our undeveloped properties, some titles may be defective.

In Mexico a claim has been made, in one court, as to the validity of the ownership of the Velardena mill and, in another court, the validity of a lien that predates acquisition of the mill by our subsidiary. There is no assurance that we will win this litigation. Losing the litigation could result in an interruption of production or even the loss of the mill.

OUR OPERATIONS MAY BE ADVERSELY AFFECTED BY RISKS AND HAZARDS ASSOCIATED WITH THE MINING INDUSTRY.

Our business is subject to a number of risks and hazards including:

- environmental hazards;
- political and country risks;
- industrial accidents;
- labor disputes;
- unusual or unexpected geologic formations;
- cave-ins;
- explosive rock failures; and
- flooding and periodic interruptions due to inclement or hazardous weather conditions.

Such risks could result in:

- damage to or destruction of mineral properties or producing facilities;

- personal injury;
- environmental damage;
- delays in mining;
- monetary losses; and
- legal liability.

For some of these risks, we maintain insurance to protect against these losses at levels consistent with our historical experience and industry practice. However, we may not be able to maintain this insurance, particularly if there is a significant increase in the cost of premiums. Insurance against environmental risks is generally either unavailable or too expensive for us and other companies in our industry, and, therefore, we do not maintain environmental insurance. To the extent we are subject to environmental liabilities, we would have to pay for these liabilities. Moreover, in the event that we are unable to fully pay for the cost of remedying an environmental problem, we might be required to suspend operations or enter into other interim compliance measures.

OUR FOREIGN OPERATIONS, INCLUDING OUR OPERATIONS IN VENEZUELA, ARE SUBJECT TO ADDITIONAL INHERENT RISKS.

We currently conduct mining operations in Mexico and Venezuela and have exploration projects in Mexico and South America. We anticipate that we will continue to conduct significant international operations in the future. Because we conduct operations internationally, we are subject to political and economic risks such as:

- the effects of local political and economic developments;
- exchange controls;
- currency fluctuations; and
- taxation and laws or policies of foreign countries and the United States affecting trade, investment and taxation.

Consequently, our exploration, development and production activities outside of the United States may be substantially affected by factors beyond our control, any of which could materially adversely affect our financial position or results of operations.

Venezuela, the site of our La Camorra mine, is currently experiencing political unrest in the form of marches and demands that the current president hold a referendum to determine whether to remove him from office. The political unrest in Venezuela has led to a shut down of much of the country's economy and a significant reduction of imports into the country. Although we continue to operate our La Camorra mine and exploration projects without significant impact from the current political unrest, the continued limitation on fuel supplies and other imports could require us to either curtail or halt our mining operations and exploration activities.

OUR OPERATIONS ARE SUBJECT TO CURRENCY FLUCTUATIONS.

Currency fluctuations may affect the cash flow which we will realize from our operations since our products are sold in world markets in United States dollars. Although we have hedging programs in place to reduce certain risks associated with foreign exchange exposure, there can be no assurance that such hedging strategies will be successful or that foreign exchange fluctuations will not materially adversely affect our financial performance and results of operations.

WE ARE REQUIRED TO OBTAIN GOVERNMENTAL PERMITS IN ORDER TO CONDUCT MINING OPERATIONS.

In the ordinary course of business, mining companies are required to seek governmental permits for expansion of existing operations or for the commencement of new operations. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings on our part. The duration and success of our efforts to obtain permits are contingent upon many variables not within our control. Obtaining environmental protection permits, including the approval of reclamation plans, may

increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary permits will be obtained and, if obtained, that the costs involved will not exceed those that we previously estimated. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that we would not proceed with the development or operation of a mine or mines.

WE FACE SUBSTANTIAL GOVERNMENTAL REGULATION AND ENVIRONMENTAL RISKS.

Our business is subject to extensive federal, state and local laws and regulations governing development, production, labor standards, occupational health, waste disposal, use of toxic substances, environmental regulations, mine safety and other matters. We have been, and are currently involved in lawsuits in which we have been accused of violating environmental laws, and we may be subject to similar lawsuits in the future. See "Business -- Legal Proceedings." New legislation and regulations may be adopted at any time that results in additional operating expense, capital expenditures or restrictions and delays in the mining, production or development of our properties.

We maintain reserves for costs associated with mine closure, reclamation of land and other environmental matters. At September 30, 2002, our reserves for these matters totaled $50.7 million. We anticipate that we will make expenditures relating to these reserves over the next five to ten years. Future expenditures related to closure, reclamation and environmental expenditures are difficult to estimate due to:

- the early stage of our investigation;
- the uncertainties relating to the costs and remediation methods that will be required in specific situations;
- the possible participation of other potentially responsible parties; and
- changing environmental laws, regulations and interpretations.

It is possible that, as new information becomes available, changes to our estimates of future closure, reclamation and environmental contingencies could materially adversely affect our future operating results.

Various laws and permits require that financial assurances be in place for certain environmental and reclamation obligations and other potential liabilities. We currently have in place such financial assurances in the form of surety bonds. As of September 30, 2002, we also had set aside as restricted investments approximately $6.4 million as collateral for these bonds. The amount of the financial assurances and the amount required to be set aside by us as collateral for these financial assurances are dependent upon a number of factors, including our financial condition, reclamation cost estimates, development of new projects, and the total dollar value of financial assurances in place. There can be no assurance that we will be able to maintain or add to our current level of financial assurances.

YOU MAY NOT BE ABLE TO SELL THE COMMON STOCK WHEN YOU WANT AND, IF YOU DO, YOU MAY NOT BE ABLE TO RECEIVE THE PRICE YOU WANT.

Although our common stock has been actively traded on the New York Stock Exchange (NYSE), we cannot assure you that an active trading market for the common stock will continue or, if it does, at what prices the common stock may trade.

OUR HEDGING ACTIVITIES COULD EXPOSE US TO LOSSES.

From time to time, we engage in hedging activities, such as forward sales contracts and commodity put and call option contracts, to minimize the effect of declines in metals prices on our operating results. While these hedging activities may protect us against low metals prices, they may also limit the price we can receive on hedged products. As a result, we may be prevented from realizing possible revenues in the event that the market price of a metal exceeds the price stated in a forward sale or call option contract. We are also subject to posting margin if the margin free limit of $10.0 million in the aggregate for all our contracts is exceeded. As of September 30, 2002, our forward

contract position had a negative value of $5.0 million. In addition, we may experience losses if a counterparty fails to purchase under a contract when the contract price exceeds the spot price of a commodity.

OUR BUSINESS DEPENDS ON GOOD RELATIONS WITH OUR EMPLOYEES.

Certain of our employees are represented by unions. At September 30, 2002, there were 63 hourly employees at the Lucky Friday mine. The United Steelworkers of America is the bargaining agent for the Lucky Friday hourly employees. The current labor agreement expires on June 16, 2003. At September 30, 2002, there were 103 hourly and 40 salaried employees at the San Sebastian mine. The National Mine and Mill Workers Union represents process plant hourly workers at San Sebastian. Under labor law, wage adjustments are negotiated annually and other contract terms every two years. The contract at San Sebastian is due for negotiation of wages in July 2003 and for wages and other terms in July 2004. At September 30, 2002, there were 349 hourly and 42 salaried employees at our La Camorra Gold mine, most of whom are represented by the Mine Workers Union. The contract with respect to La Camorra will expire in March 2004. We anticipate that we will be able to negotiate a satisfactory contract with each union, but there can be no assurance that this can be done without a disruption to production.

OUR STOCKHOLDER RIGHTS PLAN AND PROVISIONS IN OUR CERTIFICATE OF INCORPORATION, OUR BY-LAWS, AND DELAWARE LAW COULD DELAY OR DETER TENDER OFFERS OR TAKEOVER ATTEMPTS THAT MAY OFFER YOU A PREMIUM FOR YOUR COMMON STOCK.

Our stockholder rights plan and provisions in our certificate of incorporation, our by-laws, and Delaware law could make it more difficult for a third party to acquire control of us, even if that transaction would be beneficial to you. These impediments include:

- the rights issued in connection with the stockholder rights plan that will substantially dilute the ownership of any person or group that acquires 15% or more of our outstanding common stock unless the rights are first redeemed by our board of directors, in its discretion. Furthermore, our board of directors may amend the terms of these rights, in its discretion, including an amendment to lower the acquisition threshold to any amount greater than 10% of the outstanding common stock;
- the classification of our board of directors into three classes serving staggered three-year terms;
- the ability of our board of directors to issue shares of preferred stock with rights as it deems appropriate without stockholder approval;
- a requirement that special meetings of our board of directors may be called only by our chief executive officer or a majority of our board of directors;
- a requirement that special meetings of stockholders may only be called pursuant to a resolution approved by a majority of our entire board of directors;
- a prohibition against action by written consent of our stockholders;
- a requirement that our board members may only be removed for cause and by an affirmative vote of at least 80% of the outstanding voting stock;
- a requirement that our stockholders comply with advance-notice provisions to bring director nominations or other matters before meetings of our stockholders;
- a prohibition against certain business combinations with an acquirer of 15% or more of our common stock for three years after such acquisition unless the stock acquisition or the business combination is approved by our board prior to the acquisition of the 15% interest, or after such acquisition our board and the holders of two-thirds of the other common stock approve the business combination; and

- a requirement that prohibits us from entering into some business combinations with interested stockholders without the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of voting stock.

The existence of the stockholder rights plan and these provisions may deprive you of an opportunity to sell your stock at a premium over prevailing prices. The potential inability of our stockholders to obtain a control premium could adversely affect the market price for our common stock. For a description of our stockholder rights plan, see "Description of Common Stock -- Rights."

WE ARE DEPENDENT ON KEY PERSONNEL.

We are currently dependent upon the ability and experience of our executive officers and there can be no assurance that we will be able to retain all of such officers. The loss of one or more of the officers could have a material adverse effect on our operations. On December 18, 2002, Arthur Brown announced that he would retire as Chief Executive Officer effective in May 2003. Subject to formal Board approval, we expect that he will be succeeded by Phillips Baker, currently our President. Mr. Brown will remain as Chairman of the Board. We also compete with other companies both within and outside the mining industry in connection with the recruiting and retention of qualified employees knowledgeable in mining operations.

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USE OF PROCEEDS

The net proceeds to us from the sale of the common stock offered by us, after deducting expenses, including the Underwriters' commission, are estimated to be approximately $79.2 million. If the Underwriters' over allotment option is exercised in full, such estimated net proceeds will be $91.2 million. We intend to use the net proceeds to fund future exploration and development, working capital requirements, capital expenditures and for other general corporate purposes. Pending such applications, the net proceeds will be invested in short-term money market instruments. Although we regularly review acquisition opportunities, no contract, arrangement or understanding currently exists regarding any material acquisition. We will not receive any of the proceeds from the sale of common stock by the Selling Stockholders.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock is listed on the New York Stock Exchange under the symbol "HL." As of December 31, 2002, we had 8,584 common stockholders of record. Quarterly high and low stock prices, based on the New York Stock Exchange composite transactions, are shown below:

FISCAL YEAR	QUARTER	HIGH ($)	LOW ($)
2003	First (to January 21, 2003)	5.86	4.53
2002	First	1.99	0.90
	Second	5.90	1.90
	Third	5.20	2.20
	Fourth	5.45	2.96
2001	First	1.00	0.50
	Second	1.70	0.66
	Third	1.26	0.78
	Fourth	1.27	0.77
2000	First	2.00	1.25
	Second	1.50	1.00
	Third	1.13	0.75
	Fourth	0.94	0.50

On January 21, 2003, the closing price of our common stock as reported on the New York Stock Exchange was $4.53 per share.

We have not declared or paid any cash dividends on our capital stock or other securities for several years and do not anticipate paying any cash dividends in the foreseeable future. We are currently restricted from paying dividends on our common stock or repurchasing common stock until such time as we have paid the cumulative dividends on our Series B preferred stock. In addition, we have entered into loan documents that constrain our ability to pay dividends on our common stock or repurchase our common stock.

SELECTED FINANCIAL DATA
(in thousands, except shares, per share data and shareholder/employee data)

The following table sets forth selected historical consolidated financial data for us for each of the years ended December 31, 1997 through 2001, and is derived from our audited financial statements. The following table also sets forth selected historical consolidated financial data for the three months ended September 30, 2001 and 2002, and the nine months ended September 30, 2001 and 2002, and is derived from our unaudited consolidated financial statements. The data set forth below should be read in conjunction with, and is qualified in its entirety by reference to our financial statements, beginning on page F-1 of this prospectus.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2002	2001	2002	2001
Sales of products	$ 27,790	$ 22,501	$ 79,836	$ 63,479
Income (loss) from continuing operations	$ 2,073	$ (2,037)	$ 8,100	$ (6,935)
Income (loss) from discontinued operations(2)	$ (540)	$ (419)	$ (1,326)	$ 12,459
Net income (loss)	$ 1,533	$ (2,456)	$ 6,774	$ 5,524
Preferred stock dividends(3).....	$ (18,568)	$ (2,013)	$ (22,593)	$ (6,038)
Loss applicable to common shareholders(4)	$ (17,035)	$ (4,469)	$ (15,819)	$ (514)
Loss from continuing operations per common share	$ (0.19)	$ (0.06)	$ (0.18)	$ (0.19)
Basic and diluted loss per common share	$ (0.20)	$ (0.06)	$ (0.20)	$ (0.01)
Total assets(5)	$ 154,983	$ 159,780	$ 154,983	$ 159,780
Noncurrent portion of debt(5)	$ 7,376	$ 13,774	$ 7,376	$ 13,774
Cash dividends paid per common share	$ --	$ --	$ --	$ --
Cash dividends paid per preferred share(4)	$ --	$ --	$ --	$ --
Common shares issued(5)	86,088,512	73,049,761	86,088,512	73,049,761
Shareholders of record	8,673	9,014	8,673	9,014
Employees	700	783	700	783

	YEARS ENDED DECEMBER 31,			
	2001	2000	1999(1)	1998

Sales of products	$ 85,247	$ 75,850	$ 73,703	$ 75,108	$
Income (loss) from continuing operations	$ (9,582)	$ (84,847)	$ (43,391)	$ (4,674)	$
Income (loss) from discontinued operations(2)	$ 11,922	$ 1,529	$ 4,786	$ 4,374	$
Net income (loss)	$ 2,340	$ (83,965)	$ (39,990)	$ (300)	$
Preferred stock dividends(3)	$ (8,050)	$ (8,050)	$ (8,050)	$ (8,050)	$
Loss applicable to common shareholders(4)	$ (5,710)	$ (92,015)	$ (48,040)	$ (8,350)	$
Loss from continuing operations per common share	$ (0.25)	$ (1.39)	$ (0.83)	$ (0.23)	$
Basic and diluted loss per common share	$ (0.08)	$ (1.38)	$ (0.77)	$ (0.15)	$
Total assets(5)	$ 153,116	$ 194,836	$ 268,357	$ 252,062	$
Noncurrent portion of debt(5)	$ 11,948	$ 10,041	$ 55,095	$ 42,923	$
Cash dividends paid per common share	$ --	$ --	$ --	$ --	$
Cash dividends paid per preferred share(4)	$ --	$ 1.75	$ 3.50	$ 3.50	$
Common shares issued(5)	73,068,796	66,859,752	66,844,575	55,166,728	
Shareholders of record	8,926	9,273	9,714	10,162	
Employees	701	1,195	1,277	1,184	

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(1) On January 1, 1999, we changed our method of accounting for start-up costs in accordance with Statement of Position 98-5 "Reporting on the Costs of Start-up Activities." The impact of this change in accounting principle related to unamortized start-up costs associated with our 29.7331% interest in the Greens Creek Mine and resulted in a $1.4 million charge for the year ended December 31, 1999.

(2) In November 2000, our board of directors decided to sell Kentucky-Tennessee Clay Company, K-T Feldspar Corporation, K-T Clay de Mexico and certain other minor inactive minerals companies, which represented the major remaining portion of our industrial minerals segment. Accordingly, the industrial minerals segment has been recorded as a discontinued operation as of and for each of the periods ended presented above. As of September 30, 2002 and 2001, and as of December 31, 2001 and 2000, only, the balance sheets have been reclassified to reflect the net assets of the industrial minerals segment as a discontinued operation.

(3) As of September 30, 2002, we have not declared or paid $5.9 million of Series B preferred stock dividends. However, since the dividends are cumulative, they continue to be reported in determining the income (loss) applicable to common stockholders, but are excluded in the amount reported as cash dividends paid per preferred share. We completed an offer to acquire all of our currently outstanding Series B preferred stock in exchange for newly issued shares of our common stock on July 25, 2002. A total of 1,546,598 shares, or 67.2%, of the total number of Series B preferred shares outstanding were validly tendered and exchanged into 10,826,186 shares of our common stock. During the third quarter of 2002, we incurred a non-cash dividend of approximately $17.6 million related to the completed exchange offering. The $17.6 million dividend represents 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 Series B preferred stock. The non-cash dividend

had no impact on our total shareholders' equity as the offset was an increase in common stock and surplus. As a result of the completed exchange offering, the total of cumulative preferred dividends is anticipated to be $23.4 million for the year ending December 31, 2002. In 2003, the $8.0 million annual cumulative preferred dividends that have historically been included in income (loss) applicable to common shareholders will be reduced to approximately $2.6 million. The completed exchange offering also eliminated $10.9 million of previously undeclared and unpaid preferred stock dividends.

(4) After recognizing a $1.3 million loss from discontinued operations and $22.6 million in preferred stock dividends, our loss applicable to common stockholders for the nine months ended September 30, 2002 was approximately $15.8 million, compared to a loss of $0.5 million in the same period in 2001, after recognizing $12.5 million in income from discontinued operations, due to a gain of $12.7 million on the sale of the majority of our industrial minerals assets and $6.0 million in preferred stock dividends.

(5) Total assets, noncurrent portion of debt and common shares issued at September 30, 2002 on an "as adjusted" basis to reflect the effects of the estimated net proceeds from the offering by us of 20 million shares of common stock are $234.2 million, $7.4 million and 106,088,512, respectively.

SUPPLEMENTARY FINANCIAL DATA
(in thousands, except share data)

The following table sets forth supplementary financial data for us for the first, second and third quarters of 2002 and each quarter of the years ended December 31, 2000 through 2001, derived from unaudited consolidated financial statements. The data set forth below should be read in conjunction with, and is qualified in its entirety by reference to our financial statements, beginning on page F-1 of this prospectus.

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FO QUA
2002				
Sales of products(1)	$ 23,383	$ 28,663	$ 27,790	
Gross profit(1)	$ 3,734	$ 7,857	$ 6,414	
Net income	$ 486	$ 4,755	$ 1,533	
Preferred stock dividends	$ (2,012)	$ (2,013)	$ (18,568)	
Income (loss) applicable to common shareholders	$ (1,526)	$ 2,742	$ (17,035)	
Basic and diluted income (loss) per common share	$ (0.02)	$ 0.04	$ (0.20)	
2001				
Sales of products(1)	$ 16,417	$ 24,561	$ 22,501	$ 21
Gross profit(1)	$ 852	$ 2,358	$ 270	$ 1
Net income (loss)	$ 9,535	$ (1,555)	$ (2,456)	$ (3
Preferred stock dividends	$ (2,012)	$ (2,013)	$ (2,013)	$ (2
Income (loss) applicable to common shareholders	$ 7,523	$ (3,568)	$ (4,469)	$ (5

Basic and diluted income (loss) per common share	$ 0.11	$ (0.06)	$ (0.06)	$ (
2000				
Sales of products(1)	$ 17,628	$ 21,005	$ 20,044	$ 17
Gross loss(1)	$ (1,145)	$ (1,252)	$ (82)	$ (2
Net loss	$ (7,319)	$ (16,712)	$ (3,622)	$(56
Preferred stock dividends	$ (2,012)	$ (2,013)	$ (2,013)	$ (2
Loss applicable to common shareholders	$ (9,331)	$ (18,725)	$ (5,635)	$(58
Basic and diluted loss per common share	$ (0.14)	$ (0.28)	$ (0.08)	$ (

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(1) In November 2000, we decided to sell our industrial minerals operations. As such, the industrial minerals segment is accounted for as a discontinued operation, and the above amounts reflect the accounting treatment of the industrial minerals segment as a discontinued operation.

(2) Not available as of the date of this prospectus.

(3) For the first three quarters.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2002:

- on an actual basis; and
- on an as adjusted basis to give effect to the sale by us of 20 million shares of common stock after deducting the underwriting discount and commissions and estimated offering expenses payable by us.

This table should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements, notes thereto and other financial information included elsewhere in this prospectus.

	AS OF SEPTEMBER
	ACTUAL
	(DOLLARS IN THO EXCEPT PER SHAR
Cash and cash equivalents	$ 17,795
Long term debt (including current amount portion)	13,792
Stockholders' equity:	
Preferred stock, $0.25 par value; actual and as adjusted -- 5,000,000 shares authorized, 753,402 shares issued and outstanding	188
Common stock, $0.25 par value; actual and as adjusted -- 200,000,000 shares authorized, 86,080,238 shares issued and outstanding, net of treasury stock (actual) 106,080,238 shares issued and outstanding, net of treasury stock, (as adjusted)(1)	21,522

Capital surplus	403,823
Accumulated deficit	(357,409)
Accumulated other comprehensive income (loss)	(24)
Less stock held by grantor trust	(132)
Less stock held as unearned compensation	(6)
Less treasury stock, at cost	(118)
Total stockholders' equity	67,844
Total capitalization	$ 81,636

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(1) Excludes 2,817,335 shares of common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of $3.97 per share and 2,000,000 shares of common stock issuable upon exercise of outstanding warrants at an exercise price of $3.73 per share and the conversion of the Company's preferred stock, which were convertible into 2,422,489 shares of common stock at September 30, 2002. An additional 2,203,581 shares of common stock are reserved for issuance under the Company's stock option plans.

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DILUTION

Our net tangible book value at September 30, 2002 was approximately $31.4 million, or approximately $0.36 per share. Net tangible book value per share represents the amount of our total tangible assets less total liabilities and less preferred stock, divided by the number of shares of common stock outstanding before giving effect to the sale of the shares of our common stock in the offering. See "Capitalization." After giving effect to the sale of the 20 million shares of common stock in the offering, after deducting the underwriting discount and commissions and other estimated expenses of the offering, our net tangible book value as of September 30, 2002 would have been $1.04 per share. This represents an immediate increase in net tangible book value per share of $0.68 to existing stockholders and immediate dilution in net tangible book value of $3.21 per share to new investors purchasing our common stock in the offering at the public offering price. The following table illustrates the per share dilution without over allotment options:

Public offering price per share		$ 4.25
Net tangible book value per share as of September 30, 2002	$ 0.36	
Increase per share attributable to new investors	$ 0.68	
Net tangible book value per share after the offering		$ 1.04
Dilution per share to new investors		$ 3.21

Dilution per share to new investors is determined by subtracting net tangible book value per share after the offering from the public offering price per share paid by a new investor. If any shares are issued in connection with outstanding options or the underwriters' overallotment options, you will experience further dilution.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

We are involved in the exploration, development, mining and processing of silver, gold, lead and zinc. Our silver and gold segment revenues and our profitability are strongly influenced by world prices of silver, gold, lead and zinc, which fluctuate widely and are affected by numerous factors beyond our control, including inflation and worldwide forces of supply and demand for precious and base metals. The aggregate effect of these factors is not possible to accurately predict. During 2000, in furtherance of our determination to focus our operations on silver and gold mining and to raise cash to reduce debt and provide working capital, our board of directors made the decision to sell our industrial minerals segment. The sale of our industrial minerals assets has allowed our management to focus on our precious metals operations and exploration for new precious metals properties and reserves as well as providing us with a portion of the working capital for these activities. On March 27, 2001, we completed a sale of the Kentucky-Tennessee Clay Company, K-T Feldspar Corporation, K-T Clay de Mexico and certain other minor inactive industrial minerals companies (collectively the K-T Group). On March 4, 2002, we completed a sale of the pet operations of the Colorado Aggregate division (CAC) of MWCA, one of our wholly owned subsidiaries. We continue to pursue a sale of the remaining assets of MWCA, although there can be no assurance that a sale will be completed. As a result of our decision in November 2000 to sell the businesses comprising our industrial minerals segment, it is accounted for as a discontinued operation.

PRODUCTION

During the quarter and nine months ended September 30, 2002, we produced approximately 65,000 and 187,000 ounces of gold compared to approximately 52,000 and 138,000 ounces in the quarter and nine months ended September 30, 2001. The increases in gold production are principally due to increased mill throughput at the La Camorra Mine and increased production levels at the San Sebastian Mine where production commenced in May 2001. The following table displays the actual gold production (in thousands of ounces) by operation for the three months ended September 30, 2002 and 2001, actual gold production for the nine months ended September 30, 2002 and 2001, projected gold production for the year ending December 31, 2002, and actual gold production for the year ended December 31, 2001:

OPERATION	ACTUAL THREE MONTHS ENDED SEPTEMBER 30, 2002	ACTUAL THREE MONTHS ENDED SEPTEMBER 30, 2001	ACTUAL NINE MONTHS ENDED SEPTEMBER 30, 2002	ACTUAL NINE MONTHS ENDED SEPTEMBER 30, 2001
La Camorra	48	40	134	108

Greens Creek(1)	7	6	23	20
San Sebastian(2)	10	5	30	10
Other	--	1	--	--
Totals	65	52	187	138

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(1) Reflects our portion.

(2) Production commenced in May 2001 at the San Sebastian mine.

In the quarter and nine months ended September 30, 2002, we produced approximately 2.1 and 6.4 million ounces of silver compared to approximately 1.8 and 5.9 million ounces in the quarter and nine months ended September 30, 2001. The increases in silver production are principally due to increased production levels at the San Sebastian Mine where production commenced in May 2001, partially offset by a decrease in production at the Lucky Friday Mine where production levels were reduced in October 2001. The following table displays the actual silver production (in thousands of

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ounces) by operation for the three months ended September 30, 2002 and 2001, actual silver production for the nine months ended September 30, 2002 and 2001, projected silver production for the year ending December 31, 2002, and actual silver production for the year ended December 31, 2001:

OPERATION	ACTUAL THREE MONTHS ENDED SEPTEMBER 30, 2002	ACTUAL THREE MONTHS ENDED SEPTEMBER 30, 2001	ACTUAL NINE MONTHS ENDED SEPTEMBER 30, 2002	ACTUAL NINE MONTHS ENDED SEPTEMBER 30, 2001
Lucky Friday	429	766	1,436	2,856
Greens Creek	827	768	2,515	2,494
San Sebastian	823	265	2,472	547
Totals	2,079	1,799	6,423	5,897

During 2001, we produced approximately 195,000 ounces of gold compared to approximately 146,000 ounces in 2000. The following table displays the actual gold production (in thousands of ounces) by operation for the years ended December 31, 2001, 2000 and 1999:

ACTUAL DEC. 31,	ACTUAL DEC. 31,	ACTUAL DEC. 31,

OPERATION	2001	2000	1999
La Camorra(1)	152	93	17
Greens Creek(2)	26	25	24
San Sebastian(3)	16	--	--
Rosebud(2)(4)	--	24	56
Other sources(2)(5)	1	4	13
Totals	195	146	110

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(1) Production commenced under our ownership in October 1999 at the La Camorra mine.

(2) Reflects our portion.

(3) Production commenced in May 2001 at the San Sebastian mine.

(4) The Rosebud mine completed operations in the third quarter of 2000.

(5) Includes production from La Choya and other sources.

In 2001, we produced approximately 7.4 million ounces of silver compared to approximately 8.0 million ounces in 2000. The following table displays the actual silver production (in thousands of ounces) by operation for the years ended December 31, 2001, 2000 and 1999:

OPERATION	ACTUAL DEC. 31, 2001	ACTUAL DEC. 31, 2000	ACTUAL DEC. 31, 1999
Lucky Friday	3,224	5,012	4,441
Greens Creek	3,260	2,754	3,051
San Sebastian	950	--	--
Other sources	--	233	125
Totals	7,434	7,999	7,617

In 2000, we shipped approximately 1,078,000 tons of product from the K-T Group, which included ball clay, kaolin and feldspar, as well as approximately 61,000 tons of specialty aggregates from CAC and 130,000 cubic yards of landscape material from the Mountain West Products division (MWP) of

MWCA. In 2001, we shipped approximately 261,000 tons from the industrial minerals group, including 20,000 tons from CAC. On March 27, 2001, we completed a sale of the K-T Group for $62.5 million subject to customary post-closing adjustments. We recorded a gain on the sale of the K-T Group of $12.7 million. The proceeds were used to repay a term loan facility of $55.0 million and to repay amounts outstanding under a $2.0 million revolving bank agreement. The remaining net proceeds were available for general corporate purposes. On March 4, 2002, we completed a sale of the pet operations of CAC for approximately $1.6 million in cash. We continue to pursue a sale of the remaining assets of MWCA, although there can be no assurance that a sale will be completed. During 2000, we sold substantially all of the assets of MWP and the landscape operations of CAC.

On April 30, 2001, our wholly owned subsidiary, Minera Hecla, S.A. de C.V. (Minera Hecla) acquired a processing mill at Velardena, Mexico, to process ore to be mined from the San Sebastian project on the Saladillo mining concessions located near Durango, Mexico. The purchase price of $7.4 million was financed by a credit facility between Minera Hecla and the lender. The credit facility is nonrecourse to us. Ore mined from the San Sebastian project is trucked approximately 120 kilometers to the processing mill. The mill has a rated capacity of 500 tonnes per day and produces a silver/gold precipitate which is sold to a precious metals refiner. Milling operations commenced in early May 2001 and production from San Sebastian during 2001 was approximately 1.0 million ounces of silver and 16,000 ounces of gold.

On July 17, 2001, we announced that we would reduce operations at our Lucky Friday silver mine, effective October 2001, due to continued low silver and lead prices. Production totaled approximately 3.2 million ounces of silver in 2001, and will be reduced to approximately 2.0 million ounces in 2002. Production can be increased if and when silver and lead prices increase. Primary development at the mine will be suspended and mining will take place in only currently developed areas. We estimate that with minimal additional development the mine can sustain the lower production levels through 2004. We currently anticipate that reduced operations will continue as long as the cost of operating is less than the cost of care and maintenance.

RESULTS OF OPERATIONS

In this section, we refer to a number of our properties by name. You can find additional information on these properties under "Business."

THREE MONTHS AND NINE MONTHS ENDING SEPTEMBER 30, 2002 COMPARED TO THE SAME PERIOD IN 2001

We recorded net income, before preferred stock dividends, of approximately $6.8 million ($0.09 per common share) and $5.5 million ($0.08 per common share) in the first nine months of 2002 and 2001, respectively. Before preferred stock dividends, we recorded net income of approximately $1.5 million ($0.02 per common share) in the third quarter of 2002 compared to a net loss of approximately $2.5 million ($0.03 per common share) in the third quarter of 2001. Net income increased during the first nine months of 2002 as compared to the 2001 period principally due to a 36% increase in gold production, a 9% increase in silver production, reduced operating costs and increased gold and silver prices, partially offset by a gain of $12.7 million from the sale of the majority of our industrial minerals segment in March 2001. Net income increased during the third quarter ended September 30, 2002 as compared to the same period in 2001 principally due to a 26% increase in gold production, a 16% increase in silver production, reduced operating costs and increased gold and silver prices.

On March 27, 2001, we completed a sale of the Kentucky-Tennessee Clay Company, Kentucky-Tennessee Feldspar Corporation, Kentucky-Tennessee Clay de Mexico and certain other minor inactive industrial minerals companies (collectively the K-T Group) and recorded a gain of $12.7 million in the first nine months of 2001. On March 4, 2002, we completed a sale of the pet operations of Colorado Aggregate division (CAC) of MWCA, our wholly owned subsidiary for

$1.6 million in cash. The sale of the pet operations did not result in a gain or loss. We continue to pursue a sale of the remaining assets of MWCA, although there can be no assurance that a sale will be completed.

Our net income for each of the nine months ended September 30, 2002 and 2001, includes a loss from discontinued operations of approximately $1.3 million ($0.02 per common share) in the first nine months of 2002 and income of approximately $12.5 million ($0.18 per common share) in the same period in 2001. The income from discontinued operations in 2001 is principally due to a gain of $12.7 million recognized on the sale of the majority of our industrial minerals segment in March 2001. We recorded a loss from discontinued operations of approximately $0.5 million and $0.4 million in the third quarters of 2002 and 2001, respectively.

We recorded losses applicable to common shareholders of approximately $15.8 million ($0.20 per common share) and $0.5 million ($0.01 per common share) in the first nine months of 2002 and 2001, respectively, and approximately $17.0 million ($0.20 per common share) and $4.5 million ($0.06 per common share) in the third quarters of 2002 and 2001, respectively. Included in these losses applicable to common shareholders were preferred stock dividends of $22.6 million and $6.0 million for the first nine months of 2002 and 2001, respectively, and $18.6 million and $2.0 million in the third quarters of 2002 and 2001, respectively. The 2002 dividends include a noncash dividend of approximately $17.6 million related to a completed preferred stock exchange offering described below.

We completed an offer to acquire all of our currently outstanding Series B preferred stock in exchange for newly issued shares of our common stock on July 25, 2002. A total of 1,546,598 shares, or 67.2%, of the total number of Series B preferred shares were validly tendered and exchanged, into 10,826,186 shares of our common stock. During the third quarter of 2002, we incurred a non-cash dividend of approximately $17.6 million related to the completed exchange offering. The $17.6 million dividend represents 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 Series B preferred stock. The non-cash dividend had no impact on our total shareholders' equity as the offset was an increase in common stock and surplus. As a result of the completed exchange offering, the total of cumulative preferred dividends is anticipated to be $23.4 million for the year ending December 31, 2002. In 2003, the $8.0 million annual cumulative preferred dividends that have historically been included in income (loss) applicable to common shareholders will be reduced to approximately $2.6 million. The completed exchange offering also eliminated $10.9 million of previously undeclared and unpaid preferred stock dividends.

The following table compares the average metal prices for the three months and nine months ended September 30, 2002 with the comparable 2001 period:

	THREE MONTHS ENDED SEPTEMBER 30,			
METAL	2002	2001	$ CHANGE	% CHANGE
Gold-Realized ($/oz.)................	$ 305	$ 283	$ 22	8%
Gold-London Final ($/oz.)............	$ 314	$ 274	$ 40	15%
Silver-Handy & Harman ($/oz.).........	$ 4.70	$ 4.28	$ 0.42	10%

Lead-LME Cash ($/pound)...............	$ 0.195	$ 0.213	$ (0.018)	(8)%
Zinc-LME Cash ($/pound)...............	$ 0.347	$ 0.375	$ (0.028)	(7)%

METAL	NINE MONTHS ENDED SEPTEMBER 30, 2002	2001	$ CHANGE	% CHANGE
Gold-Realized ($/oz.).................	$ 302	$ 280	$ 22	8%
Gold-London Final ($/oz.).............	$ 306	$ 269	$ 37	14%
Silver-Handy & Harman ($/oz.).........	$ 4.65	$ 4.41	$ 0.24	5%
Lead-LME Cash ($/pound)...............	$ 0.208	$ 0.215	$ (0.007)	(3)%
Zinc-LME Cash ($/pound)...............	$ 0.354	$ 0.420	$ (0.066)	(16)%

Gold Operations

Sales of product increased by $3.2 million and cost of sales and other direct production costs as a percentage of sales from products decreased to 35.5% during the third quarter of 2002 from 48.4% in the third quarter of 2001. Sales of product increased by $8.4 million and cost of sales and other direct

production costs as a percentage of sales from products decreased to 38.4% in the first nine months of 2002 from 48.4% in the first nine months of 2001. The improvement to sales, as well as to cost of sales and other direct production costs as a percentage of sales, for the quarter and nine-month period are primarily due to increased mine equipment availability and improvements to the crushing, milling and adsorption capacities, allowing for increases in tons milled and gold ounces produced. Also contributing to the improvements were increases in the average market price of gold, which increased 15% and 14%, respectively, in the third quarter and nine months ended September 30, 2002, as compared to the same periods in 2001.

During the first nine months of 2002, La Camorra has produced approximately 134,000 ounces of gold at a total cash cost of $130 per gold ounce, a 24% increase in gold production when compared to approximately 108,000 ounces at a total cash cost of $134 per gold ounce during the first nine months of 2001. Gold production at La Camorra is projected at approximately 167,000 ounces for the year ending December 31, 2002.

Silver Operations

For the quarter and nine months ended September 30, 2002, our silver operations reported a loss from operations of $0.1 million and income of $2.6 million, respectively, compared to losses from operations of $3.0 million and $5.3 million, respectively, for the quarter and nine months ended September 30, 2001. Sales of products increased by $2.1 million and cost of sales and other direct production costs as a percentage of sales from products decreased to 75.7% in the third quarter of 2002 from 100.0% in the third quarter of 2001. Sales of products increased by $8.0 million and costs of sales and other direct production costs as a percentage of sales from products decreased to 70.2% in the first nine months of 2002 from 89.7% in the first nine months of 2001.

The consolidated improvements in the silver segment primarily are a result of reducing production from the higher cost Lucky Friday mine, increasing production from the lower cost San Sebastian mine and lower costs at the Greens Creek mine. Our silver production totaled 2.1 million and 6.4 million ounces, respectively, for the quarter and nine months ended September 30, 2002, as compared to 1.8 million and 5.9 million silver ounces, respectively, in the same periods in 2001. The average total cash cost decreased 41% and 36%, respectively, during the third quarter and nine months ended September 30, 2002, when compared to the same periods during 2001.

For the quarter and nine months ended September 30, 2002, the San Sebastian mine, located in the State of Durango, Mexico, reported sales of $5.5 million and $17.6 million, compared to $2.1 million and $4.5 million in the same periods of 2001, as a result of the commencement of operations in May 2001. During the first nine months of 2002, San Sebastian has produced approximately 2.5 million ounces of silver at a low total cash cost of $1.29 per silver ounce. Silver and gold production at San Sebastian are estimated to be approximately 3.3 million ounces and 41,000 ounces, respectively, for the year ending December 31, 2002.

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 $6.5 million and $18.2 million for the quarter and nine months ended September 30, 2002, as compared to $5.9 million and $16.3 million during the same periods in 2001, primarily due to higher tonnage throughput resulting in higher concentrate tons produced and better recoveries in the gravity circuit, leading to improved lead/silver/gold distributions. Greens Creek's silver production remained approximately the same at 2.5 million ounces for the first nine months of 2002 and 2001, and production of gold ounces and lead and zinc tons increased by approximately 18%, 12% and 15%, respectively. The total cash cost per silver ounce decreased from $2.24 in the first nine months of 2001 to $1.76 in the first nine months of 2002. For the year ending December 31, 2002, production is forecasted to total approximately 3.2 million silver ounces, 30,000 ounces of gold and 8,100 and 29,600 tons of lead and zinc, respectively.

The Lucky Friday mine, located in northern Idaho and a producing mine for us since 1958, reported sales of approximately $2.0 million and $6.9 million for the quarter and nine months ended September 30, 2002, as compared to $3.9 million and $13.9 million during the same periods in 2001 a

reflection of the reduction to approximately 30% of historical production beginning October 2001, a decision made based on the decline of silver and lead prices.

We estimate with minimal additional development the mine can sustain the lower production levels through 2004 and will continue as long as the cost of operating is less than putting the property on care and maintenance. For the third quarters of 2002 and 2001, the total cash cost per silver ounce was $5.50 and $5.59, respectively. The total cash cost per silver ounce decreased from $4.95 in the first nine months of 2001 to $4.65 in the first nine months of 2002. During the third quarter and the first nine months of 2002, approximately $0.2 million and $0.6 million, respectively, of costs were classified as care-and-maintenance costs and excluded from the determination of the costs per ounce at Lucky Friday. Including the care-and-maintenance costs, the total cash cost per ounce was $5.96 for the third quarter and $5.08 for the nine months ended September 30, 2002. For the year ending December 31, 2002, production is forecasted to total approximately 2.0 million silver ounces and 9,000 tons of lead, as compared with total actual production for the year ended December 31, 2001, of 3.2 million silver ounces and 21,000 tons of lead, respectively.

Corporate Matters

Interest expense decreased $1.9 million, or 58%, in the first nine months of 2002, compared to the first nine months of 2001, primarily the result of repayment of a $55.0 million term loan facility in March 2001. Interest expense decreased $0.2 million in the third quarter 2002 as compared to the third quarter of 2001.

Miscellaneous expense decreased $0.7 million (44%) in the nine months ending September 30, 2002, compared to the same period in 2001, primarily due to a foreign exchange gain ($1.2 million) in 2002 due to the devaluation of the Venezuelan Bolivar, offset by accruals for tax offset bonuses on employee stock option plans ($0.4 million) and legal, consulting and accounting expenses regarding our preferred stock tender offer and various other corporate matters. Miscellaneous expense increased $0.3 million (41%), in the third quarter 2002 as compared to the same period in 2001 primarily due to a foreign exchange loss associated with the continued fluctuation of the Venezuelan Bolivar ($0.6 million) in 2002, partially offset by a quarter-on-quarter positive foreign exchange variance in Mexico ($0.2 million).

Our provision for closed operations and environmental matters increased $0.3 million (120%) during the third quarter of 2002, compared with the third quarter of 2001, primarily due to a provision for future reclamation and other closure costs at various closed properties. Our provision for closed operations and environmental matters decreased $0.5 million (37%) in the first nine months of 2002, compared to the same period in 2001, primarily due to decreased expenditures relating to the Coeur d'Alene Basin litigation ($0.8 million), partly offset by the above mentioned adjustment for future reclamation and other closure costs ($0.3 million).

Interest and other income decreased $1.1 million (74%) and $1.1 million (42%), in the quarter and nine months ending September 30, 2002, compared to the same periods in 2001, primarily due to decreased pension income ($0.5 million and $1.4 million, respectively) and gains recognized on the sale of assets during 2001 ($0.4 million and $0.4 million, respectively). Mark to market adjustments on our outstanding gold lease rate swap were lower during the third quarter of 2002 ($0.2 million), as compared to the third quarter of 2001, although for the nine months ended September 30, 2002, we reported an overall positive mark to market adjustment of $0.6 million when compared to the nine months ended September 30, 2001.

Exploration expense increased $0.8 million (176%) and $1.2 million (71%), in the quarter and nine months ended September 30, 2002, compared to the same periods in 2001, primarily due to increased exploration expenditures in Venezuela ($0.3 million and $1.0 million, respectively) and Mexico ($0.5 million and $0.2 million, respectively).

YEAR 2001 COMPARED TO YEAR 2000

We recorded a loss from continuing operations, before preferred stock dividends, of approximately $9.6 million, or $0.14 per share, in 2001 compared to a loss from continuing operations,

before an extraordinary charge and preferred stock dividends, of approximately

$84.8 million, or $1.27 per share, in 2000. After recognizing $11.9 million in income from discontinued operations and $8.1 million (which has not been declared or paid) in dividends to holders of our Series B preferred stock, our loss applicable to common stockholders for 2001 was approximately $5.7 million, or $0.08 per share, compared to a loss of $92.0 million, or $1.38 per share, in 2000 after recognition of $1.5 million in income from discontinued operations, a $0.6 million extraordinary charge for the write-off of debt issuance costs related to extinguished debt, and $8.1 million (only $4.0 million of which was declared or paid) in dividends to holders of our Series B preferred stock. Although we did not declare the dividends for the year 2001 and the third and fourth quarters of 2000, because these dividends are cumulative, the effect of the undeclared dividends are reflected in the loss applicable to common stockholders.

During 2000, adjustments to the carrying value of mining properties totaled $40.2 million, including an adjustment of $31.2 million to reduce the carrying value of the Lucky Friday mine property, plant and equipment. Additionally during 2000, we recorded adjustments of $4.4 million for properties, plants and equipment and supply inventory at the Rosebud mine and $4.7 million for previously capitalized development costs at the Noche Buena gold property. During 2001, there were no adjustments to the carrying value of mining properties.

Our provision for closed operations and environmental matters decreased $18.7 million from $20.0 million in 2000 to $1.3 million in 2001. The reduction resulted principally from a decrease at the Grouse Creek mine and the Bunker Hill Superfund site of $17.8 million, primarily due to 2000 environmental and reclamation accruals for future environmental and reclamation expenditures.

Sales of products increased by approximately $9.4 million, or 12%, from $75.8 million in 2000 to $85.2 million in 2001, primarily due to:

- increased sales of $9.9 million from gold operations principally as a result of increased production at the La Camorra mine ($16.6 million), partly offset by the completion of mining activity at the Rosebud mine ($6.6 million) in the third quarter of 2000, and

- decreased sales totaling approximately $0.5 million from silver operations primarily due to lower zinc and silver prices, lower production at the Lucky Friday mine ($7.4 million) and decreased hedging activities ($0.9 million) in the 2001 period. These factors are partly offset by increased sales at the San Sebastian mine, due to the commencement of operations in May 2001 ($7.8 million).

The following table compares the average metal prices for the years ended December 31, 2001 and 2000:

METAL	2001	2000	$ CHANGE	% CHANGE
Gold-Realized ($/oz.)..................	$ 280	$ 284	$ (4)	(1)%
Gold-London Final ($/oz.)..............	272	279	(7)	(3)
Silver-Handy & Harman ($/oz.)..........	4.36	5.00	(0.64)	(13)
Led-LME Cash ($/pound).................	0.216	0.206	0.010	5
Zinc-LME Cash ($/pound)................	0.402	0.512	(0.110)	(21)

Cost of sales and other direct production costs decreased approximately $3.0 million, or 5%, from $63.1 million in 2000 to $60.1 million in 2001, primarily due to:

- decreased cost of sales at the Rosebud mine ($7.5 million) due to the completion of mining activity in the third quarter of 2000,

- decreased cost of sales at the Lucky Friday mine ($5.3 million) resulting from decreased production of silver and lead,

- increased cost of sales at the San Sebastian mine ($6.2 million) due to the commencement of operations in May 2001, and

- increased cost of sales from the La Camorra and Greens Creek mines ($3.0 million and $1.1 million) due to increased production.

Cost of sales and other direct production costs as a percentage of sales decreased from 83.2% in 2000 to 70.4% in 2001. The change was due to increased margins from gold operations resulting from increased production, increased gold ore grade and better efficiencies at the La Camorra mine, decreased production and sales at the Rosebud mine due to the completion of mining activity in 2000, partly offset by lower hedging revenues and lower margins from the silver segment due to lower silver and zinc prices.

Depreciation, depletion and amortization increased $2.4 million, or 13%, from $18.1 million in 2000 to $20.5 million in 2001, principally due to:

- increased depreciation from the La Camorra mine due to increased production ($4.7 million),

- increased depreciation at the San Sebastian mine ($1.0 million), due to the commencement of operations in May 2001,

- decreased depreciation at the Lucky Friday mine ($1.6 million), due to the write-down of assets in December 2000, and

- decreased depreciation at the Rosebud mine ($2.0 million), due to the completion of mining activity in the third quarter of 2000.

Exploration expense decreased $4.2 million, or 66%, from $6.3 million in 2000 to $2.1 million in 2001. This decrease is principally due to reduced exploration activity in Mexico ($1.4 million), decreased expenditures at the Rosebud mine ($1.3 million), due to completion of operations in the third quarter of 2000, and decreased expenditures at La Camorra and in other South American countries ($0.8 million).

Interest expense decreased $4.2 million in 2001 as compared to 2000, primarily the result of the repayment of the $55.0 million term loan facility in March 2001 and decreased loan fees during 2001 as compared to the 2000 period.

Interest and other income decreased $1.1 million from $4.6 million in 2000 to $3.5 million in 2001, principally a result of the gains recognized during 2000 on the sale of assets and lower interest income in 2001.

Miscellaneous expense increased $1.1 million from $1.8 million in 2000 to $3.0 million in 2001, primarily due to a pension curtailment adjustment related to the Lucky Friday Pension Plan associated with the cut back in operations at the mine.

We recorded income from discontinued operations of approximately $11.9 million, or $0.17 per share, in 2001 compared to income of approximately $1.5

million, or $0.02 per share, in 2000. On March 27, 2001, we completed a sale of the K-T Group for $62.5 million, subject to customary post-closing adjustments, and recorded a gain of $12.7 million on the sale in 2001. Other factors contributing to the change include:

- decreased sales of approximately $53.4 million, a direct result of the sale of the K-T Group ($47.8 million), as well as decreased shipments at the MWCA group ($5.6 million) due to the sale of MWP in March 2000 and the landscape operation of CAC in June 2000,

- decreased cost of sales of $47.0 million, directly due to the lower sales at the K-T Group and the partial sale of MWCA during 2000,

- decreased depreciation, depletion and amortization of $2.9 million, due to the sale of the K-T Group and the partial sale of MWCA in 2000,

- a loss of $1.0 million on the sale of MWP in 2000, and

- legal fees during 2001 associated with litigation concerning the failed sale for the K-T Group in January 2001 ($0.8 million).

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An extraordinary charge of $0.6 million was recorded in 2000 to write off previously unamortized debt issuance costs associated with the extinguishment of debt.

Cash operating, total cash and total production cost per gold ounce decreased from $208, $211 and $275 in 2000 to $133, $133 and $200 in 2001, respectively. The decreases in cost per gold ounce were primarily attributable to increased gold production at the La Camorra mine, as well as the completion of mining activity in the third quarter of 2000 at the Rosebud mine.

Cash operating, total cash and total production cost per silver ounce decreased from $4.02, $4.02 and $5.49 in 2000 to $3.55, $3.57 and $5.09 in 2001, respectively. The decreases in the cost per silver ounce were due primarily to the addition of the low-cost San Sebastian mine, which commenced operations in May 2001, and the positive impacts of Greens Creek's increased silver production during 2001, resulting from a higher silver grade and increased tons mined. The total cost per ounce was also positively impacted by decreased per ounce depreciation at the Lucky Friday mine due to the write-down of the majority of property, plant and equipment in the fourth quarter of 2000. During the fourth quarter of 2001, approximately $0.4 million of costs were classified as care-and-maintenance costs and included in the determination of the costs per ounce at Lucky Friday. Excluding the $0.4 million in costs, the cash operating, total cash and total production costs per ounce total $3.49, $3.52 and $5.04, respectively, for 2001.

YEAR 2000 COMPARED TO YEAR 1999

We recorded a loss from continuing operations, before an extraordinary charge and preferred stock dividends, of approximately $84.8 million, or $1.27 per share, in 2000 compared to a loss from continuing operations, before a cumulative effect of change in accounting principle and preferred stock dividends, of approximately $43.4 million, or $0.70 per share, in 1999. After recognizing $1.5 million in income from discontinued operations, a $0.6 million extraordinary charge for the write-off of debt issuance costs related to extinguished debt, and $8.1 million (only $4.0 million of which has been declared and paid) in dividends to holders of our Series B preferred stock, our loss applicable to common shareholders for 2000 was approximately $92.0 million, or $1.38 per share, compared to a loss of $48.0 million, or $0.77 per share, in 1999 after recognition of $4.8 million in income from discontinued operations, a $1.4 million charge to write off unamortized start-up costs associated with the Greens Creek mine, and $8.1 million in dividends to holders of our Series B preferred stock. Although we did not declare the dividend for the third and fourth quarters of 2000, because these dividends are cumulative, the effect of the undeclared dividends is reflected in the loss applicable to common shareholders.

Adjustments to the carrying value of mining properties increased $40.0 million to $40.2 million in 2000 compared with an asset write-down totaling $0.2 million during 1999. In the fourth quarter of 2000, we recorded an adjustment of $31.2 million to reduce the carrying value of the Lucky Friday mine property, plant and equipment in accordance with Statement of Financial Accounting Standard No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The adjustment was necessitated by continuing low silver and lead prices, combined with further declines in silver and lead prices during the fourth quarter of 2000. For the first nine months of 2000, silver averaged $5.08 per ounce and lead averaged $0.203 per pound. During the fourth quarter of 2000, silver decreased to an average of $4.75 per ounce and ended the year at $4.59 per ounce. Lead averaged $0.214 per pound during the fourth quarter and ended the year at $0.214 per pound. We continue to evaluate all available alternatives for developing the next level of the Gold Hunter expansion area in the current metals price environment. Additionally, during the second quarter of 2000, we recorded adjustments of $4.4 million for properties, plants and equipment and supply inventory at the Rosebud mine, and $4.7 million for previously capitalized deferred development costs at the Noche Buena gold property. The $4.4 million adjustment at the Rosebud mine was necessitated due to the closure of the Rosebud mine previously announced by us and Newmont, our joint-venture partner. The Rosebud mine completed mining activity in July 2000 and milling activities in August 2000. At the Noche Buena property, we suspended activities in 1999 due to the low price for gold. Based upon the continuation of the lower gold price, an adjustment to the carrying value of the Noche Buena property was recorded in the second quarter of 2000.

Sales of products increased by approximately $2.1 million, or 2.9%, from $73.7 million in 1999 to $75.8 million in 2000, primarily due to:

- increased sales of $8.0 million from gold operations principally as a result of the acquisition of the La Camorra mine in June 1999, partly offset by the completion of mining and milling activities at the Rosebud mine in August 2000, and

- decreased sales totaling approximately $5.8 million from silver operations primarily due to lower lead and silver prices, partly offset by an increased zinc price and increased production of silver, lead and zinc.

The following table compares the average metals prices for 2000 with 1999:

METAL	2000	1999	$ CHANGE	% CHANGE
Gold-Realized ($/oz.)..................	$ 284	$ 286	$ (2)	(1)%
Gold-London Final ($/oz.)..............	279	279	--	--

Silver-Handy & Harman ($/oz.)..........	5.00	5.25	(0.25)	(5)
Led-LME Cash ($/pound).................	0.206	0.228	(0.022)	(10)
Zinc-LME Cash ($/pound)................	0.512	0.488	0.024	5

Cost of sales and other direct production costs increased approximately $8.7 million, or 16%, from $54.4 million in 1999 to $63.1 million in 2000, primarily due to:

o increased cost of sales from gold operations of $6.4 million due to the acquisition of the La Camorra mine in June 1999, partly offset by lower cost of sales at the Rosebud mine and the La Choya mine, both as a result of the completion of mining activities, and

o increased cost of sales from silver operations of $2.2 million resulting from increased production of silver, lead and zinc at the Lucky Friday and Greens Creek mines.

Cost of sales and other direct production costs as a percentage of sales increased from 73.9% in 1999 to 83.2% in 2000. The increase was principally a result of decreased margins in both the silver and gold segments. In the gold segment, decreased gold production and higher unit cash costs at the Rosebud mine negatively impacted the gross margin. In the silver segment, lower hedging revenues combined with lower average lead and silver prices led to the reduced margins.

Depreciation, depletion and amortization decreased $0.6 million, or 3%, from $18.7 million in 1999 to $18.1 million in 2000, principally due to:

o decreased depreciation at the Rosebud mine of $3.5 million due to completion of mining in July 2000 and milling in August 2000,

o decreased depreciation at the La Choya mine of $1.2 million, due to completion of gold production in 1999 as a result of the completion of mining activity in December 1998,

o decreased depreciation at the Lucky Friday mine of $0.2 million, and

o increased depreciation at the La Camorra mine of $4.3 million as a result of a full year's production in 2000 as compared to three months of production in 1999.

Exploration expense increased $0.8 million, or 14%, from $5.5 million in 1999 to $6.3 million in 2000. This increase is principally due to increased expenditures at the Saladillo property in Mexico of $0.8 million, increased exploration at the La Camorra mine of $0.6 million and increased expenditures at the Rosebud mine of $0.4 million. These increases were partly offset by decreased expenditures at the Cacique property of $0.4 million and other properties, principally in Mexico, of $0.6 million.

Our provision for closed operations and environmental matters decreased $10.1 million from $30.1 million in 1999 to $20.0 million in 2000. The decrease resulted principally from the 1999 environmental and reclamation expense totaling $27.3 million for future environmental and reclamation expenditures at the Grouse Creek mine and the Bunker Hill Superfund site, which decreased to $12.2 million at Grouse Creek, $5.6 million at the Bunker Hill Superfund site and $2.2 million at various other properties in 2000.

Interest expense increased $3.5 million in 2000 as compared to 1999, primarily the result of increased average borrowings including the $11.0 million of the La Camorra project financing put in place in June 1999, $3.0 million of subordinated debt that was outstanding for three additional months in 2000 and the $55.0 million term loan facility put in place in March 2000, replacing a prior revolving $55.0 million credit facility that was in place in 1999. Higher average interest rates and increased loan fees also contributed to the increase in interest expense as compared to 1999.

We recorded income from discontinued operations of approximately $1.5 million, or $0.02 per share, in 2000 compared to income of approximately $4.8 million, or $0.08 per share, in 1999. The decrease in 2000 compared to 1999 is primarily due to:

- decreased sales totaling approximately $14.8 million, principally the result of decreased shipments at the MWCA group of $16.9 million after the sale of the Mountain West Products division of MWCA on March 15, 2000, and the sale of the landscape operations of CAC on June 5, 2000. The decreases from MWCA were partly offset by increased sales of $2.1 million from the K-T Clay Group,

- a loss of $1.0 million on the sale of the Mountain West Products division of MWCA in 2000,

- decreased cost of sales of $7.9 million, principally due to the partial sale of MWCA, partly offset by increased costs at the K-T Clay Group resulting from increased sales and increased energy costs, and

- 1999 adjustments of $4.4 million made to the carrying value of MWCA.

An extraordinary charge of $0.6 million was recorded in 2000 to write off previously unamortized debt issuance costs associated with the extinguishment of our previous $55.0 million revolving credit facility.

A cumulative effect of change in accounting principle totaled $1.4 million in 1999, due to the write off of unamortized start-up costs relating to our 29.73% ownership interest in the Greens Creek mine. The adjustment was the result of the required application of Statement of Position No. 98-5, "Reporting on the Costs of Start-up Activities."

Cash operating and total cash cost per gold ounce increased from $195 and $205 in 1999 to $208 and $211 in 2000, respectively. The increases in the cash operating and total cash cost per gold ounce were primarily attributable to higher costs per ounce at the Rosebud mine associated with mining of lower-grade ore in 2000. Total production costs per gold ounce decreased from $298 per ounce in 1999 to $275 per ounce in 2000. The decrease in the total production costs per gold ounce was principally due to production from the lower-cost La Camorra mine in 2000 and due to the write-down of the carrying value of the Rosebud mine in the second quarter of 2000, which eliminated the depreciation, depletion and amortization component of the total production cost per ounce at Rosebud in the third quarter of 2000.

Cash operating, total cash and total production cost per silver ounce increased from $3.72, $3.72 and $5.25 in 1999 to $4.02, $4.02 and $5.49 in 2000, respectively. The increases in the cost per silver ounce were due primarily to lower average lead prices which negatively impacted by-product credits partly offset by increased production and a favorable zinc price.

FINANCIAL CONDITION AND LIQUIDITY

Our financial condition improved during the third quarter, with a current ratio of 1.5 to 1 at September 30, 2002, compared to 1 to 1 at December 31, 2001, and 1.4 to 1 at June 30, 2002, and cash and cash equivalents of $17.8 million, an increase of approximately $10.2 million from December 31, 2001. We believe cash requirements over the next twelve months will be funded through a combination of current cash, future cash flows from operations, amounts available under existing loan agreements proceeds from potential asset sales, and/or future debt or equity security issuances.

Our ability to raise capital is highly dependent upon the commercial viability of our projects and the associated prices of metals we produce. Because of the significant impact that changes in the

prices of silver, gold, lead and zinc have on our financial condition, declines in these metals prices may negatively impact short-term liquidity and our ability to raise additional funding for long-term projects. There can be no assurance that we will be successful in generating adequate funding for planned c