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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Hecla Mining Company
Coeur d'Alene, Idaho

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Hecla Mining Company and Subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022**,** in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated February 17, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accounting for Income Taxes

As described in Notes 2 and 6 to the consolidated financial statements, the Company recorded a deferred tax asset of $331.9 million, which is presented net of a valuation allowance of $72.9 million, total deferred tax liabilities of $436.6 million and a net deferred tax liability of $104.7 million as of December 31, 2022. The valuation allowance is primarily related to net operating losses. As of December 31, 2022, a $5.1 million valuation allowance remains in the U.S. group, $28.9 million in the Nevada group, $28.8 million in the Canada jurisdiction and $10.1 million in the Mexican jurisdiction.

We identified the Company's estimate of its valuation allowance for the U.S. tax group as a critical audit matter. Specifically, the Company's evaluation of positive and negative evidence and estimates of future taxable income to determine the amount of valuation allowance required on its deferred tax assets involve significant management judgments. Auditing these elements involved especially challenging and subjective auditor judgment due to the nature and extent of audit effort required to address these matters including the need for specialized knowledge and skill in assessing these estimates.

The primary procedures we performed to address this critical audit matter included:

- Evaluating positive and negative evidence supporting the estimate of the U.S. tax group's deferred tax asset valuation allowance including forecasted taxable income and trends in metals market pricing.
- Testing the estimates included in management's future taxable income by 1) comparing expected production of base and precious metals, as well as production costs to previous years' actual results, 2) analyzing pricing estimates by obtaining supporting market data from third-party sources, and 3) developing independent expectations of the significant assumptions in management's forecasting models.
- Utilizing personnel with specialized knowledge and skill to assist in analyzing management's estimate of its valuation allowance for the U.S. tax group.

Mineral Reserves and Resources and Impairment of Long-Lived Assets

As discussed in Note 2 to the consolidated financial statements, reserves and resources are a key component in the valuation of properties, plants, equipment, and mineral interests. Management reviews and evaluates the net carrying value of all facilities, including idle facilities, upon the occurrence of events or changes in circumstances that indicate that the related carrying amounts may not be recoverable. Tests for recoverability of each property is based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment, and the value associated with property interests.

We identified the assessment of the recoverability of the Company's properties and facilities as a critical audit matter, specifically the assumptions used in the underlying future cash flows that will be generated from operations at each property. These assumptions include 1) metals to be recovered from proven and probable mineral reserves, 2) metals prices, and 3) market values of mineral interests. Auditing these assumptions involved especially challenging and subjective auditor judgment due to the nature and extent of audit effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Evaluating management's determination of properties and facilities with an identified triggering event in 2022 by assessing current operating results and market prices.
- Assessing management's assumptions for metals prices underlying estimates of future cash flows, and market value of minerals in the carrying value models by comparing to prior five-year trends and agreeing to underlying market data from third-party sources.
- Testing management's assumptions for metals to be recovered from identified resources and exploration targets beyond proven and probable by agreeing the amounts to the Company's reserves and resources report and evaluating management's experts.

Asset Acquisition of Alexco Resources Corp.

As discussed in Note 1 to the consolidated financial statements, the Company completed the acquisition of the remaining 90.1% of Alexco Resource Corp. ("Alexco") for non-cash consideration of 17,992,875 shares of Company common stock valued at $68.7 million. Total consideration for the acquisition, deemed to be an asset acquisition under accounting principles generally accepted in the United States of America, was $81.5 million of which $76.4 million was non cash, including fair value of the Company's common stock issued and the fair value of the 9.9% Alexco investment held by the Company prior to completion of the acquisition and previously accounted for as marketable equity securities of $7.7 million. Total consideration was allocated to the acquired assets and assumed liabilities based on the estimated fair values at the acquisition date, which primarily consisted of mineral interest of $236.6 million, a related deferred tax liability of $12.9 million, net liabilities of $7.2 million and a silver stream liability of $135 million.

We identified the determination of the fair value of the acquired assets and assumed liabilities as a critical audit matter. Specifically, the assumptions applied in determining the fair value of the mineral interest and related deferred tax liability which also impacts classification of the transaction as an asset acquisition. The valuation of mineral interest requires management to make significant estimates and assumptions including future metals prices, forecasted cash flows and resources and exploration targets beyond the known reserve. Additionally, valuation of the deferred tax asset includes assessment of feasible tax planning strategies. Auditing these elements involved especially challenging and subjective auditor judgment due to the nature and extent of audit effort required to address these matters including the need for specialized knowledge and skill in assessing these estimates.

The primary procedures we performed to address this critical audit matter included:

- Utilizing personnel with specialized knowledge and skill to assist in analyzing management's estimates of the fair value of mineral assets including the resources and exploration targets beyond the known reserve and metals pricing.
- Assessing management's assumptions applied in the future cash flows that support the valuation of the mineral interests by 1) agreeing metals pricing as of the date of the acquisition to reputable third-party sources; and 2) assessing the accuracy of future undiscounted cash flows through retrospective review and setting independent expectations by actual operating results of a comparative mine site.
- Evaluating management's conclusion that the transaction is an asset acquisition under ASC 805, *Business Combinations*, by testing the calculation of the screen test.
- Utilizing personnel with specialized knowledge and skill to assist in analyzing management's tax planning strategies supporting the realizability of deferred tax assets.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2001

Spokane, Washington
February 17, 2023

Hecla Mining Company and Subsidiaries
Consolidated Statements of Operations and Comprehensive (Loss) Income
(Dollars and shares in thousands, except per share amounts)

	Year Ended December 31,		
	2022	2021	2020
Sales	$ 718,905	$ 807,473	$ 691,873
Cost of sales and other direct production costs	458,811	417,879	382,663
Depreciation, depletion and amortization	143,938	171,793	148,110
Total cost of sales	602,749	589,672	530,773
Gross profit	116,156	217,801	161,100
Other operating expenses:			
General and administrative	43,384	34,570	35,561
Exploration and pre-development	46,041	47,901	18,295
Provision for closed operations and environmental matters	8,793	14,571	3,929
Ramp-up and suspension costs	24,114	23,012	24,911
Other operating expense	6,262	14,327	11,426
Total other operating expenses	128,594	134,381	94,122
(Loss) income from operations	(12,438)	83,420	66,978
Other expense:			
Fair value adjustments, net	(4,723)	(35,792)	(11,806)
Foreign exchange gain (loss), net	7,211	417	(4,605)
Other net expense	7,829	(574)	(2,256)
Interest expense, net	(42,793)	(41,945)	(49,569)
Total other expense:	(32,476)	(77,894)	(68,236)
(Loss) income before income and mining taxes	(44,914)	5,526	(1,258)
Income and mining tax benefit (provision)	7,566	29,569	(8,199)
Net (loss) income	(37,348)	35,095	(9,457)
Preferred stock dividends	(552)	(552)	(552)
Income (loss) applicable to common stockholders	$ (37,900)	$ 34,543	$ (10,009)
Comprehensive income (loss):			
Net (loss) income	$ (37,348)	$ 35,095	$ (9,457)
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) and amortization of prior service on pension plans	17,067	16,740	(3,559)
Unrealized gain (loss) on derivative contracts designated as hedge transactions	13,837	(12,307)	7,980
Total change in accumulated other comprehensive income (loss), net	$ 30,904	$ 4,433	$ 4,421
Comprehensive (loss) income	$ (6,444)	$ 39,528	$ (5,036)
Basic (loss) income per common share after preferred dividends	$ (0.07)	$ 0.06	$ (0.02)
Diluted (loss) income per common share after preferred dividends	$ (0.07)	$ 0.06	$ (0.02)
Weighted average number of common shares outstanding – basic	557,344	536,192	527,329
Weighted average number of common shares outstanding – diluted	557,344	542,176	527,329

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

Hecla Mining Company and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2022	2021	2020
Operating activities:			
Net (loss) income	$ (37,348)	$ 35,095	$ (9,457)
Non-cash elements included in net income (loss):			
Depreciation, depletion and amortization	145,147	172,651	155,006
Fair value adjustments, net	24,182	15,040	(4,690)
Adjustment of inventory to net realizable value	2,646	6,524	—
Provision for reclamation and closure costs	9,572	11,514	6,189
Deferred income taxes	(25,546)	(48,049)	(3,818)
Stock compensation	6,012	6,082	6,458
Foreign exchange (gain) loss	(9,210)	(79)	2,680
Other non-cash items	3,736	2,663	6,032
Changes in assets and liabilities:			
Accounts receivable	8,669	(5,405)	(1,080)
Inventories	(18,230)	16,919	(13,208)
Other current and non-current assets	(12,388)	(1,678)	2,381
Accounts payable and accrued liabilities	(24,981)	(795)	19,379
Accrued payroll and related benefits	13,732	1,270	14,445
Accrued taxes	(7,927)	6,457	3,561
Accrued reclamation and closure costs and other non-current liabilities	11,824	2,128	(3,085)
Net cash provided by operating activities	89,890	220,337	180,793
Investing activities:			
Additions to properties, plants, equipment and mineral interests	(149,378)	(109,048)	(91,016)
Pre-acquisition advance to Alexco	(25,000)	—	—
Acquisition, net	8,953	—	—
Purchase of carbon credits	—	(869)	—
Proceeds from sale or exchange of investments	9,375	1,811	—
Proceeds from disposition of properties, plants, equipment and mineral interests	748	1,077	331
Purchases of investments	(31,971)	—	(2,216)
Net cash used in investing activities	(187,273)	(107,029)	(92,901)
Financing activities:			
Proceeds from issuance of common stock, net of offering costs	17,278	—	—
Dividends paid to common and preferred stockholders	(12,932)	(20,672)	(9,152)
Acquisition of treasury shares from employee equity awards	(3,677)	(4,525)	(2,745)
Borrowings of debt	25,000	—	716,327
Repayments of debt	(25,000)	—	(716,500)
Repayments of finance leases	(7,633)	(7,285)	(5,953)
Other	(536)	(116)	(1,356)
Net cash used in financing activities	(7,500)	(32,598)	(19,379)
Effect of exchange rates on cash	(273)	(530)	(1,107)
Net (decrease) increase in cash, cash equivalents and restricted cash and cash equivalents	(105,156)	80,180	67,406
Cash, cash equivalents and restricted cash and cash equivalents at beginning of year	211,063	130,883	63,477
Cash, cash equivalents and restricted cash and cash equivalents at end of year	$ 105,907	$ 211,063	$ 130,883
Supplemental disclosure of cash flow information:			
Cash (paid) received during year for:			
Interest	$ (37,200)	$ (37,565)	$ (34,853)
Income and mining taxes	$ (14,405)	$ (12,105)	$ 7,913
Significant non-cash investing and financing activities:			
Addition of finance lease obligations	$ 11,887	$ 4,870	$ 9,113
Recognition of operating lease liabilities and right-of-use assets	$ 6,842	$ 4,874	$ —
Common stock contributed to pension plans	$ 9,740	$ 22,250	$ 16,032
Common stock issued for 401(k) match	$ 4,470	$ 4,339	$ 4,624
Common stock issued to Alexco Resource Corp. stockholders	$ 68,733	$ —	$ —
Common stock issued to settle acquired silver stream	$ 135,000	$ —	$ —
Payment of accrued compensation in restricted stock units	$ —	$ —	$ 5,096
Equity securities received from exchange of investments	$ —	$ 3,626	$ —

See Notes 3 and 10 for additional non-cash investing and financing activities.

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

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

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 104,743	$ 210,010
Accounts receivable:		
Trade	45,146	36,437
Other, net	10,695	8,149
Inventories:		
Concentrates, doré, stockpiled ore, and metals in transit and in-process	37,303	25,906
Materials and supplies	53,369	41,859
Other current assets	16,471	19,266
Total current assets	267,727	341,627
Investments	24,018	10,844
Restricted cash and investments	1,164	1,053
Properties, plants, equipment and mineral interests, net	2,569,790	2,310,810
Operating lease right-of-use assets	11,064	12,435
Deferred tax assets	21,105	45,562
Other non-current assets	32,304	6,477
Total assets	$ 2,927,172	$ 2,728,808
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$ 84,747	$ 68,100
Accrued payroll and related benefits	37,579	28,714
Accrued taxes	4,030	12,306
Finance leases	9,483	5,612
Accrued reclamation and closure costs	8,591	9,259
Accrued interest	14,454	14,454
Derivative liabilities	16,125	19,353
Other current liabilities	3,457	2,585
Total current liabilities	178,466	160,383
Accrued reclamation and closure costs	108,408	103,972
Long-term debt including finance leases	517,742	515,871
Deferred tax liability	125,846	149,706
Pension liability	—	4,673
Derivatives liabilities	6,066	18,528
Other non-current liabilities	11,677	14,888
Total liabilities	948,205	968,021
Commitments and contingencies (Notes 4, 5, 8, 9, 13 and 14)		
STOCKHOLDERS' EQUITY		
Preferred stock, 5,000,000 shares authorized:		
Series B preferred stock, $0.25 par value, issued 2022 - 157,776 shares (2021 - 157,816 shares issued and outstanding), liquidation preference — $7,891	39	39
Common stock, $0.25 par value, authorized 750,000,000 shares; issued 2022 — 607,619,495 shares and 2021 — 545,534,760 shares	151,819	136,391
Capital surplus	2,260,290	2,034,485
Accumulated deficit	(403,931)	(353,651)
Accumulated other comprehensive income (loss), net	2,448	(28,456)
Less treasury stock, at cost; 2022 — 8,132,553 and 2021 — 7,395,295 shares issued and held in treasury	(31,698)	(28,021)
Total stockholders' equity	1,978,967	1,760,787
Total liabilities and stockholders' equity	$ 2,927,172	$ 2,728,808

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

Hecla Mining Company and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2022, 2021 and 2020
(Dollars in thousands)

	Series B Preferred Stock	Common Stock	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss), net	Treasury Stock	Total
Balances, January 1, 2020	$ 39	$ 132,292	$ 1,973,700	$ (349,220)	$ (37,310)	$ (22,967)	$ 1,696,534
Net loss	—	—	—	(9,457)	—	—	(9,457)
Stock issued to directors (391,000 shares)	—	97	1,389	—	—	—	1,486
Stock issued for 401(k) match (1,584,000 shares)	—	397	4,227	—	—	—	4,624
Restricted stock units granted	—	—	4,975	—	—	—	4,975
Restricted stock unit distributions (1,702,000 shares)	—	426	(426)	—	—	(1,479)	(1,479)
Common stock ($0.01625 per share) and Series B Preferred stock ($2.63 per share) dividends declared	—	—	—	(9,151)	—	—	(9,151)
Common stock issued for employee incentive compensation (2,800,000 shares)	—	700	4,396	—	—	(1,266)	3,830
Treasury shares issued to charitable foundation (650,000 shares)	—	—	—	(246)	—	2,216	1,970
Common stock issued to pension plans (2,869,000 shares)	—	717	15,315	—	—	—	16,032
Other comprehensive income	—	—	—	—	4,421	—	4,421
Balances, December 31, 2020	39	134,629	2,003,576	(368,074)	(32,889)	(23,496)	1,713,785
Net income	—	—	—	35,095	—	—	35,095
Stock issued to directors (207,000 shares)	—	52	1,792	—	—	—	1,844
Stock issued for 401(k) match (685,000 shares)	—	172	4,167	—	—	—	4,339
Restricted stock units granted	—	—	4,238	—	—	—	4,238
Restricted stock unit distributions (1,653,000 shares)	—	413	(413)	—	—	(4,525)	(4,525)
Common stock ($0.0375 per share) and Series B Preferred stock ($2.63 per share) dividends declared	—	—	—	(20,672)	—	—	(20,672)
Common stock issued to pension plans (4,500,000 shares)	—	1,125	21,125	—	—	—	22,250
Other comprehensive income	—	—	—	—	4,433	—	4,433
Balances, December 31, 2021	39	136,391	2,034,485	(353,651)	(28,456)	(28,021)	1,760,787
Net loss	—	—	—	(37,348)	—	—	(37,348)
Stock issued to directors (68,816 shares)	—	25	392	—	—	—	417
Stock issued for 401(k) match (978,964 shares)	—	245	4,225	—	—	—	4,470
Restricted stock units granted	—	—	5,595	—	—	—	5,595
Restricted stock and performance stock unit distributions (2,192,795 shares)	—	447	(447)	—	—	(3,677)	(3,677)
Common stock ($0.0375 per share) and Series B Preferred stock ($2.63 per share) dividends declared	—	—	—	(12,932)	—	—	(12,932)
Common stock issued to pension plans (2,190,000 shares)	—	548	9,192	—	—	—	9,740
Common stock issued to Alexco Resource Corp. stockholders (17,992,875 shares)	—	4,498	64,235	—	—	—	68,733
Common stock issued to settle the acquired silver stream (34,800,990 shares)	—	8,700	126,300	—	—	—	135,000
Common stock issued upon conversion of 40 Series B Preferred stock (128 shares)	—	—	—	—	—	—	—
Common stock issued under ATM program (3,860,199 shares)	—	965	16,313	—	—	—	17,278
Other comprehensive income	—	—	—	—	30,904	—	30,904
Balances, December 31, 2022	$ 39	$ 151,819	$ 2,260,290	$ (403,931)	$ 2,448	$ (31,698)	$ 1,978,967

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

Note 1: The Company

Hecla Mining Company, and its affiliates and subsidiaries (collectively, “Hecla,” “we,” “us” or “the Company”), is the largest silver producer in the United States. In addition to operating mines in Alaska, Idaho and Quebec, Canada, the Company is developing a mine in the Yukon, Canada, and owns a number of exploration and pre-development projects in world-class silver and gold mining districts throughout North America. Our current holding company structure dates from the incorporation of Hecla Mining Company in 2006 and the renaming of our subsidiary (previously Hecla Mining Company) as Hecla Limited. Hecla Limited was incorporated on October 14, 1891 as an Idaho Corporation in northern Idaho’s Silver Valley. We believe we are the oldest operating precious metals mining company in the United States and the largest silver producer in the United States. Our corporate offices are in Coeur d’Alene, Idaho and Vancouver, British Columbia. The cash flow and profitability of the Company’s operations are significantly affected by the market price of silver, gold, lead and zinc, which are affected by numerous factors beyond our control.

On September 7, 2022, we completed the acquisition of the remaining 90.1% of Alexco Resource Corp. ("Alexco") for non-cash consideration of 17,992,875 shares of Company common stock valued at $68.7 million. Total consideration for the acquisition, deemed to be an asset acquisition under accounting principles generally accepted in the United States of America (“GAAP”), was $81.5 million of which $76.4 million was non-cash, including the fair value of our common stock issued and the fair value of the 9.9% Alexco investment held by us prior to the completion of the acquisition and previously accounted for as marketable equity securities of $7.7 million. Acquisition costs also included transaction costs of $5.1 million. The total consideration was allocated to the acquired assets and assumed liabilities based on their estimated fair values on the acquisition date, which primarily consisted of mineral interests of $236.6 million, a related deferred tax liability of $12.9 million, net liabilities of $7.2 million and a silver stream liability of $135 million. Immediately following the closure of the acquisition, we settled the silver stream liability with the stream holder for 34,800,990 shares of our common stock. Prior to September 7, 2022, the Company advanced $25 million to Alexco to fund its operations on market terms. The advance was assumed upon acquisition and is eliminated upon consolidation.

References to “CAD” and “MXN” refer to the Canadian Dollar and Mexican Peso, respectively.

Note 2: Summary of Significant Accounting Policies

A. Principles of Consolidation, Basis of Presentation and Other Information — Our Consolidated Financial Statements have been prepared in accordance with GAAP, and include our accounts and our wholly-owned subsidiaries' accounts. All inter-company balances and transactions have been eliminated in consolidation.

B. Assumptions and Use of Estimates — Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts and related disclosure of assets, liabilities, revenue and expenses at the date of the consolidated financial statements and reporting periods. We consider our most critical accounting estimates to be future metals prices; obligations for environmental, reclamation and closure matters and mineral reserves and resources. Other significant areas requiring the use of management assumptions and estimates relate to reserves for contingencies and litigation; asset impairments, including long-lived assets; valuation of deferred tax assets; and post-employment, post-retirement and other employee benefit assets and liabilities. We have based our estimates on historical experience and various other assumptions that we believe to be reasonable. Accordingly, actual results may differ materially from these estimates under different assumptions or conditions.

C. Cash and Cash Equivalents — Cash and cash equivalents consist of all cash balances and highly liquid investments with a remaining maturity of three months or less when purchased and are carried at fair value. Cash and cash equivalents are invested in money market funds, certificates of deposit, U.S. government and federal agency securities, municipal securities and corporate bonds.

D. Investments — We determine the appropriate classification of our investments at the time of purchase and re-evaluate such determinations at each reporting date. Currently all our investments are comprised of marketable equity securities and are carried at fair value. Marketable securities we anticipate selling within the next twelve months are included in other current assets. Gains and losses on the sale of securities are recognized on a specific identification basis. Gains and losses are included as a component of a separate line item, "fair value adjustments, net," on our consolidated statements of operations and comprehensive income (loss).

E. Inventories — Major types of inventories include materials and supplies and metals product inventory, which is determined by the stage at which the ore is in the production process (stockpiled ore, in-process and finished goods). Product inventories are stated at the lower of full cost of production or estimated net realizable value based on current metals prices. Materials and supplies inventories are stated at average cost.

Stockpiled ore inventory represents ore that has been mined, hauled to the surface, and is available for further processing. Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the amount of contained metal ounces or pounds (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method). Costs are allocated to a stockpile based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore, including applicable overhead, depreciation, depletion and amortization relating to mining operations, and removed at each stockpile's average cost per recoverable unit.

In-process inventory represents material that is currently in the process of being converted to a saleable product. Conversion processes vary depending on the nature of the ore and the specific processing facility, but include mill in-circuit, flotation, and carbon-in-leach. In-process material is measured based on assays of the material fed into the process and the projected recoveries of the respective processing plants. In-process inventory is valued at the lower of the average cost of the material fed into the process attributable to the source material coming from the mine and stockpile plus the in-process conversion costs, including applicable amortization relating to the process facilities incurred to that point in the process, or net realizable value.

Finished goods inventory includes doré and concentrates at our operations, doré in transit to refiners or at refiners waiting to be processed, and bullion in our accounts at refineries.

F. Restricted Cash and Investments — Restricted cash and investments primarily represent investments in money market funds, certificates of deposit, and bonds of U.S. government agencies and are restricted primarily for reclamation funding or surety bonds. Restricted cash balances are carried at fair value. Non-current restricted cash and investments is reported in a separate line on the consolidated balance sheets and totaled $1.2 million and $1.1 million at December 31, 2022 and 2021, respectively.

G. Properties, Plants, Equipment and Mineral Interests – Costs are capitalized when it has been determined an ore body can be economically developed. The development stage begins at new projects when our management and/or board of directors makes the decision to bring a mine into commercial production, and ends when the production stage, or exploitation of reserves, begins. Expenditures incurred during the development and production stages for new assets, new facilities, alterations to existing facilities that extend the useful lives of those facilities, and major mine development expenditures are capitalized, including primary development costs such as costs of building access ways, shaft sinking, lateral development, drift development, ramps and infrastructure developments. Costs to improve, alter, or rehabilitate primary development assets which appreciably extend the life, increase capacity, or improve the efficiency or safety of such assets are also capitalized.

The costs of removing overburden and waste materials to access the ore body at an open-pit mine prior to the production stage are referred to as “pre-stripping costs.” Pre-stripping costs are capitalized during the development stage. Where multiple open pits exist at an operation utilizing common facilities, pre-stripping costs are capitalized at each pit. The production stage of a mine commences when saleable materials, beyond a de minimis amount, are produced. Stripping costs incurred during the production stage are treated as variable production costs included as a component of inventory, to be recognized in cost of sales and other direct production costs in the same period as the revenue from the sale of inventory.

Costs for exploration, pre-development, secondary development at operating mines, including drilling costs related to those activities (discussed further below), and maintenance and repairs on capitalized properties, plants and equipment are charged to operations as incurred. Exploration costs include those relating to activities carried out in search of previously unidentified resources or exploration targets, (a) at undeveloped concessions, or (b) at operating mines already containing proven and probable reserves, where a determination remains pending as to whether new target deposits outside of the existing reserve areas can be economically developed. Pre-development activities involve costs incurred in the exploration stage that may ultimately benefit production, such as underground ramp development, which are expensed due to the lack of evidence of economic viability, which is necessary to demonstrate future recoverability of these expenses. At an underground mine, secondary development costs are incurred for preparation of an ore body for production in a specific ore block, stope or work area, providing a relatively short-lived benefit only to the mine area they relate to, and not to the ore body as a whole. Primary development costs benefit long-term production, multiple mine areas, or the ore body as a whole, and are therefore capitalized.

Drilling, development and related costs are either classified as exploration, pre-development or secondary development, as defined above, and charged to operations as incurred, or capitalized, based on the following criteria:

- whether the costs are incurred to further define resources or exploration targets at and adjacent to existing reserve areas or intended to assist with mine planning within a reserve area;

- whether the drilling or development costs relate to an ore body that has been determined to be commercially mineable, and a decision has been made to put the ore body into commercial production; and

- whether, at the time the cost is incurred: (a) the expenditure embodies a probable future benefit that involves a capacity, singly or in combination with other assets, to contribute directly or indirectly to future net cash inflows, (b) we can obtain the benefit and control others’ access to it, and (c) the transaction or event giving rise to our right to or control of the benefit has already occurred.

If all of these criteria are met, drilling, development and related costs are capitalized. Drilling and development costs not meeting all of these criteria are expensed as incurred. The following factors are considered in determining whether or not the criteria listed above have been met, and capitalization of drilling and development costs is appropriate:

- completion of a favorable economic study and mine plan for the ore body targeted;

- authorization of development of the ore body by management and/or the board of directors; and

- there is a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues and/or contractual requirements necessary for us to have the right to or control of the future benefit from the targeted ore body have been met.

Drilling and related costs of approximately $11.2 million, $5.2 million, and $4.4 million for the years ended December 31, 2022, 2021 and 2020, respectively, met our criteria for capitalization listed above at our production stage properties.

When assets are retired or sold, the costs and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in current period net income (loss).

Our mineral interests, which are tangible assets, include acquired undeveloped mineral interests and royalty interests. Undeveloped mineral interests include: (i) resources which are measured, indicated or inferred with insufficient drill spacing or quality to qualify as proven and probable reserves; and (ii) inferred material and exploration targets not immediately adjacent to existing proven and probable reserves but accessible within the immediate mine infrastructure. Residual values for undeveloped mineral interests represent the expected fair value of the interests at the time we plan to convert, develop, further explore or dispose of the interests and are evaluated at least annually.

H. Depreciation, Depletion and Amortization — Capitalized costs are depreciated or depleted using the straight-line method or units-of-production method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities or the useful life of the individual assets. Productive lives range from 3 to 14 years, but do not exceed the useful life of the individual asset. Determination of expected useful lives for amortization calculations are made on a property-by-property or asset-by-asset basis at least annually. Our estimates for reserves and resources are a key component in determining our units-of-production depreciation rates, with net book value of many assets depreciated over remaining estimated reserves. Reserves are estimates made by our professional technical personnel of the amount of metals that they believe could be economically and legally extracted or produced at the time of the reserve determination (discussed in *J. Proven and Probable Mineral Reserves* below). Our estimates of proven and probable mineral reserves and resources may change, possibly in the near term, resulting in changes to depreciation, depletion and amortization rates in future reporting periods.

Undeveloped mineral interests and value beyond proven and probable reserves are not amortized until such time as there are proven and probable reserves or the related mineralized material is converted to proven and probable reserves. At that time, the basis of the mineral interest is amortized on a units-of-production basis. Pursuant to our policy on impairment of long-lived assets (discussed further below), if it is determined that an undeveloped mineral interest cannot be economically converted to proven and probable reserves and its carrying value exceeds its estimated undiscounted future cash flows, the basis of the mineral interest is reduced to its fair value and an impairment loss is recorded to expense in the period in which it is determined to be impaired.

I. Impairment of Long-lived Assets — Management reviews and evaluates the net carrying value of all facilities, including idle facilities, for impairment upon the occurrence of events or changes in circumstances that indicate that the related carrying amounts may not be recoverable. We perform the test for recoverability of each property based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment, and the value associated with property interests.

Although management has made what it believes to be a reasonable estimate of factors based on current conditions and information, assumptions underlying future cash flows, which includes the estimated value of resources and exploration targets, are subject to significant risks and uncertainties. Estimates of undiscounted future cash flows are dependent upon, among other factors, estimates of: (i) metals to be recovered from proven and probable mineral reserves and identified resources and exploration targets beyond proven and probable reserves, (ii) future production and capital costs, (iii) estimated metals prices (considering current and historical prices, forward pricing curves and related factors) over the estimated remaining mine life and (iv) market values of mineral interests. It is possible that changes could occur in the near term that could adversely affect our estimate of future cash flows to be generated from our operating properties. If estimated undiscounted cash flows are less than the carrying value of a property, an impairment loss is recognized for the difference between the carrying value and fair value of the property.

J. Proven and Probable Mineral Reserves — At least annually, management reviews the reserves used to estimate the quantities and grades of ore at our mines which we believe can be recovered and sold economically. Management's calculations of proven and probable mineral reserves are based on financial, engineering and geological estimates, including future metals prices and operating costs, and an assessment of our ability to obtain the permits required to mine and process the material. From time to time, management obtains external audits or reviews of reserves.

Reserve estimates will change as existing reserves are depleted through production, as additional reserves are proven and added to the estimates and as market prices of metals, production or capital costs, smelter terms, the grade or tonnage of the deposit, throughput, dilution of the ore or recovery rates change.

K. Leases — Contractual arrangements are assessed at inception to determine if they represent or contain a lease. Right-of-use ("ROU") assets related to operating leases are separately reported in the Consolidated Balance Sheets. ROU assets related to finance leases are included in Properties, plants, equipment and mineral interests, net. Separate current and non-current liabilities for operating and finance leases are reported on the Consolidated Balance Sheets.

Operating and finance lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the lease term. When the rate implicit to the lease cannot be readily determined, we utilize our incremental borrowing rate in determining the present value of the future lease payments. The incremental borrowing rate is derived from information available at the lease commencement date and represents the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The ROU asset includes any lease payments made and lease incentives received prior to the commencement date. Operating lease ROU assets also include any cumulative prepaid or accrued rent when the lease payments are uneven throughout the lease term. The ROU assets and lease liabilities may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

L. Income and Mining Taxes — We provide for federal, state and foreign income taxes currently payable, as well as those deferred, due to timing differences between reporting income and expenses for financial statement purposes versus tax purposes. Federal, state and foreign tax benefits are recorded as a reduction of income taxes, when applicable. We record deferred tax liabilities and assets for expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of those assets and liabilities, as well as operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

We evaluate uncertain tax positions in a two-step process, whereby (i) it is determined whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (ii) for those tax positions that meet the more-likely-than-not recognition threshold, the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the related tax authority would be recognized.

We evaluate our ability to realize deferred tax assets by considering the sources and timing of taxable income, including the reversal of existing temporary differences, the ability to carryback tax attributes to prior periods, qualifying tax-planning strategies, and estimates of future taxable income exclusive of reversing temporary differences. In determining future taxable income, the Company's assumptions include the amount of pre-tax operating income according to different state, federal and international taxing jurisdictions, the origination of future temporary differences, and the implementation of feasible and prudent tax-planning strategies. Should we determine that a portion of our deferred tax assets will not be realized, a valuation allowance is recorded in the period that such determination is made. When we determine, based on the existence of sufficient evidence, that more or less of the deferred tax assets are more likely than not to be realized, an adjustment to the valuation allowance is made in the period such a determination is made.

We classify as income taxes mine license taxes incurred in the states of Alaska and Idaho, the net proceeds taxes incurred in Nevada, mining duties in Mexico, and resource taxes incurred in Quebec and Yukon, Canada.

M. Reclamation and Remediation Costs (Asset Retirement Obligations) — At our operating properties, we record a liability for the present value of our estimated environmental remediation costs, and the related asset created with it, in the period in which the liability is incurred. The liability is accreted and the asset is depreciated over the life of the related assets. Adjustments for changes resulting from the passage of time and changes to either the timing or amount of the original present value estimate underlying the obligation are made in the period incurred.

At our non-operating properties, we accrue costs associated with environmental remediation obligations when it is probable that such costs will be incurred and they are reasonably estimable. Accruals for estimated losses from environmental remediation obligations have historically been recognized no later than completion of the remediation feasibility study for such facility and are charged to current earnings under provision for closed operations and environmental matters. Costs of future expenditures for environmental remediation are not discounted to their present value unless subject to a contractually obligated fixed payment schedule. Such costs are based on management's current estimate of amounts to be incurred when the remediation work is performed, within current laws and regulations.

Future closure, reclamation and environmental-related expenditures are difficult to estimate in many circumstances, due to the early stage nature of investigations, uncertainties associated with defining the nature and extent of environmental contamination, the application of laws and regulations by regulatory authorities, and changes in reclamation or remediation technology. We periodically review accrued liabilities for such reclamation and remediation costs as evidence becomes available indicating that our liabilities have potentially changed. Changes in estimates at our non-operating properties are reflected in current period net income (loss).

N. Revenue Recognition and Trade Accounts Receivable — Sales of all metals products sold directly to customers, including by-product metals, are recorded as revenues and accounts receivable upon completion of the performance obligations and transfer of control of the product to the customer. For sales of metals from refined doré, the performance obligation is met, the transaction price is known, and revenue is recognized at the time of transfer of control of the agreed-upon metal quantities to the customer by the refiner. For sales of unrefined doré and carbon material, the performance obligation is met, the transaction price is known, and revenue is recognized at the time of transfer of title and control of the doré or carbon containing the agreed-upon metal quantities to the customer. For concentrate sales, the performance obligation is met, the transaction price can be reasonably estimated, and revenue is recognized generally at the time of shipment at estimated forward prices for the anticipated month of settlement. Due to the time elapsed from shipment to the customer and the final settlement with the customer, we must estimate the prices at which sales of our concentrates will be settled. Previously recorded sales and accounts receivable are adjusted to estimated settlement metals prices until final settlement by the customer. As discussed in *P. Risk Management Contracts* below, we seek to mitigate this exposure by using financially-settled forward contracts for some of the metals contained in our concentrate shipments.

Refining, selling and shipping costs related to sales of doré, metals from doré, and carbon are recorded to cost of sales as incurred. Sales and accounts receivable for concentrate shipments are recorded net of charges by the customers for treatment, refining, smelting losses, and other charges negotiated by us with the customers. Charges are estimated by us upon shipment of concentrates based on contractual terms, and actual charges typically do not vary materially from our estimates. Costs charged by customers include fixed costs per ton of concentrate, and price escalators which allow the customers to participate in the increase of lead and zinc prices above a negotiated baseline.

O. Foreign Currency — The functional currency for our operations located in the U.S., Mexico and Canada is the U.S. dollar ("USD") for all periods presented. Accordingly, for Casa Berardi and Keno Hill in Canada and San Sebastian in Mexico, we have translated our monetary assets and liabilities at the period-end exchange rate, and non-monetary assets and liabilities at historical rates, with income and expenses translated at the average exchange rate for the current period. All translation gains and losses have been included in the current period net income (loss). Expenses incurred at our foreign operations and denominated in CAD and MXN expose us to exchange rate fluctuations between those currencies and the USD. As discussed in *P. Risk Management Contracts* below, we seek to mitigate this exposure by using financially-settled forward contracts to sell CAD and MXN.

We recognized a total net foreign exchange gain of $7.2 million and $0.4 million for the years ended December 31, 2022 and 2021, respectively, and a loss of $4.6 million for the year ended December 31, 2020.

P. Risk Management Contracts — We use derivative financial instruments as part of an overall risk-management strategy as a means of managing exposure to changes in metals prices and exchange rate fluctuations between the USD and CAD and MXN. We do not hold or issue derivative financial instruments for speculative trading purposes. We measure derivative contracts as assets or liabilities based on their fair value. Amounts recognized for the fair value of derivative asset and liability positions with the same counterparty and which would be settled on a net basis are offset against each other on our consolidated balance sheets. Gains or losses resulting from changes in the fair value of derivatives in each period are recorded either in current earnings or other comprehensive income ("OCI"), depending on the use of the derivative, whether it qualifies for hedge accounting and whether that hedge is effective. Amounts deferred in OCI are reclassified to sales of products (for metals price-related contracts) or cost of sales (for foreign currency-related contracts). Ineffective portions of any change in fair value of a derivative are recorded in current period other operating income (expense). For derivatives qualifying as hedges, when the hedged items are sold, extinguished or terminated, or it is determined the hedged transactions are no longer likely to occur, gains or losses on the derivatives are reclassified from OCI to current earnings. As of December 31, 2022 and 2021, our foreign currency-related forward contracts qualified for hedge accounting, with unrealized gains and loss related to the effective portion of the contracts included in OCI. Our base metals price-related forward contracts were designated as hedges effective November 1, 2021. Prior to November 1, 2021 our metals price-related forward contracts and put option contracts did not qualify for hedge accounting and all unrealized gains and losses were therefore reported in earnings.

Q. Stock Based Compensation — The fair values of equity instruments granted to employees that have vesting periods are expensed over the vesting periods on a straight-line basis. The fair values of instruments having no vesting period are expensed when granted. Stock-based compensation expense is recorded among general and administrative expenses, exploration and pre-development and cost of sales and other direct production costs.

R. Basic and Diluted Income (Loss) Per Common Share — We calculate basic income (loss) per share on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted income per share is calculated using the weighted average number of shares of common stock outstanding during the period plus the effect of potential dilutive common shares during the period using the treasury stock and if-converted methods.

S. Comprehensive Income (Loss) — In addition to net income (loss), comprehensive income (loss) includes certain changes in equity during a period, such as adjustments to minimum pension liabilities, adjustments to recognize the over-funded or under-funded status of our defined benefit pension plans, the change in fair value of derivative contracts designated as hedge transactions, and cumulative unrecognized changes in the fair value of available for sale debt investments, net of tax, if applicable.

T. Reclassifications — Certain amounts in prior years have been reclassified to conform with the 2022 presentation.

U. New Accounting Pronouncements —

Accounting Standards Updates Adopted

In August 2020, the Financial Accounting Standards Board ("FASB") issued ASU No. 2020-06 Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The update is to address issues identified as a result of the complexity associated with applying GAAP to certain financial instruments with characteristics of liabilities and equity. The update is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years and with early adoption permitted. We adopted the update as of January 1, 2022, which did not have a material impact on our consolidated financial statements or disclosures.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update will generally result in an entity recognizing contract assets and contract liabilities at amounts consistent with those recorded by the acquiree immediately before the acquisition date rather than at fair value. The update is effective on a prospective basis for fiscal years beginning after December 15, 2022, with early adoption permitted. We adopted the new standard effective January 1, 2022, which did not have a material impact on our consolidated financial statements or disclosures.

Accounting Standards Updates to Become Effective in Future Periods

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform,* in response to the 2017 United Kingdom Financial Conduct Authority ("FCA") announcement that after 2021 it would no longer compel banks to submit the rates required to calculate the London Interbank Offered Rate ("LIBOR"), which have been widely used as reference rates for various securities and financial contracts, including loans, debt and derivatives. This announcement indicated that the continuation of LIBOR on the current basis would not be guaranteed after 2021. Subsequently in March 2021, the FCA announced some USD LIBOR tenors (overnight, 1 month, 3 month, 6 month and 12 month) will continue to be published until June 30, 2023. Regulators in the U.S. and other jurisdictions have been working to replace these rates with alternative reference interest rates that are supported by transactions in liquid and observable markets, such as SOFR. Our New Credit Agreement references SOFR-based rates, compared to our prior credit facility which referenced LIBOR based- rates. Certain of our derivative instruments reference LIBOR-based rates and were amended to eliminate the LIBOR-based rate references prior to January 1, 2023. We do not expect a significant impact to our financial results, financial position or cash flows from the transition from LIBOR to alternative reference interest rates, but we will continue to monitor the impact of this transition until it is completed.

Note 3: Business Segments, Sales of Products and Significant Customers

We discover, acquire and develop mines and other mineral interests and produce and market concentrates, containing silver, gold (in the case of Greens Creek), lead and zinc, (ii) carbon material containing silver and gold, and (iii) doré containing silver and gold. We are currently organized and managed in five reportable segments being: Greens Creek, Lucky Friday, Keno Hill, Casa Berardi and the Nevada Operations.

General corporate activities not associated with operating mines and their various exploration activities, as well as idle properties and San Sebastian, a former operating mine and reportable segment, and the acquired Alexco environmental remediation services, are presented as "other." Interest expense, interest income and income taxes are considered general corporate items, and are not allocated to our segments.

The tables below present information about our reportable segments as of and for the years ended December 31, 2022, 2021 and 2020 (in thousands).

	2022	2021	2020
Net sales to unaffiliated customers:			
Greens Creek	$ 335,062	$ 384,843	$ 327,820
Lucky Friday	147,814	131,488	63,025
Keno Hill	—	—	—
Casa Berardi	235,136	245,152	209,224
Nevada Operations	419	45,814	58,898
Other	474	176	32,906
Total sales to unaffiliated customers	$ 718,905	$ 807,473	$ 691,873
Income (loss) from operations:			
Greens Creek	$ 87,297	$ 164,666	$ 114,607
Lucky Friday	27,636	31,683	(1,711)
Keno Hill	(4,249)	—	—
Casa Berardi	(21,799)	5,807	10,379
Nevada Operations	(38,134)	(46,115)	(6,674)
Other	(63,189)	(72,621)	(49,623)
Total (loss) income from operations	$ (12,438)	$ 83,420	$ 66,978
Capital additions (excluding non-cash items):			
Greens Creek	$ 36,898	$ 23,883	$ 19,685
Lucky Friday	50,992	29,885	25,776
Keno Hill	19,725	—	—
Casa Berardi	39,667	49,617	40,840
Nevada Operations	333	5,470	4,003
Other	1,763	193	712
Total capital additions	$ 149,378	$ 109,048	$ 91,016

Depreciation, depletion and amortization:			
Greens Creek	$ 48,911	$ 48,710	49,692
Lucky Friday	33,704	26,846	11,473
Keno Hill	—	—	—
Casa Berardi	60,962	80,744	60,552
Nevada Operations	361	15,341	22,845
Other	—	152	3,548
Total depreciation, depletion and amortization	$ 143,938	$ 171,793	$ 148,110
Other significant non-cash items:			
Greens Creek	$ 2,821	$ 3,653	$ 3,103
Lucky Friday	1,138	1,048	881
Keno Hill	1,669	—	—
Casa Berardi	1,520	1,284	(1,741)
Nevada Operations	4,384	7,740	2,039
Other	(816)	(20,030)	8,569
Total other significant non-cash items	$ 10,716	$ (6,305)	$ 12,851
Identifiable assets:			
Greens Creek	$ 582,687	$ 589,944	$ 610,360
Lucky Friday	571,510	516,545	520,463
Keno Hill	276,096	—	—
Casa Berardi	681,631	701,868	727,008
Nevada Operations	466,722	468,985	513,309
Other	348,526	451,466	329,070
Total identifiable assets	$ 2,927,172	$ 2,728,808	$ 2,700,210

The following are our long-lived assets by geographic area as of December 31, 2022 and 2021 (in thousands):

	2022	2021
United States	$ 1,670,676	$ 1,662,689
Canada	891,375	640,367
Mexico	7,739	7,754
Total long-lived assets	$ 2,569,790	$ 2,310,810

Following the acquisition of Alexco (see *Note 1*), our sales for 2022 are comprised of metal sales as described below and $474,000 of environmental services revenue.

Our products consist of metal concentrates and carbon material, which we sell to custom smelters, metal traders and third-party processors, and unrefined bullion bars (doré), which may be sold as doré or further refined before sale to precious metal traders. Revenue is recognized upon the completion of the performance obligations and transfer of control of the product to the customer.

For sales of metals from refined doré, which we currently have at Casa Berardi, the performance obligation is met, the transaction price is known, and revenue is recognized at the time of transfer of control of the agreed-upon metal quantities to the customer by the refiner. Refining, selling and shipping costs related to sales of doré and metals from doré are recorded to cost of sales as incurred.

For sales of carbon materials, transfer of control takes place, the performance obligation is met, the transaction price is known, and revenue is recognized generally at the time of arrival at the customer's facility.

For concentrate sales, which we currently have at Greens Creek and Lucky Friday, the performance obligation is met, the transaction price can be reasonably estimated, and revenue is recognized generally at the time of shipment. Concentrates sold at Lucky Friday typically leave the mine and are received by the customer within the same day. However, there is a period of time between shipment of concentrates from Greens Creek and their physical receipt by the customer, and judgment is required in determining when control has been transferred to the customer and the performance obligation has been met for those shipments. We have determined control is met, title is transferred and the performance obligation is met upon shipment of concentrate parcels from Greens Creek because, at that time, 1) legal title is transferred to the customer, 2) the customer has accepted the parcel and obtained the ability to realize all of the benefits from the product, 3) the concentrate content specifications are known, have been communicated to the customer, and the customer has the significant risks and rewards of ownership of it, 4) it is very unlikely a concentrate parcel from Greens Creek will be rejected by a customer upon physical receipt, and 5) we have the right to payment for the parcel.

Judgment is also required in identifying our concentrate sales performance obligations. Most of our concentrate sales involve “frame contracts” with smelters that can cover multiple years and specify certain terms under which individual parcels of concentrates are sold. However, some terms are not specified in the frame contracts and/or can be renegotiated as part of annual amendments to the frame contract. We have determined parcel shipments represent individual performance obligations satisfied at the point in time when control of the shipment is transferred to the customer.

The consideration we receive for our concentrate sales fluctuates due to changes in metals prices between the time of shipment and final settlement with the customer. However, we are able to reasonably estimate the transaction price for the concentrate sales at the time of shipment using forward prices for the month of settlement, and previously recorded sales and accounts receivable are adjusted to estimated settlement metals prices until final settlement with the customer. Also, it is unlikely a significant reversal of revenue for any one concentrate parcel will occur. As such, we use the expected value method to price the parcels until the final settlement date occurs, at which time the final transaction price is known. At December 31, 2022, metals contained in concentrate sales and exposed to future price changes totaled 3.1 million ounces of silver, 7,580 ounces of gold, 18.6 million pounds of zinc, and 12 million pounds of lead. However, as discussed in *Note 9*, we seek to mitigate the risk of price adjustments by using financially-settled forward contracts for some of our sales.

Sales and accounts receivable for concentrate shipments are recorded net of charges for treatment, refining, smelting losses, and other charges negotiated by us with the customers, which represent components of the transaction price. Charges are estimated by us upon shipment of concentrates based on contractual terms, and actual charges typically do not vary materially from our estimates. Costs charged by customers include fixed treatment and refining costs per ton of concentrate and may include price escalators which allow the customers to participate in the increase of lead and zinc prices above a negotiated baseline. Costs for shipping concentrates to customers are recorded to cost of sales as incurred.

Sales of metal concentrates and metal products are made principally to custom smelters, third-party processors and metal traders. The percentage of sales contributed by each segment is reflected in the following table:

	Year Ended December 31,		
	2022	**2021**	**2020**
Greens Creek	46.6%	47.6%	47.4%
Lucky Friday	20.6%	16.3%	9.1%
Casa Berardi	32.7%	30.4%	30.2%
Nevada Operations	0.1%	5.7%	8.5%
Other	—	—	4.8%
	100%	100%	100%

Sales of metal for the years ended December 31, 2022, 2021 and 2020 were as follows (in thousands):

	Year Ended December 31,		
	2022	**2021**	**2020**
Silver	$ 265,054	$ 293,646	$ 260,227
Gold	298,910	362,037	356,166
Lead	83,384	75,431	48,776
Zinc	123,057	125,292	95,065
Less: Smelter and refining charges	(51,973)	(48,933)	(68,361)
Sales of products	$ 718,432	$ 807,473	$ 691,873

The following is sales information by geographic area based on the location of smelters and metal traders (for concentrate shipments) and the location of parent companies (for doré sales to metal traders) for the years ended December 31, 2022, 2021 and 2020 (in thousands):

	2022	**2021**	**2020**
United States	$ 21,938	$ 71,278	$ 115,378
Canada	406,600	419,090	321,896
Japan	51,375	63,588	39,418
Netherlands	—	—	(923)
Korea	107,828	203,115	166,402
China	136,514	50,945	66,082
Total, excluding gains/losses on forward contracts	$ 724,255	$ 808,016	$ 708,253

Sales by significant product type for the years ended December 31, 2022, 2021 and 2020 were as follows (in thousands):

	Year Ended December 31,		
	2022	2021	2020
Doré and metals from doré	$ 255,608	$ 313,337	$ 266,536
Carbon	2,607	4,117	60,302
Silver concentrate	329,165	345,732	281,050
Zinc concentrate	109,177	112,448	76,481
Precious metals concentrate	27,698	32,382	23,884
Total, excluding gains/losses on forward contracts	$ 724,255	$ 808,016	$ 708,253

Sales of products for 2022, 2021 and 2020 included net losses of $5.8 million, $0.5 million, and $16.4 million, respectively, on derivative contracts for silver, gold, lead and zinc contained in our sales. See *Note 9* for more information.

Sales from continuing operations to significant metals customers as a percentage of total sales were as follows for the years ended December 31, 2022, 2021 and 2020:

	Year Ended December 31,		
	2022	2021	2020
Customer A	35.4%	37.2%	32.7%
Customer B	23.9%	21.5%	16.1%
Customer C	11.3%	21.6%	13.3%
Customer D	3.5%	6.2%	13.9%

Our trade accounts receivable balance related to contracts with customers was $45.1 million and $36.4 million at December 31, 2022 and 2021, respectively, and included no allowance for doubtful accounts.

We have determined our contracts do not include a significant financing component. For doré sales and sales of metal from doré, payment is received at the time the performance obligation is satisfied. Payment for carbon sales is received within a relatively short period of time after the performance obligation is satisfied. The amount of consideration for concentrate sales is variable, and we receive payment for a significant portion of the estimated value of concentrate parcels within a relatively short period of time after the performance obligation is satisfied.

We do not incur significant costs to obtain contracts, nor costs to fulfill contracts which are not addressed by other accounting standards. Therefore, we have not recognized an asset for such costs as of December 31, 2022 and 2021.

Note 4: Environmental and Reclamation Activities

The liabilities accrued for our reclamation and closure costs at December 31, 2022 and 2021 were as follows (in thousands):

	2022	2021
Operating properties:		
Greens Creek	$ 37,212	$ 37,474
Lucky Friday	13,343	13,543
Keno Hill	4,514	—
Casa Berardi	11,352	12,497
Nevada Operations	28,171	27,068
Non-operating properties:		
San Sebastian	1,989	4,451
Troy mine	6,980	4,813
Johnny M	8,961	8,947
All other sites	4,477	4,438
Total	116,999	113,231
Reclamation and closure costs, current	(8,591)	(9,259)
Reclamation and closure costs, long-term	$ 108,408	$ 103,972

The activity in our accrued reclamation and closure cost liability for the years ended December 31, 2022, 2021 and 2020 was as follows (in thousands):

Balance at January 1, 2020	$ 108,374
Accretion expense	5,912
Revision of estimated cash flows due to changes in reclamation plans	2,543
Payment of reclamation obligations	(781)
Balance at December 31, 2020	116,048
Accruals for estimated costs	4,952
Accretion expense	6,454
Revision of estimated cash flows due to changes in reclamation plans	(8,781)
Payment of reclamation obligations	(5,442)
Balance at December 31, 2021	113,231
Accruals for estimated costs	2,874
Accretion expense	5,995
Revision of estimated cash flows due to changes in reclamation plans	452
Payment of reclamation obligations	(5,553)
Balance at December 31, 2022	$ 116,999

Asset Retirement Obligations

Below is a reconciliation as of December 31, 2022 and 2021 (in thousands) of the asset retirement obligations ("ARO") which are included in our total accrued reclamation and closure costs of $117.0 million and $113.2 million, respectively, discussed above. The estimated reclamation and closure costs were discounted using credit adjusted, risk-free interest rates ranging from 5.75% to 14.5% from the time we incurred the obligation to the time we expect to pay the retirement obligation.

	2022	2021
Balance January 1	$ 95,033	$ 100,208
Changes in obligations due to changes in reclamation plans	452	(8,781)
Accretion expense	5,995	6,451
Payment of reclamation obligations	(4,860)	(2,845)
Balance at December 31	$ 96,620	$ 95,033

During 2022 following the acquisition of Alexco, we assumed an ARO of $4.4 million for Keno Hill. Payments for reclamation obligations were incurred at Lucky Friday and our former Mexico operation San Sebastian.

The AROs related to the changes described above were discounted using a credit adjusted, risk-free interest rate of between 2.75% and 7.5% and inflation rates ranging from 2% to 4%.

Note 5: Employee Benefit Plans

Pensions and Other Post-retirement Plans

We sponsor defined benefit pension plans covering substantially all U.S. employees and a Supplemental Excess Retirement Plan ("SERP") covering certain eligible employees. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ended December 31, 2022, and the funded status as of December 31, 2022 and 2021 (in thousands):

	Pension Benefits	
	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 195,862	$ 192,954
Service cost	6,262	5,820
Interest cost	5,476	4,990
Amendments	0	550
Change due to mortality change	486	548
Change due to discount rate change	(54,977)	(5,865)
Actuarial return (loss)	1,841	4,342
Benefits paid	(6,807)	(7,477)
Benefit obligation at end of year	148,143	195,862
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	189,874	148,052
Actual return on plan assets	(18,238)	27,049
Employer contributions	10,330	22,250
Benefits paid	(6,807)	(7,477)
Fair value of plan assets at end of year	175,159	189,874
Funded/(underfunded) status at end of year	$ 27,016	$ (5,988)

The following table provides the amounts recognized in the consolidated balance sheets as of December 31, 2022 and 2021 (in thousands):

	Pension Benefits	
	2022	2021
Non-current assets:		
Accrued benefit asset	$ 27,806	$ —
Current pension liability		
Accrued benefit liability	(790)	(1,315)
Non- current pension liability:		
Accrued benefit liability	—	(4,673)
Accumulated other comprehensive loss	6,446	29,966
Net amount recognized	$ 33,462	$ 23,978

The benefit obligation and prepaid benefit costs were calculated by applying the following weighted average assumptions:

	Pension Benefits	
	2022	2021
Discount rate: net periodic pension cost	5.54%	2.64%
Discount rate: projected benefit obligation	5.54%	2.86%
Expected rate of return on plan assets	7.25%	6.40%
Rate of compensation increase: net periodic pension cost	5.00%/2.00% (1)	5.00%/2.00%
Rate of compensation increase: projected benefit obligation	5.00%/2.00% (1)	5.00%/2.00%

(1) 5.00% for 2023, 2.00% per year thereafter.

The above assumptions were calculated based on information as of December 31, 2022 and 2021, the measurement dates for the plans. The discount rate is based on the yield curve for investment-grade corporate bonds as published by the U.S. Treasury Department. The expected rate of return on plan assets is based upon consideration of the plan's current asset mix, historical long-term return rates and the plan's historical performance. Our current assumption for the rate on plan assets is 7.25%. The vested benefit obligation is determined based on the actuarial present value of benefits to which employees are currently entitled, based on employees' expected date of separation or retirement.

Net periodic pension cost for the plans consisted of the following in 2022, 2021, and 2020 (in thousands):

	Pension Benefits		
	2022	2021	2020
Service cost	$ 6,262	$ 5,820	$ 5,334
Interest cost	5,476	4,990	5,618
Expected return on plan assets	(13,452)	(9,252)	(7,489)
Amortization of prior service benefit	511	394	117
Amortization of net gain from earlier periods	2,049	4,502	4,652
Net periodic pension cost	$ 846	$ 6,454	$ 8,232

The service cost component of net periodic pension cost is included in the same line items of our consolidated financial statements as other employee compensation costs. The net (benefit)/expense of ($5.4 million), $0.6 million and $2.9 million for 2022, 2021 and 2020, respectively, related to all other components of net periodic pension cost is included in other (expense) income on our consolidated statements of operations and comprehensive (loss) income.

Each defined benefit pension plan's statement of investment policy delineates the responsibilities of the board, the committee which administers the plan, the investment manager(s), and investment adviser/consultant, and provides guidelines on investment management. Investment objectives are established for each of the asset categories included in the pension plans with comparisons of performance against appropriate benchmarks. Each plan's policy calls for investments to be supervised by qualified investment managers. The investment managers are monitored on an ongoing basis by our outside consultant, with formal reporting to us and the consultant performed each quarter. The policy sets forth the following allocation of assets:

	Target	Maximum
Large cap U.S. equities	17%	20%
Small cap U.S. equities	8%	10%
Non-U.S. equities	25%	30%
U.S. Fixed income	18%	23%
Emerging markets debt	5%	8%
Real estate	15%	18%
Absolute return	5%	7%
Company stock/Real return	7%	13%

Each defined benefit pension plan's statement of investment policy and objectives aspires to achieve the assumed long term rate of return on plan assets established by the plan’s actuary plus one percent.

Accounting guidance has established a hierarchy of assets measured at fair value on a recurring basis. The three levels included in the hierarchy are:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: significant other observable inputs

Level 3: significant unobservable inputs

The fair values by asset category in each pension plan, along with their hierarchy levels, are as follows as of December 31, 2022 (in thousands):

	Hecla plans				Lucky Friday			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investments measured at fair value								
Interest-bearing cash	$ 743	$ —	$ —	$ 743	$ 133	$ —	$ —	$ 133
Common stock	21,678	—	—	21,678	3,295	—	—	3,295
Mutual funds	75,868	—	—	75,868	11,905	—	—	11,905
Total investments in the fair value hierarchy	98,289	—	—	98,289	15,333	—	—	15,333
Investments measured at net asset value								
Real estate funds	—	—	—	23,967	—	—	—	5,550
Hedge funds	—	—	—	—	—	—	—	—
Common collective funds	—	—	—	26,114	—	—	—	5,906
Total investments measured at net asset value	—	—	—	50,081	—	—	—	11,456
Total fair value	$ 98,289	$ —	$ —	$ 148,370	$ 15,333	$ —	$ —	$ 26,789

The fair values by asset category in each defined benefit pension plan, along with their hierarchy levels, were as follows as of December 31, 2021 (in thousands):

	Hecla				Lucky Friday			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investments measured at fair value								
Interest-bearing cash	$ 1,835	$ —	$ —	$ 1,835	$ 305	$ —	$ —	$ 305
Common stock	8,869	—	—	8,869	1,580	—	—	1,580
Mutual funds	96,957	—	—	96,957	15,707	—	—	15,707
Total investments in the fair value hierarchy	107,661	—	—	107,661	17,592	—	—	17,592
Investments measured at net asset value								
Real estate funds	—	—	—	19,119	—	—	—	4,482
Hedge funds	—	—	—	12,866	—	—	—	2,828
Common collective funds	—	—	—	20,626	—	—	—	4,700
Total investments measured at net asset value	—	—	—	52,611	—	—	—	12,010
Total fair value	$107,661	$ —	$ —	$160,272	$17,592	$ —	$ —	$29,602

Generally, investments are valued based on information provided by fund managers to each plan's trustee as reviewed by management and its investment advisers. Mutual funds and equities are valued based on available exchange data. Commingled equity funds consist of publicly-traded investments.

Fair value for real estate funds, hedge funds and common collective equity funds is measured using the net asset value per share (or its equivalent) practical expedient ("NAV"), and has not been categorized in the fair value hierarchy. There are no unfunded commitments related to these investments. There are no restrictions on redemptions of these funds as of December 31, 2021, except as limited by the redemption terms discussed below. The following summarizes information on the asset classes measured using NAV:

	Investment strategy	Redemption terms
Real estate funds	Invest in real estate properties among the four major property types (office, industrial, retail and multi-family)	Allowed quarterly with notice of between 45 and 60 days
Hedge funds	Invest in a variety of asset classes which aim to diversify sources of returns	Allowed quarterly with notice of 90 days
Common collective funds	Invest in U.S. large cap or small/medium cap public equities in actively traded managed equity portfolios	Allowed daily or with notice of 30 days

The following are estimates of future benefit payments, which reflect expected future service as appropriate, related to our pension plans (in thousands):

Year Ending December 31,	Pension Plans
2023	$ 8,429
2024	8,796
2025	9,649
2026	9,819
2027	9,803
Years 2028-2032	50,279

During 2022 and 2021 we contributed $5.5 million in shares of our common stock to our defined benefit pension plans, respectively. During 2022 and 2021 we also contributed $4.2 million and $16.8 million in shares of our common stock to our SERP, respectively. We do not expect to be required to contribute to our defined benefit plans in 2023, but we may choose to do so.

The following table indicates whether our pension plans had accumulated benefit obligations ("ABO") in excess of plan assets, or plan assets exceeded ABO (amounts are in thousands).

	December 31, 2022		December 31, 2021	
	ABO Exceeds Plan Assets	Plan Assets Exceed ABO	ABO Exceeds Plan Assets	Plan Assets Exceed ABO
Projected benefit obligation	$ —	$ 148,143	$ 195,862	$ —
Accumulated benefit obligation	—	144,816	191,597	—
Fair value of plan assets	—	175,159	189,874	—

For the pension plans, the following amounts are included in "Accumulated other comprehensive income, net" on our balance sheet as of December 31, 2022, that have not yet been recognized as components of net periodic benefit cost (in thousands):

	Pension Benefits
Unamortized net (gain)/loss	$ 5,377
Unamortized prior service cost	1,069

Except for a limited number of employees who participate in the SERP, non-U.S. employees are not eligible to participate in the defined benefit pension plans that we maintain for U.S. employees. Canadian employees participate in Canada's public retirement income system, which includes the following components: (i) the Canada (or Quebec) Pension Plan, which is an employee and employer contributory, earnings-related social insurance program, and (ii) the Old Age Security program. Mexican employees participate in Mexico's public retirement income system, which is based on contributions the employee, employer and the government submit to the retirement savings system. The system is administered through savings accounts managed by private fund managers selected by the participant.

Capital Accumulation Plans

Our Capital Accumulation Plan ("Hecla 401(k) Plan") is available to all U.S. salaried and certain hourly employees upon employment. We make a matching contribution in the form of cash or stock of 100% of an employee's contribution up to 6% of eligible earnings. Our matching contributions all in Hecla common stock were approximately $4.5 million, $4.3 million and $4.6 million in 2022, 2021 and 2020, respectively.

We also maintain a 401(k) plan that is available to all hourly employees at Lucky Friday after completion of six months of service. When an employee meets eligibility requirements we make a matching cash contribution of 55% of the employee's contribution up to, but not exceeding, 5% of the employee's eligible earnings. Our matching contributions were approximately $0.6 million, $0.5 million and $10,000 in 2022, 2021 and 2020, respectively.

Note 6: Income and Mining Taxes

Major components of our income and mining tax benefit (provision) for the years ended December 31, 2022, 2021 and 2020 are as follows (in thousands):

	2022	2021	2020
Current:			
Domestic	$ (3,915)	$ (7,073)	$ (7,246)
Foreign	(5,119)	(6,316)	(8,745)
Total current income and mining tax provision	(9,034)	(13,389)	(15,991)
Deferred:			
Domestic	2,064	43,708	5,096
Foreign	14,536	(750)	2,696
Total deferred income and mining tax benefit	16,600	42,958	7,792
Total income and mining tax benefit (provision)	$ 7,566	$ 29,569	$ (8,199)

Domestic and foreign components of income (loss) before income and mining taxes for the years ended December 31, 2022, 2021 and 2020 are as follows (in thousands):

	2022	2021	2020
Domestic	$ (6,343)	$ 38,003	$ (1,400)
Foreign	(38,571)	(32,477)	142
Total	$ (44,914)	$ 5,526	$ (1,258)

The annual tax benefit (provision) is different from the amount that would be provided by applying the statutory federal income tax rate to our pretax income (loss). The reasons for the difference are (in thousands):

	2022		2021		2020	
Computed "statutory" benefit (provision)	$ 9,432	21%	$ (1,161)	21%	$ 264	21%
Percentage depletion	8,542	19	8,076	(146)	5,327	423
Change in valuation allowance	(8,113)	(18)	38,058	(689)	786	62
State taxes, net of federal tax benefit	(158)	—	965	(17)	(1,164)	(93)
Foreign currency remeasurement of monetary assets and liabilities	4,559	10	(3,625)	66	(4,824)	(383)
Rate differential on foreign earnings	1,515	3	2,445	(44)	2,362	188
Compensation	173	—	1,094	(20)	(458)	(36)
Mining and other taxes	(6,609)	(15)	(13,799)	250	(9,245)	(735)
Other	(1,775)	(3)	(2,484)	45	(1,247)	(99)
Total benefit (provision)	$ 7,566	17%	$ 29,569	(535)%	$ (8,199)	(652)%

At December 31, 2022 and 2021, the net deferred tax liability was approximately $104.7 million and $104.1 million, respectively. The individual components of our net deferred tax assets and liabilities are reflected in the table below (in thousands).

	December 31, 2022	December 31, 2021
Deferred tax assets:		
Accrued reclamation costs	$ 33,007	$ 31,558
Deferred exploration	22,584	17,959
Foreign net operating losses	71,391	18,152
Domestic net operating losses	211,381	213,637
Foreign exchange loss	24,235	19,542
Foreign tax credit carryforward	2,493	2,493
Miscellaneous	39,628	31,329
Total deferred tax assets	404,719	334,670
Valuation allowance	(72,856)	(39,152)
Total deferred tax assets	331,863	295,518
Deferred tax liabilities:		
Miscellaneous	(9,020)	(2,751)
Properties, plants and equipment	(427,584)	(396,911)
Total deferred tax liabilities	(436,604)	(399,662)
Net deferred tax liability	$ (104,741)	$ (104,144)

As part of the Klondex Mines Ltd. ("Klondex") acquisition in July 2018, we acquired a U.S. consolidated tax group (the "Nevada U.S. Group") that did not join the existing consolidated U.S. tax group of Hecla Mining Company and subsidiaries ("Hecla U.S. Group").

We evaluated the positive and negative evidence available to determine the amount of valuation allowance required on our deferred tax assets. At December 31, 2022, the balance of our valuation allowances was approximately $72.9 million compared to $39.2 million at December 31, 2021. We retained a balance of valuation allowance on Hecla US operations at December 31, 2022 of $5.1 million for state loss carryforwards and foreign tax credits. In the Nevada U.S. Group, the scheduling of reversing deferred tax assets and liabilities determined that existing tax loss carryforwards subject to the limitation of eighty percent reduction of taxable income may be limited in the future. A valuation allowance is recorded for $28.9 million. Due to cessation of operations in Mexico at the end of 2020, we are uncertain when a source of taxable income will be available in that jurisdiction. Therefore, a valuation allowance of $10.1 million was retained on deferred tax assets in Mexico. We acquired Alexco in September 2022 and recorded a valuation allowance of $25.6 million against deferred tax assets as part of the acquisition. As of December 31, 2022, a $28.8 million valuation allowance is recorded for Canadian jurisdictions, primarily related to the Alexco acquisition in 2022. The changes in the valuation allowance for the years ended December 31, 2022, 2021 and 2020, are as follows (in thousands):

	2022	2021	2020
Balance at beginning of year	$ (39,152)	$ (77,210)	$ (86,634)
Valuation allowance on deferred tax assets acquired with the Alexco acquisition	(25,591)	—	—
(Increase) decrease related to non-recognition of deferred tax assets due to uncertainty of recovery and (increase) related to non-utilization of net operating loss carryforwards	(13,256)	(20,304)	786
Decrease related to either or a combination of (i) utilization, (ii) release due to future benefit, and (iii) expiration of deferred tax assets as applicable	5,143	58,362	8,638
Balance at end of year	$ (72,856)	$ (39,152)	$ (77,210)

As of December 31, 2022, for U.S. income tax purposes, we have federal and state net operating loss carryforwards of $873.5 million and $437.6 million, respectively. U.S. net operating loss carryforwards for periods arising before January 1, 2018 have a 20-year expiration period, the earliest of which could expire in 2028. U.S. net operating loss carryforwards of $372.8 million arising in 2018 and future periods have an indefinite carryforward period. We have foreign and provincial net operating loss carryforwards of approximately $262.5 million each, which expire between 2031 and 2042. Our utilization of U.S. net operating loss carryforwards may be subject to annual limitations if there is a change in control as defined under Internal Revenue Code Section 382. As of December 31, 2022, no change in control has occurred in the Hecla U.S. group. Net operating losses acquired with the Nevada U.S. Group are subject to limitation under Internal Revenue Code Section 382. However, the annual limitation is not expected to have a material impact on our ability to utilize the losses.

We have Internal Revenue Code Section 163(j) interest expense limitation carryforwards of $2.4 million in Hecla US as of December 31, 2022. The carryforward results in a future tax benefit of $0.5 million and has an indefinite carryforward period. In the

Nevada U.S. Group we have 163(j) interest expense limitation carryforwards of $13.7 million as of December 31, 2022. The carryforward results in a future tax benefit of $2.9 million and has an indefinite carryforward period.

As of December 31, 2022, we have foreign tax credit carryforwards of $2.5 million. The carryforward period for foreign tax credits is 10 years. Our foreign tax credits will expire between 2023 and 2026.

We file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. We are no longer subject to income tax examinations by U.S. federal and state tax authorities for years prior to 2005, or examinations by foreign tax authorities for years prior to 2016. We are currently under examination in certain local tax jurisdictions. However, we do not anticipate any material adjustments.

We had no unrecognized tax benefits as of December 31, 2022 or 2021. Due to the net operating loss carryover provision, coupled with the lack of any unrecognized tax benefits, we have not provided for any interest or penalties associated with any unrecognized tax benefits. If interest and penalties were to be assessed, our policy is to charge interest to interest expense, and penalties to other operating expense. It is not anticipated that there will be any significant changes to unrecognized tax benefits within the next 12 months.

Note 7: (Loss) Income per Common Share

We calculate basic income (loss) per share using, as the denominator, the weighted average number of common shares outstanding during the period. Diluted income (loss) per share uses, as its denominator, the weighted average number of common shares outstanding during the period plus the effect of potential dilutive common shares during the period using the treasury stock method for options, warrants, and restricted stock units, and if-converted method for convertible preferred shares.

Potential dilutive common shares include outstanding restricted stock unit awards, stock units, warrants and convertible preferred stock for periods in which we have reported net income. For periods in which we reported net losses, potential dilutive common shares are excluded, as their conversion and exercise would not reduce earnings per share. Under the if-converted method, preferred shares would not dilute earnings per share in any of the periods presented.

The following table represents net income (loss) per common share – basic and diluted (in thousands, except income (loss) per share):

	Year ended December 31,		
	2022	2021	2020
Numerator			
Net (loss) income	$ (37,348)	$ 35,095	$ (9,457)
Preferred stock dividends	(552)	(552)	(552)
Net (loss) income applicable to common stockholders	$ (37,900)	$ 34,543	$ (10,009)
Denominator			
Basic weighted average common shares	557,344	536,192	527,329
Dilutive stock options, restricted stock units, and warrants	—	5,984	—
Diluted weighted average common shares	557,344	542,176	527,329
Basic (loss) income per common share	**$ (0.07)**	**$ 0.06**	**$ (0.02)**
Diluted (loss) income per common share	**$ (0.07)**	**$ 0.06**	**$ (0.02)**

For the year ended December 31, 2021, the calculation of diluted income per common share included (i) 2,317,007 unvested restricted stock units during the period, (ii) 1,557,503 warrants to purchase one share of common stock and (iii) 2,166,964 deferred shares that were dilutive. For the years ended December 31, 2022 and 2020, all outstanding restricted stock units, warrants and deferred shares were excluded from the computation of diluted loss per share, as our reported net losses for those periods would cause their conversion and exercise to have no effect on the calculation of loss per share.

Note 8: Debt, Credit Facility and Leases

Debt Summary

Our debt as of December 31, 2022 and 2021 consisted of our 7.25% Senior Notes due February 15, 2028 ("Senior Notes") and our Investissement Quebec Series 2020-A Senior Notes due July 9, 2025 (the "IQ Notes"). These debt arrangements are discussed further below. The following tables summarize our long-term debt balances as of December 31, 2022 and 2021 (in thousands):

	December 31, 2022		
	Senior Notes	IQ Notes	Total
Principal	$ 475,000	$ 35,614	$ 510,614
Unamortized discount/premium and issuance costs	(4,640)	392	(4,248)
Long-term debt balance	$ 470,360	$ 36,006	$ 506,366

	December 31, 2021		
	Senior Notes	IQ Notes	Total
Principal	$ 475,000	$ 38,051	$ 513,051
Unamortized discount/premium and issuance costs	(5,552)	596	(4,956)
Long-term debt balance	$ 469,448	$ 38,647	$ 508,095

The following table summarizes the scheduled annual future payments, including interest, for the Senior Notes and IQ Notes as of December 31, 2022 (in thousands). The amounts for the IQ Notes are stated in USD based on the USD/CAD exchange rate as of December 31, 2022.

	Senior Notes	IQ Notes
2023	$ 34,438	$ 2,320
2024	34,438	2,320
2025	34,438	36,812
2026	34,438	—
2027	34,438	—
2028	479,302	—
Total	$ 651,492	$ 41,452

Senior Notes

On February 19, 2020, we completed an offering of $475 million in aggregate principal amount of our Senior Notes under our shelf registration statement previously filed with the Securities and Exchange Commission. The Senior Notes are governed by the Indenture, dated as of February 19, 2020, as amended, among Hecla and certain of our subsidiaries and The Bank of New York Mellon Trust Company, N.A., as trustee. On March 19, 2020, the net proceeds from the offering of the Senior Notes ($469.5 million) were used, together with cash on hand, to redeem all of our previously-outstanding 6.875% Senior Notes that were due in 2021 (the "2021 Notes.")

The Senior Notes are recorded net of a 1.16% initial purchaser discount totaling $5.5 million. The Senior Notes bear interest at a rate of 7.25% per year from the date of issuance or from the most recent payment date on which interest has been paid or provided for. Interest on the Senior Notes is payable on February 15 and August 15 of each year, commencing August 15, 2020. During 2022, 2021 and 2020, interest expense on the statement of operations and comprehensive income (loss) related to the Senior Notes and 2021 Notes and amortization of the initial purchaser discount and fees related to the issuance of the Senior Notes and 2021 Notes totaled $35.4 million, $35.4 million and $40.2 million, respectively. Interest expense for 2020 included amounts recorded for (i) interest recognized on both the Senior Notes and 2021 Notes for an overlapping period of approximately one month, as the Senior Notes were issued on February 19, 2020 and the 2021 Notes were redeemed on March 19, 2020, and (ii) $1.7 million in unamortized initial purchaser discount on the 2021 Notes upon redemption.

The Senior Notes are guaranteed on a senior unsecured basis by certain of our subsidiaries (the "Guarantors"). The Senior Notes and the guarantees are, respectively, Hecla's and the Guarantors' general senior unsecured obligations and are subordinated to all of Hecla's and the Guarantors' existing and future secured debt to the extent of the assets securing that secured debt. In addition, the Senior Notes are effectively subordinated to all of the liabilities of Hecla's subsidiaries that are not guaranteeing the Senior Notes, to the extent of the assets of those subsidiaries.

The Senior Notes will be redeemable in whole or in part, at any time and from time to time on or after February 15, 2023, on the redemption dates and at the redemption prices specified in the Indenture, plus accrued and unpaid interest, if any, to the date of redemption. After February 15, 2023, we may redeem some or all of the Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued interest, if any, to the redemption date: (i) 105.438% for the twelve-month period beginning after February 15, 2023, (ii) 103.625% for the twelve-month period beginning after February 15, 2024, (iii) 101.813% for the twelve-month period beginning after February 15, 2025, and (iv) 100.000% after February 15, 2026. We may redeem up to 35% of the Senior Notes before February 15, 2023 with the net cash proceeds of certain equity offerings.

Upon the occurrence of a change of control (as defined in the Indenture), each holder of Senior Notes will have the right to require us to purchase all or a portion of such holder's Senior Notes pursuant to a change of control offer (as defined in the Indenture), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase, subject to the rights of holders of the Senior Notes on the relevant record date to receive interest due on the relevant interest payment date.

IQ Notes

On July 9, 2020, we entered into a note purchase agreement pursuant to which we issued CAD$50 million (approximately USD$36.8 million at the time of the transaction) in aggregate principal amount of our IQ Notes to Investissement Québec, a financing arm of the Québec government. Because the IQ notes are denominated in CAD, the reported USD-equivalent principal balance will change with movements in the exchange rate. The IQ Notes were issued at a premium of 103.65%, or CAD$1.8 million, implying an effective annual yield of 5.74% and an aggregate principal amount to be repaid of CAD$48.2 million. The IQ Notes were issued in four equal installments of CAD$12.5 million on July 9, August 9, September 9 and October 9, 2020, with the first installment issued net of CAD$0.6 million in fees. The IQ Notes bear interest on amounts outstanding at a rate of 6.515% per year, payable on January 9 and July 9 of each year, commencing January 9, 2021. The IQ Notes are senior and unsecured and are pari passu in all material respects with the Senior Notes, including with respect to guarantees of the IQ Notes by certain of our subsidiaries. The net proceeds from the IQ Notes are available for general corporate purposes, including open market purchases of a portion of the Senior Notes and to pay for capital expenditures at Casa Berardi. Under the note purchase agreement for the IQ Notes and subject to a force majeure event, we are required to invest in the aggregate CAD$100 million at Casa Berardi and other exploration and development projects in Quebec over the four-year period commencing on July 9, 2020. During 2022, 2021 and 2020, interest expense related to the IQ Notes, including premium and origination fees, totaled $2.3 million, $2.3 million and $0.9 million, respectively.

Credit Facility

New $150 million facility

On July 21, 2022, we replaced our prior credit agreement and entered into a Credit Agreement (“New Credit Agreement”) with various financial institutions (the “Lenders”), with Bank of America, N.A., as administrative agent for the Lenders and as swingline lender and Bank of Montreal as letters of credit issuers. The New Credit Agreement is a $150 million senior secured revolving facility, with an option to be increased in an aggregate amount not to exceed $75 million. The revolving loans under the New Credit Agreement will have a maturity date of July 21, 2026. Proceeds of the revolving loans under the New Credit Agreement may be used for general corporate purposes. The interest rate on the outstanding loans under the New Credit Agreement is based on the Company’s net leverage ratio and is calculated at (i) Term Secured Overnight Financing Rate ("SOFR") plus 2% to 3.5%; or (ii) Bank of America’s Base Rate plus 1% to 2.5% with Base Rate being the highest of (i) the Bank of America prime rate, (ii) the Federal Funds rate plus .50% or (iii) Term SOFR plus 1.00%. For each amount drawn, we elect whether we draw on a one, three or six month basis or annual basis for SOFR. If we elect to draw for greater than six months, we pay interest quarterly on the outstanding amount.

We are also required to pay a commitment fee of between 0.45% to 0.78750%, depending on our net leverage ratio. Letters of credit issued under the New Credit Agreement bear a fee between 2.00% and 3.50% based on our net leverage ratio, as well as a fronting fee to each issuing bank at an agreed upon rate per annum on the average daily dollar amount of our letter of credit exposure. During 2022 we paid $0.3 million as commitment fees under the New Credit Agreement included as part of *Interest expense, net*.

Hecla Mining Company and certain of our subsidiaries are the borrowers under the New Credit Agreement, while certain of our other subsidiaries are guarantors of the borrowers’ obligations under the New Credit Agreement. As further security, the credit facility is collateralized by a mortgage on the Greens Creek mine, the equity interests of subsidiaries that own the Greens Creek mine or are part of the Greens Creek Joint Venture and our subsidiary Hecla Admiralty Company (the “Greens Creek Group”), and by all of the Green Creek Group’s rights and interests in the Greens Creek Joint Venture Agreement, and in all assets of the joint venture and of any member of the Greens Creek Group.

As of December 31, 2022, $7.8 million was used for lines of credit, leaving approximately $142.2 million available for borrowing.

We believe we were in compliance with all covenants under the New Credit Agreement as of December 31, 2022.

Prior $250 million facility

In July 2018, we entered into a credit agreement (as amended, the "Prior Credit Agreement") providing for a $250 million senior secured revolving credit facility which had a term ending on February 7, 2023. As of December 31, 2021, no amounts were outstanding under the facility.

We were also able to obtain letters of credit under the facility, and for any such letters we were required to pay a participation fee of between 2.25% and 4.00% of the amount of the letters of credit based on our total leverage ratio, as well as a fronting fee to each issuing bank of 0.20% annually on the average daily dollar amount of any outstanding letters of credit.

In connection with our entry into the New Credit Agreement, the Prior Credit Agreement was terminated on July 21, 2022. We believe we were in compliance with all covenants under the Prior Credit Agreement as of July 21, 2022, and as of December 31, 2021.

Finance Leases

We have entered into various lease agreements, primarily for equipment at our operations, which we have determined to be finance leases. At December 31, 2022, the total liability associated with the finance leases, including certain purchase option amounts, was $20.9 million (2021: $13.4 million), with $9.5 million (2021: $5.6 million) of the liability classified as current and $11.4 million (2021: $7.8 million) classified as non-current. The assets related to these leases are recorded in properties, plants, equipment and mineral interests, net, on our consolidated balance sheets and totaled $23.1 million of December 31, 2022 (2021: $18.3 million), net of accumulated depreciation. Expense during 2022, 2021 and 2020 related to finance leases included $7.1 million, $8.9 million and $7.4 million, respectively, for amortization of the related assets, and $0.9 million, $0.6 million and $0.6 million, respectively, for interest expense. The total obligation for future minimum finance lease payments was $22.2 million at December 31, 2022, with $1.4 million attributed to interest. Our finance leases as of December 31, 2022 had a weighted average remaining term of approximately 1.9 years and a weighted average discount rate of approximately 6.5%.

At December 31, 2022, the annual maturities of finance lease commitments, including interest, were (in thousands):

Twelve-month period ending December 31,		
2023	$	9,352
2024		7,185
2025		3,808
2026		1,851
2027		24
Total		22,220
Less: imputed interest		(1,361)
Net finance lease obligation	$	20,859

Operating Leases

We have entered into various lease agreements, primarily for equipment, buildings and other facilities, and land at our operations and corporate offices, which we have determined to be operating leases. Some of the operating leases allow for extension of the lease beyond the current term at our option. We have considered the likelihood and estimated duration of the extension options in determining the lease term for measurement of the liability and right-of-use asset. For our operating leases as of December 31, 2022, we have assumed a discount rate of 6%. At December 31, 2022, the total liability balance associated with the operating leases was $11.1 million (2021: $12.4 million) , with $2.5 million (2021: $2.5 million) of the liability classified as current as part of *Other Current Liabilities* and the remaining $8.6 million (2021: $10.0 million) classified as non-current as part of *Other Non-Current Liabilities* on our balance sheet. The right-of-use assets for our operating leases are recorded as a non-current asset on our consolidated balance sheets and totaled $11.1 million and $12.4 million as of December 31, 2022 and 2021, respectively. During 2022, 2021 and 2020, operating lease expense, and cash paid for operating leases included in net cash provided by operating activities, totaled $3.1 million, $3.9 million and $7.2 million, respectively. The weighted-average remaining lease term for our operating leases as of December 31, 2022 was approximately 8.9 years.

At December 31, 2022, the annual maturities of undiscounted operating lease payments, including assumed extensions beyond the current lease terms, were (in thousands):

Twelve-month period ending December 31,		
2023	$	3,167
2024		1,285
2025		1,274
2026		1,275
2027		1,170
More than 5 years		6,408
Total		14,579
Effect of discounting		(3,511)
Operating lease liability	$	11,068

Note 9: Derivative Instruments

General

Our current risk management policy provides that up to 75% of five years foreign currency, lead and zinc metals price and silver and gold price exposure may be covered under a derivatives program with certain other limitations. The silver and gold price program can only establish a floor (puts). We are not currently utilizing this silver and gold program. Our program also utilizes derivatives to manage price risk exposure created from when revenue is recognized from a shipment of concentrate until final settlement.

These instruments expose us to (i) credit risk in the form of non-performance by counterparties for contracts in which the contract price exceeds the spot price of the hedged commodity or foreign currency and (ii) price risk to the extent that the spot price exceeds the contract price for quantities of our production and/or forecasted costs covered under contract positions.

Foreign Currency

Our wholly-owned subsidiaries owning the Casa Berardi operation as well as the recently acquired Keno Hill development property which Alexco owned are USD-functional entities which routinely incur expenses denominated in CAD. Such expenses expose us to exchange rate fluctuations between the USD and CAD. We have a program to manage our exposure to fluctuations in the USD exchange rate for these subsidiaries' future operating and capital costs denominated in CAD. The program utilizes forward contracts to buy CAD, some of which are designated as cash flow hedges. As of December 31, 2022, we have 278 forward contracts outstanding to buy a total of CAD$499 million having a notional amount of USD$377.4 million and have CAD-to-USD exchange rates ranging between 1.26 and 1.37920. The CAD contracts that are designed as cash flow hedges of forecasted cash operating costs at Casa Berardi to be incurred from 2023 through 2026 are to purchase CAD$427.4 million having a notional amount value of USD$325.1 million and have CAD-to-USD exchange rates ranging between 1.26 and 1.3765.

As of December 31, 2022 and 2021, we recorded the following balances for the fair value of the contracts (in millions):

	December 31,	
Balance sheet line item:	2022	2021
Other current assets	$ 1.1	$ 2.7
Other non-current assets	0.4	2.5
Current derivative liabilities	4.0	—
Non-current derivative liabilities	3.6	0.0

Net unrealized losses of approximately $7.1 million related to the effective portion of the hedges were included in accumulated other comprehensive income (loss) as of December 31, 2022. Unrealized gains and losses will be transferred from accumulated other comprehensive loss to current earnings as the underlying operating expenses are recognized. We estimate approximately $3.7 million in net unrealized losses included in accumulated other comprehensive income (loss) as of December 31, 2022 would be reclassified to current earnings in the next twelve months. Net realized gains of approximately $0.8 million on contracts related to underlying expenses which have been recognized were transferred from accumulated other comprehensive loss and included in cost of sales and other direct production costs for the year ended December 31, 2022. Net unrealized gains of approximately $0.1 million related to contracts not designated as hedges and no net unrealized gains or losses related to ineffectiveness of the hedges were included in fair value adjustments, net on our consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2022.

Metals Prices

We are currently using financially-settled forward contracts to manage the exposure to:

- changes in prices of silver, gold, zinc and lead contained in our concentrate shipments between the time of shipment and final settlement; and

- changes in prices of zinc and lead (but not silver and gold) contained in our forecasted future concentrate shipments.

The following tables summarize the quantities of metals committed under forward sales contracts at December 31, 2022 and 2021:

December 31, 2022	Ounces/pounds under contract (in 000's)				Average price per ounce/pound			
	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)
Contracts on provisional sales								
2023 settlements	3,124	8	18,629	11,960	$ 21.55	$ 1,795	$ 1.38	$ 0.98
Contracts on forecasted sales								
2023 settlements	—	—	37,533	75,618	N/A	N/A	$ 1.34	$ 1.00
2024 settlements	—	—	—	45,856	N/A	N/A	N/A	$ 0.99

December 31, 2021	Ounces/pounds under contract (in 000's)				Average price per ounce/pound			
	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)
Contracts on provisional sales								
2022 settlements	1,814	6	13,371	4,575	$ 23.02	$ 1,812	$ 1.39	$ 0.96
Contracts on forecasted sales								
2022 settlements	—	—	57,706	59,194	N/A	N/A	$ 1.28	$ 0.98
2023 settlements	—	—	76,280	71,650	N/A	N/A	$ 1.29	$ 1.00

Effective November 1, 2021, we designated the contracts for lead and zinc contained in our forecasted future shipments as hedges for accounting purposes, with gains and losses deferred to accumulated other comprehensive loss until the hedged product ships. Prior to November 1, 2021, these contracts did not qualify for hedge accounting and were therefore marked-to-market through earnings each period. The forward contracts for silver and gold contained in our concentrate shipments have not been designated as hedges and are marked-to-market through earnings each period.

At December 31, 2022 and 2021, we recorded the following balances for the fair value of forward and put option contracts held at that time (in millions):

	December 31, 2022			December 31, 2021		
Balance sheet line item:	Contracts in an asset position	Contracts in a liability position	Net asset (liability)	Contracts in an asset position	Contracts in a liability position	Net asset (liability)
Other current assets	$ 1.2	$ —	$ 1.2	$ —	$ —	$ —
Other non-current assets	0.1	—	0.1	—	—	—
Current derivatives liability	0.0	(12.1)	(12.1)	0.7	(20.1)	(19.4)
Non-current derivatives liability	0.0	(2.5)	(2.5)	0.4	(18.9)	(18.5)

Net realized and unrealized gains of approximately $16.8 million related to the effective portion of the contracts designated as hedges were included in accumulated other comprehensive loss as of December 31, 2022. Realized and unrealized gains and losses will be transferred from accumulated other comprehensive loss to current earnings as the underlying forecasted sales transaction is recognized. We estimate approximately $8.4 million in net realized and unrealized gains included in accumulated other comprehensive loss as of December 31, 2022 will be reclassified to current earnings in the next twelve months. The realized gains arose due to cash settlement of zinc contracts prior to maturity in 2022 for proceeds of $17.4 million. There were no early settlements in 2021 or 2020. We recognized a net loss of $5.8 million, including a $6.0 million loss transferred from accumulated other comprehensive income(loss) during 2022 on the contracts utilized to manage exposure to changes in prices of metals in our concentrate shipments, which is included in sales of products. The net loss recognized on the contracts offsets gains related to price adjustments on our provisional concentrate sales due to changes to silver, gold, lead and zinc prices between the time of sale and final settlement.

We recognized a $32.9 million net loss during 2021 on the contracts utilized to manage exposure to changes in prices for forecasted future sales prior to their hedge designation. The net loss on these contracts is included in the fair value adjustments, net line item under other income (expense), as they relate to forecasted future sales, as opposed to sales that have already taken place but are subject to final pricing as discussed in the preceding paragraph. The net loss for 2021 is the result of increasing silver, gold, zinc and lead prices.

Credit-risk-related Contingent Features

Certain of our derivative contracts contain cross default provisions which provide that a default under our revolving credit agreement would cause a default under the derivative contract. As of December 31, 2022, we have not posted any collateral related to these contracts. The fair value of derivatives in a net liability position related to these arrangements was $22.2 million as of December 31, 2022, and includes accrued interest but excludes any adjustment for nonperformance risk. If we were in breach of any of these provisions at December 31, 2022, we could have been required to settle our obligations under the agreements at their termination value of $22.2 million.

Note 10: Fair Value Measurement

Fair value adjustments, net is comprised of the following:

	Year Ended December 31,		
	2022	2021	2020
Gain (loss) on derivative contracts	$ 844	$ (32,655)	$ (22,074)
Unrealized (loss) gain on investments in equity securities	(5,632)	(4,295)	10,268
Gain on disposition or exchange of investments	65	1,158	—
Total fair value adjustments, net	$ (4,723)	$ (35,792)	$ (11,806)

Accounting guidance has established a hierarchy for inputs used to measure assets and liabilities at fair value on a recurring basis. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels included in the hierarchy are:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: significant other observable inputs; and

Level 3: significant unobservable inputs.

The table below sets forth our assets and liabilities (in thousands) that were accounted for at fair value on a recurring basis and the fair value calculation input hierarchy level that we have determined applies to each asset and liability category. See *Note 5* for information on the fair values of our defined benefit pension plan assets.

	Balance at December 31, 2022	Balance at December 31, 2021	Input Hierarchy Level
Assets:			
Cash and cash equivalents:			
Money market funds and other bank deposits	$ 104,743	$ 210,010	Level 1
Current and non-current investments:			
Equity securities – mining industry	24,018	14,470	Level 1
Trade accounts receivable:			
Receivables from provisional concentrate sales	45,146	36,437	Level 2
Derivative contracts - other current assets and other non-current assets:			
Metal forward and put option contracts	1,309	—	Level 2
Foreign exchange contracts	1,518	5,207	Level 2
Restricted cash balances:			
Certificates of deposit and other deposits	1,164	1,053	Level 1
Total assets	$ 177,898	$ 267,177	
Liabilities			
Derivative contracts - current derivative liabilities and other non-current liabilities:			
Metal forward and put option contracts	$ 14,643	$ 37,873	Level 2
Foreign exchange contracts	7,548	8	Level 2
Total liabilities	$ 22,191	$ 37,881	

Cash and cash equivalents consist primarily of money market funds and are valued at cost, which approximates fair value, and a small portion consists of municipal bonds having maturities of less than 90 days, which are recorded at fair value.

Current and non-current restricted cash balances consist primarily of certificates of deposit, U.S. Treasury securities, and other deposits and are valued at cost, which approximates fair value.

Our current and non-current investments consist of marketable equity securities of companies in the mining industry which are valued using quoted market prices for each security.

Trade accounts receivable include amounts due to us for shipments of concentrates, doré, metals sold from doré, and carbon material sold to customers. Revenues and the corresponding accounts receivable for sales of metals products are recorded when title and risk of loss transfer to the customer (generally at the time of ship loading, or at the time of arrival at the customer for trucked products). Sales of concentrates are recorded using estimated forward prices for the anticipated month of settlement applied to our estimate of payable metal quantities contained in each shipment. Sales are recorded net of estimated treatment and refining charges, which are also impacted by changes in metals prices and quantities of contained metals. We estimate the prices at which sales of our concentrates will be settled due to the time elapsed between shipment and final settlement with the customer. Receivables for previously recorded concentrate sales are adjusted to reflect estimated forward metals prices at the end of each period until final settlement by the customer. We obtain the forward metals prices used each period from a pricing service. Changes in metals prices between shipment and final settlement result in changes to revenues previously recorded upon shipment.

We use financially-settled forward contracts to manage exposure to changes in the exchange rate between the USD and CAD, and the impact on CAD-denominated operating and capital costs incurred at our Casa Berardi unit and Keno Hill development project (see *Note 9* for more information). The contracts related to operating costs qualify for hedge accounting, while the contracts related to capital costs have not been designated as hedges. Unrealized gains and losses related to the effective portion of the contracts designated as hedges are included in accumulated other comprehensive loss, and unrealized gains and losses related to the contracts not designated as hedges and the ineffective portion of the contracts designated as hedges are included in earnings each period. The fair value of each contract represents the present value of the difference between the forward exchange rate for the contract settlement period as of the measurement date and the contract settlement exchange rate.

We use financially-settled forward contracts to manage the exposure to changes in prices of silver, gold, zinc and lead contained in our concentrate shipments that have not reached final settlement. We also use financially-settled forward contracts to manage the exposure to changes in prices of zinc and lead (but not silver and gold) contained in our forecasted future concentrate shipments (see *Note 9* for more information). Effective November 1, 2021, we designated the contracts for lead and zinc as hedges for accounting purposes, with gains and losses deferred to accumulated other comprehensive income until the hedged product ships. The forward contracts for silver and gold contained in our concentrate shipments have not been designated as hedges and are marked-to-market through earnings each period. The fair value of each forward contract represents the present value of the difference between the forward metal price for the contract settlement period as of the measurement date and the contract settlement metal price.

At December 31, 2022, our Senior Notes and IQ Notes were recorded at their carrying values of $470.4 million and $36 million, respectively, net of unamortized initial purchaser discount/premium and issuance costs. The estimated fair values of our Senior Notes and IQ Notes were $471.1 million and $35.1 million, respectively, at December 31, 2022. Quoted prices, which we consider to be Level 1 inputs, are utilized to estimate the fair value of the Senior Notes. Unobservable inputs which we consider to be Level 3, including an assumed current annual yield of 7.44%, are utilized to estimate the fair value of the IQ Notes. See *Note 9* for more information.

Note 11: Stockholders' Equity

Common Stock

Subject to the rights of the holders of any outstanding shares of preferred stock, each share of common stock is entitled to: (i) one vote on all matters presented to the stockholders, with no cumulative voting rights; (ii) receive such dividends as may be declared by the board of directors out of funds legally available therefor; and (iii) in the event of our liquidation or dissolution, share ratably in any distribution of our assets.

Dividends

In September 2011 and February 2012, our Board of Directors ("Board") adopted a common stock dividend policy that has two components: (1) a dividend that links the amount of dividends on our common stock to our average quarterly realized silver price in the preceding quarter, and (2) a minimum annual dividend of $0.01 per share of common stock, in each case, payable quarterly, if and when declared. In September 2020, we amended the dividend policy to (1) reduce the minimum quarterly realized silver price threshold for the first component above from $30 per ounce to $25 per ounce, and (2) increased the minimum annual dividend from $0.01 per share to $0.015 per share. In each of May and September 2021, our Board approved an increase in our silver-linked dividend policy by $0.01 per year, and in September 2021 also approved a reduction in the minimum realized silver price threshold to $20 from $25 per ounce. For illustrative purposes only, the table below summarizes potential per share dividend amounts at different quarterly average realized price levels according to the first component of the policy, as amended:

Quarterly Average Realized Silver Price ($ per ounce)	Quarterly Silver-Linked Dividend ($ per share)	Annualized Silver-Linked Dividend ($ per share)	Annualized Minimum Dividend ($ per share)	Annualized Dividends per Share: Silver-Linked and Minimum ($ per share)
<$20	$ —	$ —	$ 0.015	$ 0.015
$20	$ 0.0025	$ 0.01	$ 0.015	$ 0.025
$25	$ 0.0100	$ 0.04	$ 0.015	$ 0.055
$30	$ 0.0150	$ 0.06	$ 0.015	$ 0.075
$35	$ 0.0250	$ 0.10	$ 0.015	$ 0.115
$40	$ 0.0350	$ 0.14	$ 0.015	$ 0.155
$45	$ 0.0450	$ 0.18	$ 0.015	$ 0.195
$50	$ 0.0550	$ 0.22	$ 0.015	$ 0.235

Total quarterly common stock dividends declared by our Board for the years ended December 31, 2022, 2021 and 2020 amounted to $12.4 million, $20.1 million and $8.6 million respectively. The common stock dividend declared by the Board in the third quarter of 2020 and each subsequent quarter with the exception of the fourth quarter of 2022 has included the silver-linked component, as the realized silver price was above the minimum thresholds applicable to each of those quarters. Prior to 2011, no dividends had been declared on our common stock since 1990. The declaration and payment of common stock dividends is at the sole discretion of our Board.

At-The-Market Equity Distribution Agreement

Pursuant to an equity distribution agreement dated February 18, 2021, we may offer and sell up to 60 million shares of our common stock from time to time to or through sales agents. Sales of the shares, if any, will be made by means of ordinary brokers transactions or as otherwise agreed between the Company and the agents as principals. Whether or not we engage in sales from time to time may depend on a variety of factors, including share price, our cash resources, customary black-out restrictions, and whether we have any material inside information. The agreement can be terminated by us at any time. Any sales of shares under the equity distribution agreement are registered under the Securities Act of 1933, as amended, pursuant to a shelf registration statement on Form S-3. As of December 31, 2022, we had sold 3,860,199 shares under the agreement for proceeds of $17.3 million, net of commissions and fees of approximately $0.3 million. All of the sales occurred during September through December 2022.

Common Stock Repurchase Program

In 2012, our Board approved a stock repurchase program under which we are authorized to repurchase up to 20 million shares of our outstanding common stock from time to time in open market or privately negotiated transactions, depending on prevailing market conditions and other factors. The repurchase program may be modified, suspended or discontinued by us at any time. As of December 31, 2022, a total of 934,100 shares have been repurchased under the program, at an average price of $3.99 per share. No shares were purchased under the program during the periods covered by these financial statements.

Preferred Stock

We have 157,776 shares (2021: 157,816 shares) of Series B Preferred Stock ("Preferred Stock") outstanding which are listed on the New York Stock Exchange. The Preferred Stock ranks senior to our common stock with respect to dividend payments, and amounts due upon liquidation, dissolution or winding up. While the Preferred Stock remains outstanding, we cannot authorize the creation or issuance of any class or series of stock that ranks senior to the Preferred Stock with respect to dividend payments, and amounts due upon liquidation, dissolution or winding up, without the consent of 66 2/3% of the Preferred Stockholders. Preferred Stockholders are entitled to receive, when, as and if declared by our Board, an annual cash dividend of $3.50 per share of Preferred Stock, payable quarterly in arrears. Dividends are cumulative from the date of issuance, regardless of whether we have assets legally available for such payment. Total quarterly preferred stock dividends declared by our Board for the years ended December 31, 2022, 2021 and 2020 amounted to $552,000 per year, respectively. Interest is not payable on any accumulated dividends. The Preferred Stock is redeemable at our option at $50 per share of Preferred Stock, plus any unpaid dividends up to the date of redemption. The Preferred Stock has a liquidation preference of $50 per share of Preferred stock, or $7.9 million, plus an amount per share equal to all dividends undeclared and unpaid thereon to the date of final distribution. Except in limited circumstances, the Preferred Stockholders have no voting rights. Each share of Preferred Stock is convertible, in whole or in part, at the holder's option into our common stock at a conversion price of $15.55 per common stock. During 2022, 40 shares of Preferred Stock were converted into 128 shares of our common stock.

Stock Award Plans

We use stock-based compensation plans to aid us in attracting, retaining and motivating our employees, as well as to provide incentives more directly linked to increases in stockholder value. These plans provide for the grant of options to purchase shares of our common stock, the issuance of restricted stock units, performance-based shares and other equity-based awards.

Stock-based compensation expense amounts recognized for the years ended December 31, 2022, 2021 and 2020 were approximately $6.0 million, $6.1 million, and $6.5 million, respectively. Over the next twelve months, we expect to recognize approximately $4.6 million in additional compensation expense as outstanding restricted stock units and performance-based shares vest.

<u>Stock Incentive Plan</u>

During 2010, our stockholders voted to approve the adoption of our 2010 Stock Incentive Plan and to reserve up to 20,000,000 shares of common stock for issuance under the plan. In the second quarter of 2019, our stockholders voted to approve an amendment to the plan to restore the number of shares of common stock available for issuance under the 2010 plan to the original 20,000,000 shares (along with other changes). The Board has broad authority under the 2010 plan to fix the terms and conditions of individual agreements with participants, including the duration of the award and any vesting requirements. As of December 31, 2022, there were 13,808,002 shares available for future grant under the 2010 plan.

<u>Directors' Stock Plan</u>

In 2017, we adopted the amended and restated Hecla Mining Company Stock Plan for Non-Employee Directors (the "Directors' Stock Plan"), which may be terminated by our board of directors at any time. Each non-employee director is credited each year with that number of shares determined by dividing $120,000 by the average closing price for our common stock on the New York Stock Exchange for the prior calendar year. A minimum of 25% of the shares credited each year is held in trust for the benefit of each director until delivered to the director. Each director may elect, prior to the first day of the applicable year, to have a greater percentage contributed to the trust for that year. Delivery of the shares from the trust occurs upon the earliest of: (1) death or disability; (2) retirement; (3) a cessation of the director's service for any other reason; (4) a change in control; or (5) at the election of the director at any time, provided, however, that shares must be held in the trust for at least two years prior to delivery. During 2022, 2021, and 2020, 98,310, 207,375, and 391,244 shares, respectively, were credited to the non-employee directors. During 2022, 2021 and 2020, $0.4 million, $1.8 million, and $1.5 million, respectively, was charged to general and administrative expense associated with the shares issued to the non-employee directors. During 2022, two directors retired and 388,175 shares were distributed to them. At December 31, 2022, there were 2,170,959 shares available for grant in the future under the plan.

<u>Restricted Stock Units</u>

Unvested restricted stock units ("RSU") activity granted by the Board to employees are summarized as follows:

	Shares	Weighted Average Grant Date Fair Value per Share
Unvested, January 1, 2020	3,997,168	$ 2.46
Granted	1,688,111	$ 3.03
Canceled	(70,236)	$ 2.08
Vested	(1,678,909)	$ 2.83
Unvested, December 31, 2020	3,936,134	$ 2.55
Granted	629,437	$ 7.88
Canceled	(770,416)	$ 2.82
Vested	(1,772,803)	$ 2.60
Unvested, December 31, 2021	2,022,352	$ 3.97
Granted	1,256,532	$ 4.41
Canceled	(177,801)	$ 4.41
Vested	(1,304,968)	$ 3.97
Unvested, December 31, 2022	1,796,115	$ 4.23

Unvested RSU's will be forfeited by participants upon termination of employment in advance of vesting, with the exception of termination due to retirement if certain criteria are met. At December 31, 2022, there was unrecognized compensation expense of $4.7 million related to unvested RSUs to be recognized over a weighted average period of 1.1 years.

Performance-Based Shares

We periodically grant performance-based share awards ("PSUs") to certain executive employees. The value of the PSUs (if any) is based on the ranking of the market performance of our common stock relative to the performance of the common stock of a group of peer companies over a three-year measurement period. The number of shares to be issued (if any) is based on the value of the PSUs divided by the share price at grant date. The compensation cost is measured using a Monte Carlo simulation to estimate their value at grant date, and the expense related to the performance-based awards (if any) will be recognized on a straight-line basis over the thirty months following that date of the PSUs.

Unvested PSUs activity granted by the Board to eligible employees are summarized as follows:

	Shares	Weighted Average Grant Date Fair Value per Share
Unvested, January 1, 2020	1,477,631	$ 0.79
Granted	597,360	$ 0.31
Forfeited	(261,096)	$ 2.37
Unvested, December 31, 2020	1,813,895	$ 0.41
Granted	122,462	$ 13.70
Canceled	(174,108)	$ 0.76
Vested(1)	(887,827)	$ —
Unvested, December 31, 2021	874,422	$ 2.61
Granted	322,796	$ 3.78
Vested(1)	(597,360)	$ 0.31
Unvested, December 31, 2022	599,858	$ 5.54

(1) Vested on December 31 and distributed in February of the following year

Unvested PSUs will be forfeited by participants upon termination of employment in advance of vesting. At December 31, 2022, there was an unrecognized compensation expense of $1.4 million related to unvested PSUs to be recognized over a weighted average period of 1.5 years.

In connection with the vesting of restricted stock units, PSUs and other stock grants, employees have in the past, at their election and when permitted by us, chosen to satisfy their tax withholding obligations through net share settlement, pursuant to which we withhold the number of shares necessary to satisfy such withholding obligations and pay the obligations in cash. Pursuant to such net settlements, in 2022, we withheld 737,258 shares valued at approximately $3.7 million, or approximately $4.99 per share. In 2021, we withheld 574,251 shares valued at approximately $4.5 million, or approximately $7.88 per share. In 2020, we withheld 1,183,773 shares valued at approximately $2.7 million, or approximately $2.32 per share. These shares become treasury shares unless we cancel them.

Warrants

We have 4,136,000 warrants outstanding since the Klondex acquisition in July 2018. Each warrant entitles the warrant holder to purchase one share of our common stock. The warrants have the following key terms:

Number of warrants	Exercise price	Expiration date
2,068,000	$ 1.57	February 2029
2,068,000	$ 8.02	April 2032

Common stock contributed to the Hecla Charitable Foundation

In 2020, we gifted 650,000 shares of our common stock, valued at $2.0 million at the time of the gift, to the Hecla Charitable Foundation and recognized expense for that amount.

Note 12: Accumulated Other Comprehensive Loss

The following table lists the beginning balance, yearly activity and ending balance of each component of "Accumulated other comprehensive loss, net" (in thousands):

	Changes in fair value of derivative contracts designated as hedge transactions	Adjustments For Pension Plans	Total Accumulated Other Comprehensive Loss, Net
Balance January 1, 2020	$ (348)	$ (36,962)	(37,310)
2020 change	7,980	(3,559)	4,421
Balance December 31, 2020	7,632	(40,521)	(32,889)
2021 change	(12,307)	16,740	4,433
Balance December 31, 2021	(4,675)	(23,781)	(28,456)
2022 change	13,837	17,067	30,904
Balance December 31, 2022	$ 9,162	$ (6,714)	$ 2,448

The amounts above are net of the income tax effect of such balances and activity as summarized in the following table (in thousands):

	Changes in fair value of derivative contracts designated as hedge transactions	Adjustments For Pension Plans	Total Accumulated Other Comprehensive Loss, Net
Balance January 1, 2020	$ —	$ 12,575	$ 12,575
2020 change	—	—	—
Balance December 31, 2020	—	12,575	12,575
2021 change	4,689	(6,379)	(1,690)
Balance December 31, 2021	4,689	6,196	10,885
2022 change	` (5,233)	(6,454)	(11,687)
Balance December 31, 2022	$ (544)	$ (258)	$ (802)

See *Note 5* for more information on our employee benefit plans and *Note 9* for more information on our derivative instruments.

Note 13: Properties, Plants, Equipment and Mineral Interests, and Lease Commitments

Properties, Plants, Equipment and Mineral Interests

Our major components of properties, plants, equipment, and mineral interests are (in thousands):

	December 31,	
	2022	2021
Mining properties, including asset retirement obligations	$ 871,027	$ 818,582
Development costs	588,298	549,666
Plants and equipment	1,514,906	1,446,183
Land	35,644	34,931
Mineral interests	1,171,261	972,754
Construction in progress	134,600	86,903
	4,315,736	3,909,019
Less accumulated depreciation, depletion and amortization	1,745,946	1,598,209
Net carrying value	$ 2,569,790	$ 2,310,810

During 2022, we incurred total capital expenditures of approximately $149.4 million. This excludes non-cash items for equipment acquired under finance leases and adjustments for asset retirement obligations, and includes acquisitions of mineral interests and land. The expenditures included $51.0 million at Lucky Friday, $36.9 million at Greens Creek, $39.7 million at Casa Berardi and $19.7 million at Keno Hill.

Mineral interests include amounts for value beyond proven and probable reserves ("VBPP") related to mines and exploration or pre-development interests acquired by us which are not depleted until the mineralized material they relate to is converted to proven and probable reserves. As of December 31, 2022, mineral interests included VBPP assets of $323.6 million, $383.6 million, $93.8 million and $102.1 million, respectively, at Casa Berardi, Nevada Operations, Greens Creek and Keno Hill, along with various other properties. As of December 31, 2021, mineral interests included VBPP assets of $323.6 million, $382.9 million and $132.6 million, respectively, at Casa Berardi, Nevada Operations and Greens Creek, along with various other properties.

Finance Leases

We periodically enter into lease agreements, primarily for equipment at our operations, which we have determined to be finance leases. As of December 31, 2022 and 2021, we have recorded $90.8 million and $78.9 million, respectively, for the gross amount of assets acquired under the finance leases and $67.7 million and $60.6 million, respectively, in accumulated depreciation on those assets, classified as plants and equipment in *Properties, plants, equipment and mineral interests*. See *Note 7* for information on future obligations related to our finance leases.

Note 14: **Commitments, Contingencies, and Obligations**

Johnny M Mine Area near San Mateo, McKinley County and San Mateo Creek Basin, New Mexico

In August 2012, Hecla Limited and the U.S. Environmental Protection Agency (the “EPA”) entered into a Settlement Agreement and Administrative Order on Consent for Removal Action (“Consent Order”) regarding the Johnny M Mine Area near San Mateo, McKinley County, New Mexico. Mining at the Johnny M Mine was conducted for a limited period of time by a predecessor of Hecla Limited, and the EPA had previously asserted that Hecla Limited may be responsible under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) for environmental remediation and past costs incurred by the EPA at the site. Under the Consent Order, Hecla Limited agreed to pay (i) $1.1 million to the EPA for its past response costs at the site and (ii) any future response costs at the site under the Consent Order, in exchange for a covenant not to sue by the EPA. In December 2014, Hecla Limited submitted to the EPA the Engineering Evaluation and Cost Analysis (“EE/CA”) for the site which recommended on-site disposal of mine-related material. In January 2021, the parties began negotiating a new consent order to design and implement the on-site disposal response action recommended in the EE/CA. Based on the foregoing, we believe it is probable that Hecla Limited will incur a liability for the CERCLA removal action and we increased our accrual by $2.9 million to $9.0 million in the first quarter of 2021, primarily representing estimated costs to begin design and implementation of the remedy. It is possible that Hecla Limited’s liability will be more than $9.0 million, and any increase in liability could have a material adverse effect on Hecla Limited’s or our results of operations or financial position.

The Johnny M Mine is in an area known as the San Mateo Creek Basin (“SMCB”), which is an approximately 321 square mile area in New Mexico that contains numerous legacy uranium mines and mills. In addition to Johnny M, Hecla Limited’s predecessor was involved at other mining sites within the SMCB. The EPA appears to have deferred consideration of listing the SMCB site on CERCLA’s National Priorities List (“Superfund”) by removing the site from its emphasis list, and is working with various potentially responsible parties (“PRPs”) at the site in order to study and potentially address perceived groundwater issues within the SMCB. The EE/CA discussed above relates primarily to contaminated rock and soil at the Johnny M site, not groundwater and not elsewhere within the SMCB site. It is possible that Hecla Limited’s liability at the Johnny M Site, and for any other mine site within the SMCB at which Hecla Limited’s predecessor may have operated, will be greater than our current accrual of $9.0 million due to the increased scope of required remediation.

In July 2018, the EPA informed Hecla Limited that it and several other PRPs may be liable for cleanup of the SMCB site or for costs incurred by the EPA in cleaning up the site. The EPA stated it has incurred approximately $9.6 million in response costs to date. On May 2, 2022, Hecla Limited received a letter from an attorney representing a PRP notifying Hecla Limited that three PRPs will seek cost recovery and contribution from Hecla Limited under CERCLA for certain investigatory work performed by the PRPs at the SMCB site. Hecla Limited cannot with reasonable certainty estimate the amount or range of liability, if any, relating to this matter because of, among other reasons, the lack of information concerning the site, including the relative contributions of contamination by the various PRPs.

Carpenter Snow Creek and Barker-Hughesville Sites in Montana

In July 2010, the EPA made a formal request to Hecla for information regarding the Carpenter Snow Creek Superfund site located in Cascade County, Montana. The Carpenter Snow Creek site is located in a historical mining district, and in the early 1980s Hecla Limited leased 6 mining claims and performed limited exploration activities at the site. Hecla Limited terminated the mining lease in 1988.

In June 2011, the EPA informed Hecla Limited that it believes Hecla Limited, and several other PRPs, may be liable for cleanup of the site or for costs incurred by the EPA in cleaning up the site. The EPA stated in the letter that it has incurred approximately $4.5 million in response costs and estimated that total remediation costs may exceed $100 million. Hecla Limited cannot with reasonable certainty estimate the amount or range of liability, if any, relating to this matter because of, among other reasons, the lack of information concerning the site, including the relative contributions of contamination by various other PRPs.

In February 2017, the EPA made a formal request to Hecla for information regarding the Barker-Hughesville Mining District Superfund site located in Judith Basin and Cascade Counties, Montana. Hecla Limited submitted a response in April 2017. The Barker-Hughesville site is located in a historic mining district, and between approximately June and December 1983, Hecla Limited was party to an agreement with another mining company under which limited exploration activities occurred at or near the site.

In August 2018, the EPA informed Hecla Limited that it and several other PRPs may be liable for cleanup of the site or for costs incurred by the EPA in cleaning up the site. The EPA did not include an amount of its alleged response costs to date. Hecla Limited cannot with reasonable certainty estimate the amount or range of liability, if any, relating to this matter because of, among other reasons, the lack of information concerning past or anticipated future costs at the site and the relative contributions of contamination by various other PRPs.

Greens Creek and Lucky Friday Environmental Issues

On June 30, 2022, our Greens Creek mine received a Notice of Violation ("NOV") from the EPA alleging that the mine treated, stored, and disposed of certain hazardous waste without a permit in violation of the Resource Conservation and Recovery Act ("RCRA"), relating to the alleged presence of lead outside the concentrate storage building and the alleged improper reuse/recycling of certain materials produced from the on-site laboratories. The NOV contained two other less significant alleged violations. We disagree with several of the EPA's allegations on a factual and legal basis.

Currently, the EPA has not initiated any formal enforcement proceeding against our Greens Creek subsidiary. In civil judicial cases, EPA can seek statutory penalties up to $81,540 per day per violation and, in administrative settlements, the EPA can seek administrative penalties of up to $47,423 per day per violation plus the economic benefit of noncompliance. The EPA typically pursues administrative penalties and assesses lower penalties on a per day basis. At this time, we cannot reasonably assess the amount of penalties the EPA may seek, or predict the terms of any potential settlement with the EPA.

On July 12, 2022, our Lucky Friday mine received a NOV from the EPA alleging violations of the Clean Water Act ("CWA") between 2018 and 2021 relating primarily to concentration levels of zinc and lead in the mine's permitted water discharges. Currently, the EPA has not initiated any formal enforcement proceeding against our Lucky Friday subsidiary. In civil judicial cases, the EPA can seek statutory penalties up to $59,973 per day per violation and, in administrative actions, the EPA can seek administrative penalties up to $23,989 per day per violation with a maximum administrative penalty of $299,989 for all alleged violations. The EPA typically pursues administrative penalties. At this time, we cannot reasonably assess the amount of penalties the EPA may seek, or predict the terms of any potential settlement with the EPA.

Litigation Related to Klondex Acquisition

On May 24, 2019, a purported Hecla stockholder filed a putative class action lawsuit in the U.S. District Court for the Southern District of New York against Hecla and certain of our executive officers, one of whom is also a director. The complaint, purportedly brought on behalf of all purchasers of Hecla common stock from March 19, 2018 through and including May 8, 2019, asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and seeks, among other things, damages and costs and expenses. Specifically, the complaint alleges that Hecla, under the authority and control of the individual defendants, made certain material false and misleading statements and omitted certain material information regarding Hecla's Nevada Operations. The complaint alleges that these misstatements and omissions artificially inflated the market price of Hecla common stock during the class period, thus purportedly harming investors. Filings with the court regarding our motion to dismiss the lawsuit were completed in the first quarter of 2021. We cannot predict the outcome of this lawsuit or estimate damages if plaintiffs were to prevail. We believe that these claims are without merit and intend to defend them vigorously.

Related to this class action lawsuit, Hecla has been named as a nominal defendant in a shareholder derivative lawsuit which also names as defendants certain current and past (i) members of Hecla's board of directors and (ii) officers of Hecla. The case was filed on May 4, 2022 in the Delaware Chancery Court. In general terms, the suit alleges breaches of fiduciary duties by the individual defendants, waste of corporate assets and unjust enrichment, and seeks damages, purportedly on behalf of Hecla.

Debt

See Note 8 for information on the commitments related to our debt arrangements as of December 31, 2022.

Other Commitments

Our contractual obligations as of December 31, 2022 included open purchase orders and commitments of approximately $9.8 million, $22.8 million, $1.7 million, $1.9 million and $4.5 million for various capital and non-capital items at Greens Creek, Lucky Friday, Casa Berardi, Nevada Operations and Keno Hill, respectively. We also have total commitments of approximately $22.2 million relating to scheduled payments on finance leases, including interest, primarily for equipment at our Greens Creek, Lucky Friday, Casa Berardi and Nevada Operations units, and total commitments of approximately $14.6 million relating to payments on operating leases (see Note 8 for more information). As part of our ongoing business and operations, we are required to provide surety bonds, bank letters of credit, and restricted deposits for various purposes, including financial support for environmental reclamation obligations and workers compensation programs. As of December 31, 2022, we had surety bonds totaling $192.7 million and letters of credit totaling $7.8 million in place as financial support for future reclamation and closure costs, self-insurance, and employee benefit plans. The obligations associated with these instruments are generally related to performance requirements that we address through ongoing operations. As the requirements are met, the beneficiary of the associated instruments cancels or returns the instrument to the issuing entity. Certain of these instruments are associated with operating sites with long-lived assets and will remain outstanding until closure of the sites. We believe we are in compliance with all applicable bonding requirements and will be able to satisfy future bonding requirements as they arise.

Other Contingencies

We also have certain other contingencies resulting from litigation, claims, EPA investigations, and other commitments and are subject to a variety of environmental and safety laws and regulations incident to the ordinary course of business. We currently have no basis to conclude that any or all of such contingencies will materially affect our financial position, results of operations or cash flows. However, in the future, there may be changes to these contingencies, or additional contingencies may occur, any of which might result in an accrual or a change in current accruals recorded by us, and there can be no assurance that their ultimate disposition will not have a material adverse effect on our financial position, results of operations or cash flows.