

HECLA MINING CO/DE/
Form 10-Q
August 09, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

Commission file number 1-8491

HECLA MINING COMPANY

(Exact name of registrant as specified in its charter)

Delaware	77-0664171
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6500 Mineral Drive, Suite 200	
Coeur d'Alene, Idaho	83815-9408

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(Address of principal executive offices) (Zip Code)

208-769-4100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes XX . No .

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes XX . No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer" "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (check one):

Large Accelerated Filer XX.

Accelerated Filer .

Non-Accelerated Filer .

Smaller Reporting Company .

Emerging growth company .

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes . No XX.

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

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Class	Shares Outstanding August 7, 2018
Common stock, par value	477,012,806
\$0.25 per share	

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Hecla Mining Company and Subsidiaries

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For the Quarter Ended June 30, 2018

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*Items 2, 3 and 5 of Part II are omitted as they are not applicable.

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Part I - Financial Information

Item 1. Financial Statements

Hecla Mining Company and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(In thousands, except shares)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$239,722	\$186,107
Investments	5,556	33,758
Accounts receivable:		
Trade	9,717	14,805
Taxes	10,382	10,382
Other, net	8,925	7,003
Inventories:		
Concentrates, doré, and stockpiled ore	35,169	28,455
Materials and supplies	25,885	26,100
Other current assets	17,006	13,715
Total current assets	352,362	320,325
Non-current investments	7,449	7,561
Non-current restricted cash and investments	1,005	1,032
Properties, plants, equipment and mineral interests, net	2,006,592	2,020,021
Non-current deferred income taxes	1,179	1,509
Other non-current assets and deferred charges	24,007	14,509
Total assets	\$2,392,594	\$2,364,957
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$53,835	\$46,549
Accrued payroll and related benefits	23,661	31,259
Accrued taxes	6,143	5,919
Current portion of capital leases	6,015	5,608
Accrued interest	5,976	5,745
Other current liabilities	1,388	10,371

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Current portion of accrued reclamation and closure costs	8,315	6,679
Total current liabilities	105,333	112,130
Capital leases	8,757	6,193
Accrued reclamation and closure costs	78,102	79,366
Long-term debt	533,230	502,229
Non-current deferred tax liability	112,462	121,546
Non-current pension liability	48,973	46,628
Other non-current liabilities	4,438	12,983
Total liabilities	891,295	881,075
Commitments and contingencies (Notes 2, 4, 7, 9, and 11)		
SHAREHOLDERS' EQUITY		
Preferred stock, 5,000,000 shares authorized:		
Series B preferred stock, \$0.25 par value, 157,816 shares issued and outstanding, liquidation preference — \$7,891	39	39
Common stock, \$0.25 par value, authorized 750,000,000 shares; issued and outstanding 2018 — 401,322,377 shares and 2017 — 399,176,425 shares	101,643	100,926
Capital surplus	1,628,440	1,619,816
Accumulated deficit	(176,158)	(195,484)
Accumulated other comprehensive loss	(31,929)	(23,373)
Less treasury stock, at cost; 2018 — 5,226,791 shares and 2017 — 4,529,450 shares issued and held in treasury	(20,736)	(18,042)
Total shareholders' equity	1,501,299	1,483,882
Total liabilities and shareholders' equity	\$2,392,594	\$2,364,957

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

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Hecla Mining Company and Subsidiaries

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

(Dollars and shares in thousands, except for per-share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Sales of products	\$147,259	\$134,279	\$286,968	\$276,823
Cost of sales and other direct production costs	80,440	77,503	153,309	156,179
Depreciation, depletion and amortization	31,817	25,569	59,871	54,521
Total cost of sales	112,257	103,072	213,180	210,700
Gross profit	35,002	31,207	73,788	66,123
Other operating expenses:				
General and administrative	9,787	10,309	17,522	19,515
Exploration	7,838	5,853	15,198	10,367
Pre-development	1,415	1,052	2,420	2,304
Research and development	2,337	312	3,773	995
Other operating expense	638	699	1,153	1,362
Provision for closed operations and environmental matters	1,420	985	2,682	2,104
Lucky Friday suspension-related costs	6,801	8,024	11,818	9,605
Acquisition costs	1,010	(2)	3,517	25
Total other operating expenses	31,246	27,232	58,083	46,277
Income from operations	3,756	3,975	15,705	19,846
Other income (expense):				
Loss on disposition of investments	—	—	—	(167)
Unrealized (loss) gain on investments	(564)	(276)	(254)	51
Gain (loss) on derivative contracts	16,804	2,487	20,811	(5,322)
Net foreign exchange gain (loss)	2,476	(3,883)	5,068	(6,145)
Interest income and other income and expense	108	319	52	644
Interest expense, net of amount capitalized	(10,079)	(10,543)	(19,873)	(19,065)
Total other income (expense)	8,745	(11,896)	5,804	(30,004)
Income (loss) before income taxes	12,501	(7,921)	21,509	(10,158)
Income tax (provision) benefit	(427)	(16,095)	(1,195)	12,976
Net income (loss)	12,074	(24,016)	20,314	2,818
Preferred stock dividends	(138)	(138)	(276)	(276)
Income (loss) applicable to common shareholders	\$11,936	\$(24,154)	\$20,038	\$2,542
Comprehensive income (loss):				
Net income (loss)	\$12,074	\$(24,016)	\$20,314	\$2,818
Unrealized loss and amortization of prior service on pension plans	—	(16)	—	16
Change in fair value of derivative contracts designated as hedge transactions	(5,203)	2,047	(7,276)	5,308

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Reclassification of loss on disposition or impairment of marketable securities included in net (loss) income	—	—	—	167
Unrealized holding (losses) gains on investments	41	847	10	591
Comprehensive income (loss)	\$6,912	\$(21,138)	\$13,048	\$8,900
Basic income (loss) per common share after preferred dividends	\$0.03	\$(0.06)	\$0.05	\$0.01
Diluted income (loss) per common share after preferred dividends	\$0.03	\$(0.06)	\$0.05	\$0.01
Weighted average number of common shares outstanding - basic	400,619	396,178	399,972	395,774
Weighted average number of common shares outstanding - diluted	403,610	396,178	402,873	399,236
Cash dividends declared per common share	\$0.0025	\$0.0025	\$0.0050	\$0.0050

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

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Hecla Mining Company and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	Six Months Ended June 30, 2018	June 30, 2017
Operating activities:		
Net income	\$ 20,314	\$ 2,818
Non-cash elements included in net income:		
Depreciation, depletion and amortization	62,852	56,908
Loss on investments	254	117
Gain on disposition of properties, plants, equipment, and mineral interests	(166)	(94)
Provision for reclamation and closure costs	2,640	2,247
Stock compensation	2,441	2,831
Deferred income taxes	(2,977)	(22,113)
Amortization of loan origination fees	898	967
(Gain) loss on derivative contracts	(30,236)	5,386
Foreign exchange (gain) loss	(5,348)	5,201
Other non-cash items, net	(35)	2
Change in assets and liabilities:		
Accounts receivable	2,471	(1,150)
Inventories	(6,865)	1,594
Other current and non-current assets	(2,507)	3,896
Accounts payable and accrued	8,701	(10,937)

liabilities

Accrued payroll and
related benefits

(337) (4,901)

Accrued taxes

(672) 4,408