



March 20, 2018

**CERTIFIED MAIL: 7009 0080 0002 4347 7306**  
**Return Receipt Requested**

Phillips S. Baker Jr.  
President and Chief Executive Officer  
Hecla Mining, Inc.  
6500 N. Mineral Drive, Suite 200  
Coeur d'Alene, ID 83815

Re: Violation Letter

Dear Mr. Baker,

Under Section 82-4-361(1), MCA, the Department of Environmental Quality (DEQ) is required to send a violation letter when it has reason to believe that a person is in violation of the Metal Mine Reclamation Act, a rule adopted under the Metal Mine Reclamation Act, or a term or condition of a permit issued under the Metal Mine Reclamation Act. Based on an investigation, DEQ has reason to believe that you are in violation of Section 82-4-360(1), MCA, which provides as follows:

**When activity prohibited – exception.** (1) Except as provided in subsection (2), a person may not conduct mining or exploration activities in this state if that person or any firm or business association of which that person was a principal or controlling member had a bond forfeited under this part, if the department otherwise received proceeds from a surety to perform reclamation on that person's behalf, or if the person's surety completed reclamation on the person's behalf.

DEQ records indicate that you were an Officer, Director or otherwise a controlling principal of Zortman Mining, Incorporated; Pegasus Gold Corporation; Pegasus Gold Montana Mining, Incorporated; and Beal Mountain Montana Mining, Incorporated (collectively, "Pegasus Entities"). DEQ received proceeds from a surety for the Pegasus Entities to perform reclamation work. DEQ has spent millions of public funds on reclamation work at the Pegasus Entities' Zortman-Landusky, Basin Creek, and Beal Mountain mine sites. Ongoing obligations at these sites will cost the State approximately two million dollars per year in perpetuity. Because you were a principal or controlling member of the Pegasus Entities at the time DEQ received proceeds from the Pegasus Entities' surety to perform reclamation at the sites, you are prohibited from conducting mining and exploration activities in Montana under Section 82-4-360(1), MCA.

You are currently President and Chief Executive Officer of Hecla, a role through which you conduct mining and mineral exploration activities in Montana. Specifically, under your direction, Hecla and/or its subsidiaries are performing activities in anticipation of or conducting mineral exploration activity under exploration licenses (Exploration License 00648 – Montanore Project; Exploration License 00663 Rock Creek Project) issued by DEQ. In addition, under your direction, Hecla and/or its subsidiaries have sought authorization to conduct mining under an operating permit (Operating Permit No. 00150 – Montanore Project) issued by DEQ. Because you are conducting mining and exploration activities in Montana, you are in violation of the prohibition set forth in Section 82-4-360(1), MCA.

To return to compliance, DEQ recommends you take one of the following corrective actions. First, the remedy set forth in Section 82-4-360(2), MCA, may be pursued. Under that provision, a person who is barred from conducting mining or exploration activity under Section 82-4-360(1), MCA, may become eligible to conduct those activities by paying to DEQ 1) the full amount of the necessary expenses incurred by DEQ in reclaiming the area for which the bond was forfeited; 2) the full amount of any penalties assessed by DEQ under the Metal Mine Reclamation Act; and 3) interest on the expenses incurred and penalties assessed at the rate of 6% a year. In addition, the person must demonstrate and DEQ must determine that the person has remedied the conditions that led to the bond forfeiture or receipt of bond proceeds and that those conditions no longer exist.

Given the complexity of the reclamation efforts at the Pegasus sites, the Department will work with you to establish a plan for payment and the required remedial demonstration. A letter to the Department, sent within 30 days of your receipt of this violation letter, that notices an intent to pursue the remedial steps under Section 82-4-360(2), MCA, will result in no further immediate action against you by DEQ.

Alternatively, you may return to compliance by Hecla and/or its subsidiaries demonstrating that you, or any entities under your direction and control, will not conduct mining or exploration activities in Montana. A letter to DEQ, sent within 30 days of receipt of this violation letter, demonstrating the same will result in no further immediate action against you by DEQ.

If DEQ does not receive a letter noticing an intent to pursue either one of the corrective actions within 30 days of receipt of this letter, DEQ may issue an administrative order under Section 82-4-361(6), MCA. DEQ may also bring a judicial action for penalties or injunctive relief prior to or instead of initiating administrative enforcement actions under Section 82-4-361(2)(a)(i) and (ii), MCA. Finally, DEQ has the authority to suspend exploration licenses and operating permits under Section 82-4-362(1), MCA.

If you disagree with DEQ's determination, you may write a letter stating the nature of your disagreement accompanied by any supporting documentation. DEQ will consider the information provided before pursuing further action.

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Thank you for your prompt attention to this matter.



Tom Livers  
Director, Department of Environmental Quality

cc: Hecla Mining Inc., Earth Justice