

HECLA MINING CO/DE/
Form DEF 14A
March 28, 2006

**UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION**
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**Proxy Statement Pursuant to Section 14(a) of the Securities
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Check the appropriate box:

- o** Preliminary Proxy Statement
- x** **Definitive Proxy Statement**
- o** Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- o** Definitive Additional Materials
- o** Soliciting Material Pursuant to Rule §240.14a-12

Hecla Mining Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

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4. Date Filed:

March 27, 2006

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Hecla Mining Company, which will be held at the Coeur d'Alene Inn & Conference Center located at 414 W. Appleway, Coeur d'Alene, Idaho, on Friday, May 5, 2006, at 10:30 a.m., Pacific Daylight Time. Driving directions to the Coeur d'Alene Inn & Conference Center can be found on the back cover of this document.

At the meeting, shareholders will be asked to:

- (1) Elect two directors;
- (2) Approve an amendment to the Certificate of Incorporation of the corporation increasing the number of authorized shares of common stock of the corporation; and
- (3) Approve the adoption of an Employee Stock Purchase Plan.

In addition, reports of the corporation's operations and other matters of interest will be made at the meeting. For information with respect to these matters, please refer to the Notice of Meeting and Proxy Statement.

It is important that your shares be represented at the meeting whether or not you are personally able to attend. You may vote over the Internet, by telephone or by mail. Voting over the Internet, by telephone or by written proxy will ensure your representation at the Annual Meeting of Shareholders if you do not attend in person. Please review the instructions for each of these voting options starting on page 1 of the Proxy Statement.

Sincerely,

Phillips S. Baker, Jr.
President and Chief Executive Officer

You may elect to receive future notices of meetings, proxy materials and annual reports electronically via the Internet. If you have previously consented to electronic delivery, your consent will remain in effect until withdrawn. If you have not yet enrolled in Hecla's Internet delivery program, we strongly encourage you to do so as it is a cost-effective way for Hecla to send your proxy statement and annual report materials. Participation instructions are set forth in the Proxy Statement on page 3, under the heading "Electronic Access for Documents Filed with the Securities and Exchange Commission and Other Corporate Events." When next year's proxy statement and annual report materials are available, you will be sent an e-mail telling you how to access them electronically.

HECLA MINING COMPANY
6500 N. Mineral Drive, Suite 200
Coeur d'Alene, Idaho 83815-9408

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
to be held on
May 5, 2006

To the Shareholders of
HECLA MINING COMPANY

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Hecla Mining Company will be held at the Coeur d'Alene Inn & Conference Center located at 414 W. Appleway, Coeur d'Alene, Idaho, on Friday, May 5, 2006, at 10:30 a.m., Pacific Daylight Time, for the following purposes:

- (1) To elect two members to the Board of Directors to serve for a three-year term or until their respective successors are elected and have qualified;
- (2) To consider and vote upon an amendment to the Certificate of Incorporation increasing the number of authorized shares of common stock of the corporation from 200,000,000 to 400,000,000;

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- (3) To consider and vote upon the adoption of an Employee Stock Purchase Plan and to authorize a total of 500,000 shares of common stock to be issued under the plan; and
- (4) To transact such other business as may properly come before the Annual Meeting of Shareholders or any postponements or adjournments thereof.

The close of business on March 9, 2006, has been fixed as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting of Shareholders, and at any postponements or adjournments thereof.

By Order of the Board of Directors

Michael B. White
Corporate Secretary

March 27, 2006

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208-769-4100

PROXY STATEMENT
Relating to
ANNUAL MEETING OF SHAREHOLDERS
to be held on May 5, 2006

INTRODUCTION

This Proxy Statement is being furnished by the Board of Directors (the *Board*) of Hecla Mining Company, a Delaware corporation (the *Corporation*), to holders of shares of the Corporation's common stock, par value \$0.25 per share (the *Common Stock*), in connection with the soliciting of proxies to be voted at the Annual Meeting of Shareholders of the Corporation to be held on Friday, May 5, 2006, and any postponements or adjournments thereof (the *Annual Meeting*), for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders.

These proxy solicitation materials, together with the Corporation's 2005 Annual Report to Shareholders, were mailed on or about March 27, 2006, to shareholders entitled to vote at the Annual Meeting.

VOTING AT ANNUAL MEETING

Record Date

The Corporation's Board has fixed the close of business on March 9, 2006, as the record date (the *Record Date*) for determination of the shareholders entitled to notice of, and to vote at, the Annual Meeting.

General Information About Voting

Who can vote. You will be entitled to vote your shares of the Corporation's Common Stock at the Annual Meeting if you were a shareholder of record on the Record Date. Shareholders of record on the Record Date are entitled to cast one vote per share on each matter submitted to a vote at the Annual Meeting. As of the Record Date, 118,740,419 shares of Common Stock (which number does not include shares held by us as treasury shares) were outstanding and entitled to one vote each at the Annual Meeting.

How to vote your shares. The methods available for voting your shares depend on whether you are a registered or street shareholder. You are considered to be a registered shareholder if you hold your shares in certificate form. You are a street shareholder if you hold your shares through a broker or financial institution. Both registered and street shareholders may use the following three methods to vote your shares:

Telephone You can vote by calling the toll-free telephone number on your proxy card. Telephone voting is available 24 hours a day. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. **If you vote over the telephone, do not return your proxy card.**

Proxy Card You can vote by signing, dating and mailing your proxy card in the postage-paid envelope provided. The proxies named in the enclosed proxy card (Arthur Brown and Michael B. White) will vote your shares as you have instructed. You may authorize the proxies to vote your shares in favor of each of the proposals contained in this Proxy Statement by simply signing and returning the enclosed proxy card without indicating how your votes should be cast.

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Vote in Person You can attend the Annual Meeting and vote at the meeting.

If you are a street shareholder, in addition to using the three methods above, you may also vote your shares via the Internet as follows:

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Internet (street shareholders only) You can vote over the Internet at the web address shown on your proxy card. Internet voting is available 24 hours a day. If you have access to the Internet, we encourage you to vote this way. **If you vote over the Internet, do not return your proxy card.**

Quorum. A quorum of shareholders is required in order to transact business at the Annual Meeting. The presence, in person or by proxy, of shareholders holding a majority of the voting power of the outstanding Common Stock of the Corporation shall constitute a quorum. Under Delaware law, an abstaining vote or a broker non-vote is counted as present and is, therefore, included for purposes of determining whether a quorum of shares is present at a meeting.

Abstentions and broker non-votes. An abstention occurs when a shareholder attends a meeting by person or proxy, but abstains from voting or does not vote. The New York Stock Exchange permits brokers to vote their customers' shares on routine matters when the brokers have not received voting instructions from their customers. The election of directors and the proposal of the Board to amend the Certificate of Incorporation are examples of routine matters on which brokers may vote in this way. Brokers may not vote their customers' shares on non-routine matters such as the adoption of the Employee Stock Purchase Plan, unless they have received voting instructions from their customers. Non-voted shares on non-routine matters are broker non-votes.

Votes required to approve the proposals. The number of votes required to approve each of the proposals to be presented at the Annual Meeting is as follows:

Item 1 Election of Directors. Directors are elected by a majority of the votes cast by the holders of the Common Stock, at a meeting at which a quorum is present. Consequently, any shares not voted (whether by abstentions, broker non-votes or otherwise) have the same impact as a vote to withhold authority in the election of directors, and does not affect the election of directors.

Item 2 Increase in Authorized Shares of Common Stock. Adoption of the proposed amendment to the Certificate of Incorporation increasing the number of authorized shares of Common Stock will require the affirmative vote of the holders of a majority of outstanding shares of Common Stock entitled to vote thereon. Abstentions and broker non-votes will have the effect of a vote against the proposal.

Item 3 Adoption of the Employee Stock Purchase Plan. The adoption of the Employee Stock Purchase Plan requires the affirmative vote of a majority of the votes cast on the proposal, provided that the total number of votes cast on the proposal is greater than 50% of the total number of shares entitled to vote on the proposal. Abstentions will have the effect of a vote against the proposal.

Discretionary voting by proxies on other matters. Aside from the election of two directors, an increase in the number of authorized shares of the Corporation's Common Stock, and the adoption of an Employee Stock Purchase Plan, we do not know of any other proposal that may be presented at the Annual Meeting. However, if any other business is properly presented at the Annual Meeting, your proxy gives authority to Arthur Brown and Michael B. White to vote on such matters at their discretion.

How you may revoke your proxy. A shareholder who has executed and returned a proxy card may revoke it at any time before it is voted at the Annual Meeting by executing and returning a proxy card bearing a later date, by giving written notice of revocation to the Secretary of the Corporation or by attending the Annual Meeting and voting in person. Attendance in person at the Annual Meeting will not, in itself, be sufficient to revoke a proxy. If a shareholder votes their shares by Internet or telephone, they may revoke their vote at any time prior to the Annual Meeting by voting again by Internet or telephone.

Voting Results

Representatives of American Stock Transfer and Trust Company, our independent stock transfer agent, will count the votes and act as the inspector of election.

Expenses of Solicitation

The Corporation will bear all costs and expenses relating to the solicitation of proxies, including the costs of preparing, printing and mailing this Proxy Statement and accompanying material to shareholders. In addition to the solicitation of proxies by use of the mail, the directors, officers and employees of the Corporation, without additional compensation, may solicit proxies personally or by telephone or otherwise. Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries for forwarding solicitation materials to the beneficial owners

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of the shares of Common Stock held by such persons, and the Corporation will reimburse such brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection with such activities.

In addition, the Corporation has retained Georgeson Shareholder Communications Inc. to assist in the solicitation of votes for the increase in the authorized shares of Common Stock and the Employee Stock Purchase Plan for an estimated fee of \$7,000, plus reimbursement of certain out-of-pocket expenses.

Householding

Many brokerage firms, financial institutions and transfer agents have instituted householding procedures for street and registered shareholders. Householding is when a single copy of the annual report and proxy statement are sent to a household in which two or more shareholders reside if they appear to be members of the same family. This practice is designed to reduce duplicate mailings and save significant printing and postage costs as well as natural resources.

If you are a street shareholder, you may have received householding information from your broker, financial institution or other nominee in the past. Please contact the holder of record directly if you have questions, require additional copies of our proxy statement or our annual report to shareholders, or wish to revoke your decision to household and thereby receive multiple copies. You should also contact the holder of record if you wish to institute householding. These options are available to you at any time.

Registered shareholders who share an address and would like to receive a separate annual report to shareholders and/or a separate proxy statement for future annual meetings, or have questions regarding the householding process, may contact the Corporation's transfer agent, American Stock Transfer and Trust Company, by calling 1-800-937-5449, or by forwarding a written request addressed to American Stock Transfer and Trust Company, 59 Maiden Lane, New York, New York 10038. By contacting American Stock Transfer and Trust Company, registered shareholders sharing an address can also request delivery of multiple copies of annual reports or proxy statements to shareholders in the future.

If you would like to have additional copies of our 2005 Annual Report and/or Proxy Statement mailed to you, please call or write us at our corporate offices, 6500 N. Mineral Drive, Suite 200, Coeur d'Alene, Idaho 83815-9408, Attn: Investor Relations, telephone number: (208) 769-4100.

Electronic Access for Documents Filed with the Securities and Exchange Commission and Other Corporate Events

Shareholders may elect to receive the Corporation's filings with the Securities and Exchange Commission, financial reports and press releases by E-mail. You may sign up for this service by visiting our website at www.hecla-mining.com under Investor Relations and then selecting E-mail Alerts.

This Proxy Statement and the Corporation's 2005 Annual Report are also available on our website under Investor Relations and then selecting Annual/Proxy/Quarterly. If you are a registered shareholder, you may enroll in the electronic proxy delivery service at any time in the future by going to www.amstock.com

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and selecting Shareholder Services and following the instructions. If you choose to view future proxy materials and our annual report over the Internet, you will receive an E-mail next year with instructions containing the Internet address of those materials. Your choice will remain in effect until you tell us otherwise, so you will not have to elect Internet access each year.

If you hold your Common Stock through a bank, broker or other nominee, please refer to the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports over the Internet. Shareholders who hold their Common Stock through a bank, broker or other nominee and who elect electronic access will receive an E-mail message next year containing the Internet address to access our proxy statement and annual report.

Choosing any of the above methods of delivery will save the Corporation the cost of producing and mailing these documents.

Proxies

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Shares of Common Stock which are entitled to be voted at the Annual Meeting and which are represented by a properly executed proxy will be voted in accordance with the instructions indicated in such proxy. If no instructions are indicated on any proxy, the shares represented by such proxy will be voted: (1) FOR the election of two nominees for election as directors; (2) FOR the increase in the authorized number of common shares; (3) FOR the adoption of an Employee Stock Purchase Plan; and (4) in the discretion of the proxy holders as to any other matters which may properly come before the Annual Meeting.

PURPOSES OF ANNUAL MEETING

Item 1 Election of Directors

In accordance with the Corporation's Certificate of Incorporation, its Board is divided into three classes. The terms of office of the directors in each class expire at different times. There are three directors whose term will expire at the Annual Meeting, namely Messrs. Arthur Brown, John E. Clute and George R. Nethercutt, Jr.

At a meeting of the Board held in February 2006, Mr. Brown announced that he had no disagreements with management or the Corporation; but would not be seeking an additional term on the Board. Mr. Brown has dedicated 38 years of outstanding service to the Corporation, which includes serving as the Corporation's Chairman of the Board for 19 years. Mr. Brown also served as the Corporation's Chief Executive Officer for 16 years before retiring in May 2003. In addition to Mr. Brown not standing for re-election, Mr. John E. Clute also announced at the February 2006 Board meeting that he had no disagreements with management or the Corporation; but would not be seeking an additional term on the Board. Mr. Clute has been a member of the Corporation's Board since 1983.

At a meeting held by the Corporate Governance and Directors' Nominating Committee in February 2006, the Corporate Governance and Directors' Nominating Committee recommended to the Board two qualified candidates to stand for election at the Annual Meeting. The Board designated Messrs. George R. Nethercutt, Jr., and John H. Bowles as nominees for election as directors of the Corporation, each for a three-year term expiring in 2009. Mr. Nethercutt is a current member of the Board, and was appointed in February 2005 to fill the vacancy created by the resignation of Mr. Joe Coors, Jr. Mr. Bowles, who was recommended to the Corporate Governance and Directors' Nominating Committee by the Corporation's Chief Executive Officer, is a current partner in the Audit and Assurance Group of PricewaterhouseCoopers in Vancouver, British Columbia, and will be retiring from that firm in June 2006. If elected, Mr. Bowles' term will not become effective until July 1, 2006. The terms of Messrs. Ted Crumley, Charles L. McAlpine and Jorge E. Ordoñez C. will expire in 2007. The terms of Messrs. Phillips S. Baker, Jr., David J. Christensen and Dr. Anthony P. Taylor will expire in 2008.

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The Board currently has nine members. As a result of only two directors being nominated for election to the Board at the Annual Meeting, and pursuant to its authority in the Corporation's Certificate of Incorporation and By-Laws, the Board has set the number of directors at eight, effective with the conclusion of the Annual Meeting.

It is intended that the proxies solicited hereby for shareholders will be voted FOR the election of Messrs. George R. Nethercutt, Jr., and John H. Bowles, unless authority to do so has been withheld. The Board knows of no reason why any of the nominees will be unable or unwilling to accept election. However, if any nominee becomes unable to accept election, the Board will either reduce the number of directors to be elected or select substitute nominees submitted by the Corporate Governance and Directors' Nominating Committee of the Board. If substitute nominees are selected, proxies will be voted in favor of such nominees, unless authority to do so has been withheld.

Nominees

If elected, the nominees will each serve for a three-year term ending in 2009. If elected, Mr. Bowles' term will not commence until July 1, 2006. The nominees are as follows:

<u>Principal Occupation and Other Directorships</u>	<u>Age at May 5, 2006</u>	<u>Year First Became Director</u>
GEORGE R. NETHERCUTT, JR. Principal, Lundquist, Nethercutt & Griles, LLC (a strategic planning and consulting firm), since February 2005; Of Counsel, Paine, Hamblen, Coffin, Brooke & Miller LLP (a law firm), since August 2005; Board Member, Washington Policy Center since January 2005; Board Member, ARCADIS Corporation since May 2005; Board Member, Juvenile Diabetes Research Foundation International since June 2005; U.S. Chairman, Permanent Joint Board	61	2005

<u>Principal Occupation and Other Directorships</u>	<u>Age at May 5, 2006</u>	<u>Year First Became Director</u>
on Defense U.S./Canada since April 2005; Member, U.S. House of Representatives from 1995 to 2005; Member, Subcommittee on Interior, Agriculture and Defense Appropriations from 1995 to 2005; Member, Committee on Science and Energy from 1998 to 2005; Vice Chairman, Defense Subcommittee on Appropriations from 2000 to 2004; Member, Washington State Bar Association since 1972.		
JOHN H. BOWLES. Currently a partner in the Audit and Assurance Group of PricewaterhouseCoopers LLP since April 1976; Treasurer, Mining Suppliers, Contractors and Consultants Association of British Columbia since May 1999; former Director of Ducks Unlimited Canada from March 1988 to March 1996; Director Emeritus, Ducks Unlimited Canada since March 1996; Trustee of The Leon and Thea Koerner Foundation since November 2002; former President of the Canadian Diabetes Association from 1982 to 1984; former Director and member of the Vancouver Club from March 1991 to March 1994; appointed a fellow of the Institute of Chartered Accountants in December 1997; and appointed a fellow of the Canadian Institute of Mining and Petroleum in May 2003.	60	--

The Board recommends that shareholders vote **FOR** the election of **George R. Nethercutt, Jr., and John H. Bowles.**

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Remaining Directors

The remaining directors whose present terms of office will continue after the meeting and will expire in 2007 are as follows:

<u>Principal Occupation and Other Directorships</u>	<u>Age at May 5, 2006</u>	<u>Year First Became Director</u>
TED CRUMLEY. Former Executive Vice President and Chief Financial Officer of OfficeMax Incorporated (distributor of office products) from January 2005 to December 2005; Senior Vice President of OfficeMax Incorporated from November 2004 to January 2005; Senior Vice President and Chief Financial Officer of Boise Cascade Corporation (manufacturer of paper and forest products) from 1994 to 2004; Vice President and Controller of Boise Cascade Corporation from 1990 to 1994; other positions held at Boise Cascade Corporation from 1972 to 1990.	61	1995
CHARLES L. McALPINE. Former President of Arimathaea Resources Inc. (a Canadian gold exploration company) from 1982 to 1992; former President of Campbell Chibougamau Mines Ltd. (a Canadian copper-gold mining company) from 1969 to 1979; Director, First Tiffany Resource Corporation; Director, Goldstake Explorations Inc.; Director, Postec Systems Inc.	72	1989
JORGE E. ORDOÑEZ C. President and Chief Executive Officer, Ordoñez Profesional S.C. (a business and management consulting corporation specializing in mining) since 1988; Chief Executive Officer, Minera Cima, S.A. de C.V. since 2005; Director, Fischer-Watt Gold Co., Inc. since 1996; Vice President, Minera Montoro, S.A. de C.V. since 1996; former Chief Executive Officer, Empresas Frisco, S.A. de C.V. from 1981 to 1988; former Chief Executive Officer, Minera Real de Angeles, S.A. de C.V. (a Placer Dome Mexican subsidiary) from 1979 to 1980; recipient of Mexican National Geology Recognition in 1989; elected to Mexican Academy of Engineering in 1990.	66	1994

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The remaining directors whose present terms of office will continue after the meeting and will expire in 2008 are as follows:

<u>Principal Occupation and Other Directorships</u>	<u>Age at May 5, 2006</u>	<u>Year First Became Director</u>
PHILLIPS S. BAKER, JR. Chief Executive Officer of the Corporation since May 2003; President of the Corporation since November 2001; Chief Financial Officer of the Corporation from May 2001 to June 2003; Chief Operating Officer of the Corporation from November 2001 to May 2003; Vice President of the Corporation from May 2001 to November 2001; Director, Questar Corporation (a Utah natural gas and exploration and production company), since February 2004; Vice President and Chief Financial Officer of Battle Mountain Gold Company (a gold mining company) from March 1998 to January 2001; Vice President and Chief Financial Officer of Pegasus Gold Corporation (a gold mining company) from January 1994 to January 1998.	46	2001
DAVID J. CHRISTENSEN. Research analyst with Credit Suisse First Boston (an investment banking firm) from October 2002 to August 2003; Global Coordinator and First Vice President of Merrill Lynch & Co. (an investment banking firm) from 1998 to 2001; Vice President and Precious Metals Equity Analyst with Merrill Lynch & Co. from 1994 to 1998; Portfolio Manager of Franklin Gold Fund and Valuemark Precious Metals Funds for Franklin Templeton Group from 1990 to 1994. Mr. Christensen had previously served as a director from May 2002 to October 2002.	43	2003
DR. ANTHONY P. TAYLOR. President, Chief Executive Officer and Director, Gold Summit Corporation (a public Canadian minerals exploration company), since October 2003; Director, Greencastle Resources Corporation since December 2003; President and Director, Caughlin Preschool Co. (a private Nevada corporation that operates preschools), since October 2001; President, Chief Executive Officer and Director, Millennium Mining Corporation (a private Nevada minerals exploration company) from January 2000 to October 2003; Vice President of Exploration, First Point US Minerals from 1997 to 1999; President and Director, Great Basin Exploration & Mining Co., Inc., from 1990 to 1996.	64	2002

Item 2 Increase in Number of Authorized Shares of Common Stock

At the Annual Meeting, shareholders will be asked to consider and take action on an amendment to the Certificate of Incorporation of the Corporation increasing the number of authorized shares of Common Stock of the Corporation from 200,000,000 to 400,000,000. See Increase in Number of Authorized Shares of Common Stock on page 33 of this Proxy Statement.

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Item 3 Adoption of Employee Stock Purchase Plan

At the Annual Meeting, shareholders will be asked to consider and take action on the adoption of an Employee Stock Purchase Plan and to authorize a total of 500,000 shares of Common Stock of the Corporation to be issued under the plan. See Adoption of Employee Stock Purchase Plan on page 34 of this Proxy Statement.

CERTAIN INFORMATION ABOUT THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

Current Members of the Board of Directors

The members of the Board on the date of this Proxy Statement, and the committees of the Board on which they currently serve, are identified below.

Director

**Corp.
Gov. and
Directors
Executive Audit Compensation Nominating
Committee Committee Committee Committee Technical**

Phillips S. Baker, Jr.