

Press release

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Boliden starting up gold mine

Boliden is investing SEK 475 million in starting up the Kankberg mine to extract gold and the rare earth metal tellurium. In conjunction with the investment, Boliden has hedged 80 per cent of the Kankberg mine's planned gold production and entered into a fixed agreement for tellurium sales.

“Good results in exploration and development in leaching technologies coupled with a historically high gold price as well as a positive trend in terms of tellurium demand makes the project very interesting. Hedging the price of the planned gold production means the Kankberg mine will be highly profitable,” says Lennart Evrell, Boliden's President.

Deposit with high gold and tellurium grades

The Kankberg mine will be Boliden's fifth gold mine since the very first gold deposit was discovered at Fågelmýren in Västerbotten in 1924. Kankberg is a zinc and copper mine that last was in production in the 1990's, when the gold and tellurium deposits also were discovered. This deposit is a gold and tellurium mineralisation. The ore reserve amounts to 2.78 million tonnes. The gold and tellurium content in the ore reserve is 4.1 grams per tonne and 186 grams per tonne respectively.

“The SEK 475 million investment will be made in 2011 and 2012, partially in installations, development and equipment below the surface, and partially in the rebuilding of the Boliden Area's concentrator and gold leaching plant”, explains Jan Moström, President - Business Area Mines.

The mine's annual average gold production will amount to approximately 1,150 kg, while the average annual tellurium production will amount to 41 tonnes. This corresponds to 10 per cent of global tellurium production. Kankberg mine production will be reported in the figures for the Boliden Area.

Gold – an important metal for Boliden

Gold is Boliden's third biggest metal in terms of market value. Boliden's total mined gold production amounted to 3.7 tonnes in 2010, while the smelters produced a total of 14.2 tonnes. The difference is attributable to gold from mine concentrate from other mines and from recycled material, primarily from electronic scrap.

The jewellery industry and financial players account for much of the gold demand today, which globally totalled 3,300 tonnes in 2010. As is the case for many other metals, it is the populous developing countries that are pushing up the demand most. The average price for gold in 2010 was approximately 1,230 USD per troy ounce corresponding to approximately 280 000 SEK per kilo.

Tellurium – increasingly important for renewable energy solutions

Tellurium, which is one of the rare earth metals, is mainly used today as an alloying material in steel and as a semi-conductor in solar cells, where there is a strong increasing growth in demand. The average price for tellurium in 2010 was approximately 230 USD per kilo corresponding to 1,600 USD per kilo.

Fixed prices secures a profitable investment

Current gold and tellurium prices make Kankberg a very profitable investment. This is why the gold production has been hedged in conjunction with the investment decision. The hedging refers to the years 2012 to 2017 at a weighted average price of approximately 1,460 USD per troy ounce corresponding to approximately 315 000 SEK per kilo. The hedging has been effected using currency and metal market futures contracts to 80 per cent of the new mine's planned gold production during these years.

In conjunction with the investment, Boliden has also entered into an agreement for tellurium sales at a fixed price of 280 USD per kilo corresponding to approximately 1,900 SEK per kilo.

An update of Boliden's hedge for metals and currencies is enclosed. A presentation of the project is available at www.boliden.com.

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Boliden is a leading European metals company whose core competence is in the fields of exploration, mining, smelting and recycling. Boliden's main metals are zinc and copper. Other important metals extracted and refined include lead, gold and silver. The operations are conducted in two Business Areas: Mines and Smelters. The number of employees is approximately 4 400 and the turnover in 2010 amounted to approximately SEK 37 billion. Its shares are listed on NASDAQ OMX Stockholm, segment Large Cap and on the Toronto Stock Exchange in Canada.

www.boliden.com