



**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 1997**

April 6, 1998

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
BOLIDEN	3	Feed	36
Overview	3	Production	36
Organizational Chart	4	Cost, Productivity, Employees and Capital Expenditures ...	37
TECHNICAL GLOSSARY	5	Boliden Bergsöe AB (Bergsöe)	38
METRIC/IMPERIAL CONVERSION TABLE	8	Overview	38
EXCHANGE RATE DATA	8	Operations and Feed	38
BUSINESS OF BOLIDEN — MINERALS	9	Production	38
MINING AND MILLING — EUROPE	10	Cost, Productivity, Employees and Capital Expenditures ...	38
Boliden Area Operations (BAO)	10	RELATED ACTIVITIES	39
Overview	10	Exploration and Business Development Groups	39
Mining	10	Exploration Group	39
Milling	14	Business Development Group	39
Cost, Productivity, Employees and Capital Expenditures ...	15	Exploration and Mining Permits	40
Garpenberg Operations (Garpenberg)	15	Sweden	40
Overview	15	Spain	41
Mining	15	Saudi Arabia	41
Milling	18	Chile	41
Cost, Productivity, Employees and Capital Expenditures ...	18	Marketing and Sales Group	41
Aitik Operations (Aitik)	19	Overview	41
Overview	19	Market Information	41
Mining	19	Zinc	41
Milling	21	Copper	42
Cost, Productivity, Employees and Capital Expenditures ...	21	Lead	43
Laisvall Operations (Laisvall)	21	Other Metals and Mineral Products	44
Overview	21	Technology	45
Mining	21	Technology Group	45
Milling	23	Boliden Contech AB (Contech)	46
Cost, Productivity, Employees and Capital Expenditures ...	23	Environment, Health and Safety	46
Boliden Apirsa SL (Apirsa)	24	Environment	46
Overview	24	Health and Safety	47
Mining	24	EMPLOYEES	47
Milling	25	BUSINESS OF BOLIDEN — FABRICATION	47
Cash Production Costs	26	Copper Division	47
Water Supply	26	Description of Business	47
MINING AND MILLING — MIDDLE EAST	26	Production	48
Saudi Company for Precious Metals (SCPM)	26	Marketing	48
Overview	26	Revenues	48
Production	26	Capital Expenditures	49
Exploration	28	Employees	49
MINING AND MILLING — AMERICAS	28	Brass Division	49
Myra Falls Operations (Myra Falls)	28	Description of Business	49
Overview	28	Production	49
Mining	28	Marketing	50
Milling	30	Revenues	50
Cost, Productivity, Employees and Capital Expenditures ...	30	Capital Expenditures	50
Gibraltar Operations (Gibraltar)	30	Employees	50
Overview	30	SELECTED HISTORICAL CONSOLIDATED FINANCIAL	
Mining	30	INFORMATION	51
Milling	31	SELECTED QUARTERLY CONSOLIDATED FINANCIAL	
Leaching	31	INFORMATION	52
Cost, Productivity, Employees and Capital Expenditures ...	32	MANAGEMENT'S DISCUSSION AND ANALYSIS OF	
Compañía Minera Lomas Bayas (Lomas Bayas)	32	THE CORPORATION'S FINANCIAL CONDITION	
Overview	32	AND RESULTS OF OPERATIONS	52
Mining	32	DIVIDEND POLICY	52
SMELTING AND REFINING	34	MARKET FOR SECURITIES OF THE CORPORATION ...	52
Rönnskär Smelter and Refinery (Rönnskär)	34	RISK FACTORS	53
Overview	34	DIRECTORS AND OFFICERS	55
Operations	34	ADDITIONAL INFORMATION	57
Feed	34	APPENDIX A — Consolidated Financial Statements	
Production	35	APPENDIX B — Management's Discussion and Analysis of	
Cost, Productivity, Employees and Capital Expenditures ...	35	the Corporation's Financial Condition and	
Norzink AS (Norzink)	36	Results of Operations	
Overview	36		
Operations	36		

BOLIDEN

Overview

Boliden Limited (the “Corporation”) was incorporated on April 18, 1997 under the *Canada Business Corporations Act*. The registered and principal office of the Corporation is at Suite 1500, BCE Place (Bay/Wellington Tower), 181 Bay Street, Toronto, Ontario, M5J 2T3.

In June and July 1997, the Corporation completed an initial public offering by way of a secondary offering of 54,900,316 common shares sold by Trelleborg International BV, an indirect wholly-owned subsidiary of Trelleborg AB, at a price of C\$16.00 per share, payable in two instalments. The first instalment of C\$8.00 per share was paid at closing and the final instalment of C\$8.00 per share is payable on or before June 17, 1998.

In December 1997, the Corporation commenced a take-over bid for all of the common shares of Westmin Resources Limited (“WRL”) in exchange for, at the election of each WRL shareholder, C\$5.40 cash or 0.5329 of a common share of the Corporation or a combination thereof for each WRL common share tendered to the bid. In March 1998, the Corporation completed the acquisition of all of the WRL common shares for an aggregate consideration of approximately C\$436 million cash and 7,369,449 common shares of the Corporation. The assets of WRL and its subsidiaries (“Westmin”) include two mining, milling and processing operations in Canada (the Myra Falls underground zinc and copper mine and the Gibraltar open pit copper mine), an open pit porphyry copper development in northern Chile (the Lomas Bayas project) and exploration properties in western North America and South America (including the Fortuna de Cobre porphyry copper deposit adjacent to the Lomas Bayas project). Mining operations at the Gibraltar mine will be suspended and the mine put on care and maintenance at the end of 1998.

Unless otherwise indicated, all references to “Boliden” are to the Corporation and its subsidiaries, including Westmin.

Boliden is engaged in the mining, processing and sale of metals and mineral products, principally zinc, copper and gold. Other metals and mineral products include lead, silver and sulphuric acid. Boliden has mining, milling and processing operations in Sweden, Spain, Saudi Arabia, Canada and Chile (commencing July 1998) and smelting and refining operations in Sweden and Norway, including the Rönnskär smelter and refinery which has a capacity of 140,000 tonnes of copper cathode per annum. Boliden is currently planning to expand the copper cathode capacity at Rönnskär by 57% to 220,000 tonnes per annum at a capital cost of approximately U.S.\$230 million. Completion of this expansion project is scheduled for the second half of 2000 with full production by 2001. In addition to its minerals business, Boliden is engaged in the fabrication and sale of copper tubing and brass products and has fabrication facilities in Belgium, the Netherlands, Sweden and the United Kingdom.

In 1997, Boliden’s contained primary metal production was 191,044 tonnes of zinc, 138,430 tonnes of copper, 99,320 tonnes of lead, 189,020 ounces of gold and 8,641,641 ounces of silver, of which 61,283 tonnes of zinc, 52,389 tonnes of copper, 24,575 ounces of gold and 557,641 ounces of silver were produced by Westmin.

In 1997, approximately 65% of Boliden’s operating income (excluding Westmin) was from its mining and milling operations, approximately 29% from its smelting and refining operations and approximately 6% from its fabrication operations. In 1996, approximately 54% of Boliden’s operating income (excluding Westmin) was from its mining and milling operations, approximately 33% from its smelting and refining operations and approximately 13% from its fabrication operations.

Boliden’s mining and milling and smelting and refining revenues (excluding Westmin) from its principal metals and mineral products for the years ended December 31, 1997 and 1996 were as follows:

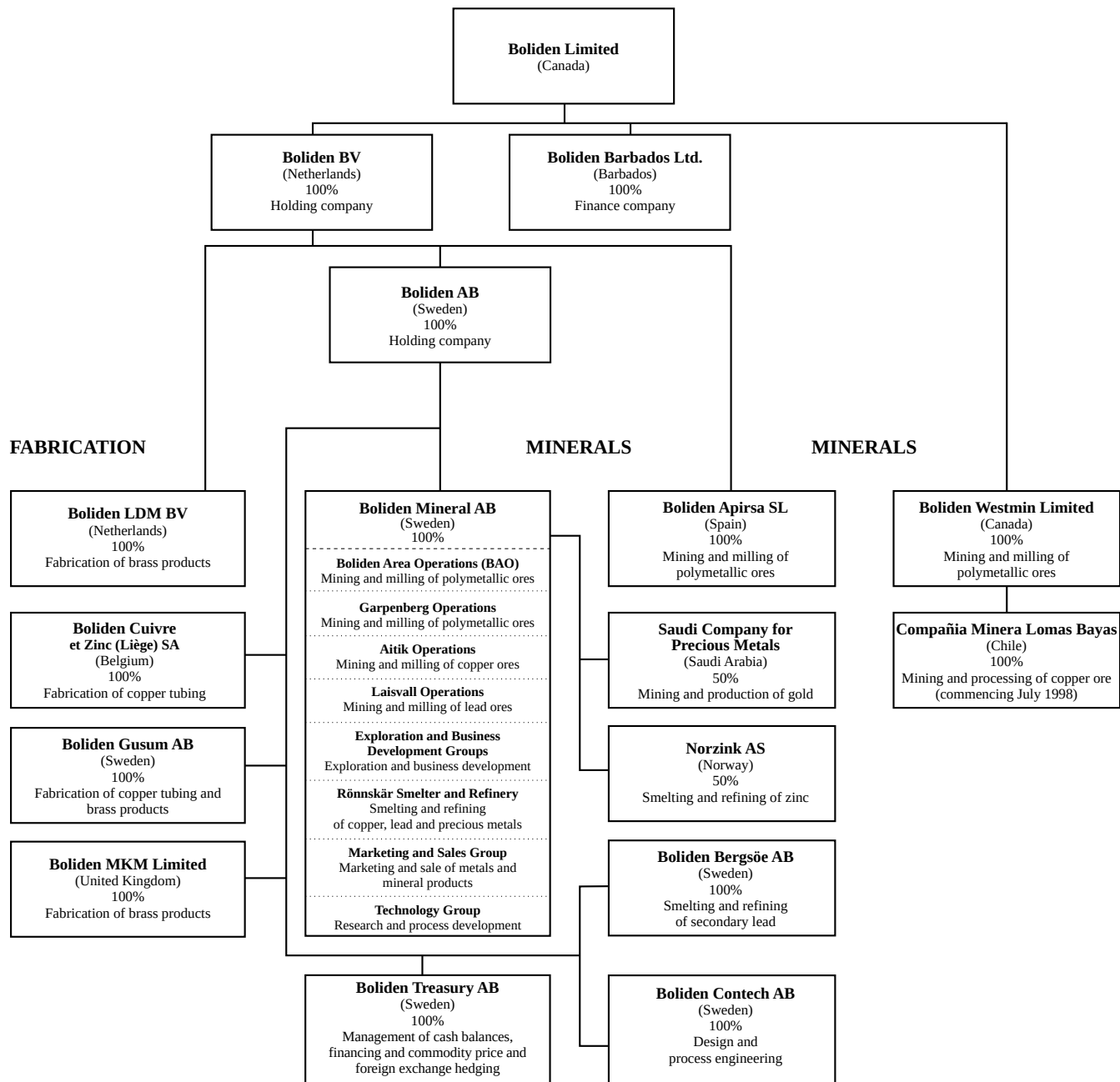
	Year ended December 31,			
	1997		1996	
	(U.S.\$ 000’s)	(%)	(U.S.\$ 000’s)	(%)
Mining and Milling				
Copper	\$132,332	38	\$112,627	32
Zinc	87,060	25	80,951	23
Gold	55,718	16	66,872	19
Silver	38,306	11	42,235	12
Lead	34,824	10	49,274	14
	<u>\$348,240</u>	<u>100</u>	<u>\$351,959</u>	<u>100</u>
Smelting and Refining				
Copper	\$342,240	47	\$319,125	44
Zinc	123,789	17	101,540	14
Other (1)	116,507	16	116,046	16
Gold	87,380	12	116,046	16
Lead	58,254	8	72,528	10
	<u>\$728,170</u>	<u>100</u>	<u>\$725,285</u>	<u>100</u>

Note:

(1) Consists of sulphuric acid, nickel sulphate, aluminum fluoride powder and other products. See “Business of Boliden — Minerals — Smelting and Refining”.

Organizational Chart

The principal direct and indirect subsidiaries of the Corporation are shown below:



TECHNICAL GLOSSARY

backfilling: the use of tailings and rock fill material to fill the void created by mining an orebody.

by-product credits: all revenues received from by-product metals. Revenues from by-product metals are received in United States dollars.

capacity: the design number of units which can be produced in a given time period based on operations with a normal number of shifts and maintenance interruptions.

carbon in leach (CIL): a recovery process in which a slurry of ore, carbon granules and cyanide are mixed together. The cyanide dissolves the metal content and the metal is absorbed onto the carbon. The carbon is then separated from the slurry for further metal removal.

cash production costs: all production and transportation costs and all treatment and refining charges, translated where applicable from the local currency into United States dollars at the average exchange rate, net of by-product credits. The treatment and refining charges used by Boliden to calculate cash production costs on deliveries to Rönnskär and Norzink are prevailing market charges.

concentrate: a metal rich product from a mineral separation process such as flotation, from which most of the waste material in the ore has been separated. The metals are “concentrated” from the ore and the remainder discarded as tailings.

contained primary metal production: the zinc, copper, lead, gold and silver contained in the concentrates, copper cathode and gold doré produced by Boliden.

copper cathode: pure copper plate from a copper refinery or solvent extraction-electrowinning (SX-EW) process.

cut and fill: a method of mining in which mining proceeds upward from a primary access level in a series of slices. Each mined out slice is removed and a backfill floor created using tailings from milling operations or other waste material. The next slice is then mined off the backfill floor.

drift: a horizontal underground tunnel driven alongside an ore deposit from a shaft to gain access to the deposit.

flotation: a milling process in which some mineral particles are induced to become attached to bubbles of froth and float, and others to sink, so that the valuable minerals are concentrated and separated from the worthless materials.

Former East Bloc: Albania, Bulgaria, the Commonwealth of Independent States, Cuba, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Mongolia, North Korea, the People’s Republic of China, Poland, Romania, Slovakia and Vietnam.

gold doré: a bar of gold which contains impurities in excess of 2% and which will be further refined to almost pure metal.

grade: the amount of valuable mineral in each tonne of ore, expressed as troy ounces or grams per tonne for precious metals and as a percentage for other metals.

g/t: grams per tonne.

kg: a kilogram.

Kounce: a thousand ounces.

Ktonne: a thousand tonnes.

lb: a pound.

leaching: a process in which metal is extracted from ore by repeatedly spraying the ore with an acid solution which dissolves the metal content. The metal-laden solution is collected for further metal recovery. Heap leaching (HL) occurs on constructed low level heaps of crushed ore built on sloping impermeable pads. Run-of-mine leaching (RML) occurs on uncrushed ore dumped by haulage trucks on sloping impermeable pads.

lens: a body of ore that is thick in the middle and thin at the edges.

LBM: the London Bullion Market Association.

LME: the London Metal Exchange.

mill: a plant where ore is ground and undergoes physical or chemical treatment to extract and produce a concentrate of the valuable minerals.

mineral resource: (1) an identified *in situ* mineral occurrence from which valuable or useful minerals may be recovered. Mineral resource categories, which are used for exploration projects, are as follows:

- **measured:** a mineral resource intersected and tested by drill holes, underground openings or other sampling procedures at locations which are spaced closely enough to confirm continuity and where geoscientific data are reliably known. A measured mineral resource is based on a substantial amount of reliable data, interpretation and evaluation which allows a clear determination to be made of shapes, sizes, densities and grades.
- **indicated:** a mineral resource sampled by drill holes, underground openings or other sampling procedures at locations too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability. An indicated resource estimate is based on more data, and therefore more reliable, than an inferred resource.
- **inferred:** a mineral resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data are not known with a reasonable level of reliability.

As used in this annual information form, mineral resources have not yet been evaluated for technical or economic viability.

mineralization: rock containing an undetermined amount of minerals or metals.

Mtonne: a million tonnes.

ore: a natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated.

ore reserve: (1) ore categorized into one of the following reserve categories:

- **proven:** material for which tonnage is computed from dimensions revealed in outcrops or trenches or underground workings or drill holes and for which the grade is computed from the results of adequate sampling, and for which the sites for inspection, sampling and measurement are so spaced and the geological character so well defined that the size, shape and mineral content are established, and for which the computed tonnage and grade are judged to be accurate within stated limits.
- **probable:** material for which tonnage and grade are computed partly from specific measurements, samples or production data, and partly from projection for a reasonable distance on geological evidence, and for which sites available for inspection, measurement and sampling are too widely or otherwise inappropriately spaced to outline the material completely or to establish its grade throughout.

As used in this annual information form, ore reserves are that part of mineral resources which can be mined legally and at a profit under economic conditions that are specified and are generally accepted as reasonable. Ore reserve estimates are established from mineral resource estimates only after consideration of the economic, mining, metallurgical, marketing, legal, environmental, social and governmental factors relevant to mining the mineral resource.

ounce: troy ounce.

platinum group metals: platinum, palladium, rhodium and related metals present in some ores.

ramp: an inclined underground tunnel which provides access for exploration or a connection between levels of a mine.

realized price: the price received after taking into account the impact of related commodity price hedging.

reclamation: the process by which lands disturbed as a result of mining activity are brought back to a beneficial land use. Reclamation activity includes the removal of buildings, equipment, machinery and other physical remnants of mining, closure of tailings impoundments, leach pads and other mine features and contouring, covering and revegetation of waste rock piles and other disturbed areas.

recovery rate: the percentage of a particular metal contained in ore that is recovered during processing.

refinery: a plant where concentrates are processed into one or more refined metals.

refining: the final stage of metal production in which impurities are removed from the molten metal.

shaft: a vertical passageway to an underground mine for moving personnel, equipment, supplies and material, including ore and waste rock.

smelter: a plant where concentrates are processed into an upgraded product.

smelting: a pyro-metallurgical operation in which metal is separated from impurities by a process that includes fusion.

stripping ratio: the ratio of the number of tonnes of waste material to the number of tonnes of ore removed. The term is used in connection with open pit mining.

SX-EW (solvent extraction-electrowinning): a process which takes copper-bearing aqueous solutions (usually generated by heap leaching copper-bearing ores), purifies the solution by removing metals other than copper from the solution through the use of organic solvents and then electroplates copper cathodes.

tailings: the material that remains after all metals considered economic have been removed from ore during milling.

tonne: a thousand kilograms.

tpa: tonnes per annum.

U.S. Strategic Stockpile Sales: drawdowns from the United States National Defense Stockpile through sales by the United States Defense Logistics Agency.

undercut and fill: a method of mining in which mining proceeds downward from a primary access level in a series of slices. The mined out slice is replaced by backfill consisting of cemented tailings from milling operations or other cemented waste material. This stabilized backfill becomes the roof for the next slice.

Western World: all countries other than the Former East Bloc.

zinc clinker: zinc oxide which contains at least 65% zinc.

Note:

- (1) The definition of mineral resource is from the *Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves*. The definitions of proven and probable ore reserves are from National Policy No. 2-A published by the Canadian Securities Administrators and correspond to the definitions of proved and probable ore reserves in the *Australasian Code*.

METRIC/IMPERIAL CONVERSION TABLE

The following table sets out the imperial equivalents of the metric units of measurement used in this annual information form:

<u>Metric Unit</u>	<u>Imperial Equivalent</u>
gram	0.03215 troy ounces
hectare	2.4711 acres
kilogram	2.20462 pounds
kilometre	0.62139 miles
metre	3.2808 feet
tonne	1.1023 short tons

EXCHANGE RATE DATA

The following table sets out the rates of exchange for Norwegian kroner (“NOK”), Spanish pesetas (“ESP”) and Swedish kronor (“SEK”) per U.S. dollar in effect at the end of the periods indicated and the average rates of exchange during such periods used in the translation of such currencies into U.S. dollars (“U.S.\$”) by Boliden:

	<u>Year ended December 31,</u>				
	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Rate at end of period	NOK7.34	NOK6.44	NOK6.34	NOK6.76	NOK7.49
	ESP151.39	ESP130.93	ESP121.57	ESP131.76	ESP142.23
	SEK7.87	SEK6.87	SEK6.67	SEK7.46	SEK8.33
Average rate for period	NOK7.07	NOK6.45	NOK6.33	NOK7.05	NOK7.10
	ESP146.43	ESP126.51	ESP124.65	ESP133.78	ESP127.12
	SEK7.64	SEK6.70	SEK7.13	SEK7.72	SEK7.79

The following table sets out the rates of exchange for Canadian dollars (“C\$”) per U.S. dollar in effect at the end of the periods indicated and the average rates of exchange during such periods based on the noon spot rate quoted by the Bank of Canada:

	<u>Year ended December 31,</u>				
	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Rate at end of period	C\$1.44	C\$1.37	C\$1.37	C\$1.40	C\$1.32
Average rate for period	C\$1.38	C\$1.36	C\$1.37	C\$1.37	C\$1.29

BUSINESS OF BOLIDEN — MINERALS

Boliden conducts its minerals business through the following units and operating groups located in Europe (Sweden, Norway and Spain), the Middle East (Saudi Arabia) and the Americas (Canada and Chile). All are 100% owned except for SCPM and Norzink which are 50% owned. See “Boliden — Organizational Chart”.

- **Mining and Milling — Europe**
 - **Boliden Area Operations (“BAO”) (Sweden)** — mines and mills polymetallic ores to produce zinc, copper, copper/gold and lead concentrates.
 - **Garpenberg Operations (“Garpenberg”) (Sweden)** — mines and mills polymetallic ores to produce zinc, copper/precious metals and lead concentrates.
 - **Aitik Operations (“Aitik”) (Sweden)** — mines and mills copper ores to produce copper concentrates.
 - **Laisvall Operations (“Laisvall”) (Sweden)** — mines and mills lead ores to produce lead and zinc concentrates.
 - **Boliden Apirsa SL (“Apirsa”) (Spain)** — mines and mills polymetallic ores to produce zinc, copper and lead concentrates.
- **Mining and Milling — Middle East**
 - **Saudi Company for Precious Metals (“SCPM”) (Saudi Arabia)** — mines and processes gold ores to produce gold doré.
- **Mining and Milling — Americas**
 - **Myra Falls Operations (“Myra Falls”) (Canada)** — mines and mills polymetallic ores to produce zinc and copper/precious metals concentrates.
 - **Gibraltar Operations (“Gibraltar”) (Canada)** — mines, mills and processes copper ores to produce copper concentrates, copper cathode and molybdenum concentrates. Mining operations at the Gibraltar mine will be suspended and the mine put on care and maintenance at the end of 1998.
 - **Compañía Minera Lomas Bayas (“Lomas Bayas”) (Chile)** — mines and processes copper ores to produce copper cathode. The Lomas Bayas mine is scheduled to commence production in July 1998.
- **Smelting and Refining**
 - **Rönnskär Smelter and Refinery (“Rönnskär”) (Sweden)** — smelts and refines copper, copper/gold, gold and lead concentrates from BAO, Garpenberg, Aitik and Laisvall and third parties and processes, smelts and refines secondary materials from third parties.
 - **Norzink AS (“Norzink”) (Norway)** — smelts and refines zinc concentrates from BAO, Garpenberg, Laisvall and Apirsa and third parties and zinc clinker from Rönnskär.
 - **Boliden Bergsöe AB (“Bergsöe”) (Sweden)** — processes, smelts and refines secondary materials from third parties (spent lead-acid batteries collected under the Swedish Returbatt System and purchased from third parties).
- **Exploration and Business Development Groups (Canada and Sweden)** — conduct exploration and business development worldwide.
- **Marketing and Sales Group (Sweden)** — markets and sells Boliden’s metals and mineral products worldwide.
- **Technology Group (Sweden)** — conducts research and process development.
 - **Boliden Contech AB (“Contech”) (Sweden)** — provides design and process engineering services using Boliden’s technology worldwide.

MINING AND MILLING — EUROPE

Boliden's mining and milling activities in Europe are carried out through the following units and operating groups: BAO, Garpenberg, Aitik, Laisvall and Apirsa. See "Boliden — Organizational Chart".

Boliden Area Operations (BAO)

Overview

BAO operates five underground mines and one open pit mine and associated milling operations in the Skellefteå mineral district of northern Sweden near the village of Boliden, which is located approximately 30 kilometres west of the town of Skellefteå, the industrial centre of the district.

The Skellefteå mineral district is one of the largest sulphide ore areas in the world and hosts geologically diverse polymetallic orebodies. The district extends approximately 200 kilometres from the town of Skellefteå on the east to the village of Malå on the west and has a width of between 30 and 40 kilometres. The district is composed principally of Precambrian supracrustal rocks that are covered by extensive glacial deposits and are exposed in the valley of the Skellefteå River. The district hosts over 100 significant metal deposits, principally of base and precious metals.

Boliden has carried on mining operations in the Skellefteå mineral district since 1925. In 1997, ores from BAO's mines were the source of the following percentages of Boliden's contained primary metal production: zinc 24%, copper 9%, lead 2%, gold 40% and silver 23%.

Mining

Properties and Mines

BAO's mining properties comprise 6,000 hectares owned by Boliden and 2,300 hectares held by Boliden under exploitation concessions.

BAO currently operates five underground mines: Kristineberg, Petiknäs, Renström, Långdal and Åkerberg and one open pit mine: Åkulla. In 1997, the Kristineberg mine accounted for 36%, the Petiknäs mine accounted for 29% and the Renström mine accounted for 12% of BAO mine ore production. Mining operations are carried out underground using primarily the cut and fill mining method.

The Kristineberg mine is located approximately 90 kilometres west of the BAO mill and produces polymetallic ores. The orebody is approximately 1,000 metres long and 7 metres thick, has been explored to a depth of 1,150 metres and consists of one main zone which dips at angles of between 45 and 70 degrees. This zone is currently being mined and the metal content of the orebody has been increasing at depth in some areas. The mine operates a single shaft that extends to the 750 metre level and a haulage ramp that extends to the 1,075 metre level. Mined ore is hauled to the 620 metre level where it is crushed and then hoisted to the surface for transport to the BAO mill. A promising parallel ore lens containing copper and gold is currently being investigated.

The Petiknäs mine is located approximately 25 kilometres west of the BAO mill and produces polymetallic ores. The mine is adjacent to the older Renström mine and shares many of its surface facilities. There are two orebodies (north and south) at the mine located approximately 800 metres apart. The south orebody is approximately 300 metres long and 15 metres thick, has been explored to a depth of 800 metres and dips close to vertical. Mining operations at the south orebody began in 1992. The mine has a ramp that extends to the 680 metre level. Until recently, the mined ore was hauled to the surface by truck for transport to the BAO mill where it was crushed. Beginning in 1998, most of the mined ore will be transported via a recently completed diesel rail link to the Renström mine shaft where it will be hoisted to the surface. Mining operations have not begun at the north orebody. See "Additional Mineral Resources" below.

The Renström mine, which is adjacent to the Petiknäs mine, produces polymetallic ores and has operated since 1952. The Renström orebody consists of parallel lenses. On a horizontal section, the mineralized zone is approximately 300 metres long and consists of two to three lenses, 4 to 5 metres wide, dipping close to vertical. The mine has a production shaft that extends to the 930 metre level and a haulage ramp that extends to the 1,050 metre level with mining operations currently being conducted between the 600 and 800 metre levels. A major deposit below the present Renström orebody is currently being investigated. See "Additional Mineral Resources" below.

The other BAO mines are located within 30 kilometres of the BAO mill.

Mine Production

The annual production from BAO's mines for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Mine ore production (Ktonnes)					
Kristineberg	523	507	463	474	469
Petiknäs	417	390	335	241	176
Renström	175	161	133	122	172
Långdal	76	39	203	281	194
Åkerberg	125	209	184	160	196
Åkulla	136	—	—	—	—
Former operations	10	106	113	122	173
Total	<u>1,462</u>	<u>1,412</u>	<u>1,431</u>	<u>1,400</u>	<u>1,380</u>

The average ore grades from BAO's mines for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Average ore grades (all mine ore production)					
Zinc (%)	3.55	4.53	4.87	4.76	4.50
Copper (%)	0.91	0.75	0.68	0.75	0.85
Lead (%)	0.50	0.65	0.79	0.71	0.74
Gold (g/t)	2.32	2.07	2.24	1.99	1.87
Silver (g/t)	62.1	68.8	83.0	78.1	74.7

Ore Reserves

The ore reserves at BAO's mines at December 31, 1996 as calculated by Boliden were as follows:

	<u>Ore Reserves</u>	<u>Average Grades</u>				
	<u>(Ktonnes)</u>	<u>Zinc</u>	<u>Copper</u>	<u>Lead</u>	<u>Gold</u>	<u>Silver</u>
		<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(g/t)</u>	<u>(g/t)</u>
Polymetallic Ores						
Kristineberg						
Proven	<u>2,245</u>	5.9	1.2	0.4	1.2	58
Petiknäs South						
Proven	2,671	5.1	1.2	1.0	2.7	111
Probable	<u>1,546</u>	5.3	0.5	1.0	2.2	93
Total	<u>4,217</u>	5.2	0.9	1.0	2.5	104
Renström						
Proven	<u>394</u>	6.2	0.4	1.5	2.5	171
Total all mines						
Proven	5,310	5.5	1.1	0.8	2.1	93
Probable	<u>1,546</u>	5.3	0.5	1.0	2.2	93
Total	<u>6,856</u>	5.5	1.0	0.8	2.1	93
Gold Ores						
Åkerberg						
Proven	<u>356</u>	—	—	—	5.0	—
Åkulla						
Proven	<u>150</u>	—	1.8	—	2.2	15
Total all mines						
Proven	<u>506</u>	—	0.5	—	4.2	5

The ore reserves at BAO's mines at December 31, 1997 as calculated by Boliden were as follows:

	Ore Reserves (Ktonnes)	Zinc (%)	Copper (%)	Lead (%)	Gold (g/t)	Silver (g/t)
Polymetallic Ores						
Kristineberg						
Proven	1,803	6.1	1.2	0.4	1.2	58
Probable	620	2.7	0.9	0.2	1.3	32
Total	2,423	5.2	1.1	0.3	1.2	51
Kedträsk (1)						
Probable	425	2.7	0.4	0.3	0.8	30
Petiknäs South						
Proven	2,374	5.1	1.2	0.9	2.7	111
Probable	1,546	5.3	0.5	1.0	2.2	93
Total	3,920	5.2	0.9	0.9	2.5	104
Renström						
Proven	204	4.7	0.3	1.1	2.0	127
Probable	185	5.7	0.7	1.2	4.0	194
Total	389	5.2	0.5	1.1	2.9	159
Total all mines						
Proven	4,381	5.5	1.2	0.7	2.0	90
Probable	2,776	4.3	0.6	0.7	1.9	76
Total	7,157	5.0	0.9	0.7	2.0	85
Gold Ores						
Åkerberg						
Proven	248	—	—	—	5.2	—
Åkulla						
Proven	14	—	1.8	—	2.2	15
Total all mines						
Proven	262	—	0.1	—	5.0	1

Note:

(1) Currently under evaluation for production.

The changes in the ore reserves at BAO's mines between December 31, 1996 and December 31, 1997 as calculated by Boliden were as follows:

	December 31, 1996 (Ktonnes)	Production (Ktonnes)	Revisions/ Discoveries (Ktonnes)	December 31, 1997 (Ktonnes)
Polymetallic Ores				
Total all mines				
Proven	5,310	1,201	272	4,381
Probable	<u>1,546</u>	—	<u>1,230</u>	<u>2,776</u>
Total	<u>6,856</u>	<u>1,201</u>	<u>1,502</u>	<u>7,157</u>
Gold Ores				
Total all mines				
Proven	<u>506</u>	<u>261</u>	<u>17</u>	<u>262</u>

Additional Mineral Resources

The additional mineral resources at BAO's mines and adjacent prospects at December 31, 1997 as calculated by Boliden were as follows:

	Mineral Resources (Ktonnes)	Average Grades				
		Zinc (%)	Copper (%)	Lead (%)	Gold (g/t)	Silver (g/t)
Polymetallic Ores						
Kristineberg						
Measured (pillars)	335	6.4	0.9	0.5	1.2	56
Measured and indicated (excluding pillars)	600	1.2	1.4	0.1	6.9	15
Inferred	3,000	—	—	—	—	—
Långdal						
Measured and indicated	108	0.7	0.3	0.1	4.5	21
Petiknäs North						
Measured and indicated	1,312	2.6	1.6	0.2	4.2	48
Petiknäs South						
Measured (pillars)	590	4.7	1.2	0.9	2.6	106
Inferred (excluding pillars)	3,000	—	—	—	—	—
Renström						
Measured (pillars)	220	5.5	0.4	1.3	2.1	139
Measured and indicated (excluding pillars)	68	12.0	0.7	2.9	4.8	285
Renström Deep						
Inferred	2,000	—	—	—	—	—
Total all mines and prospects						
Measured (pillars)	1,145	5.4	1.0	0.9	2.1	98
Measured and indicated (excluding pillars)	2,088	2.4	1.4	0.2	5.1	45
Inferred	3,000	—	—	—	—	—
Gold Ores						
Åkerberg						
Measured (pillars)	35	—	—	—	4.0	—
Åkulla East						
Inferred	1,500	—	—	—	—	—
Total all mines and prospects						
Measured (pillars)	35	—	—	—	4.0	—
Inferred	1,500	—	—	—	—	—

The most significant potential for new ore reserves are at Renström Deep (polymetallic), Åkulla East (gold), Petiknäs North (polymetallic) and Kristineberg (polymetallic).

Recent drilling at Renström Deep has revealed approximately 2 Mtonnes of mineral resources below the 1,000 metre level representing potentially the richest base metal find in Boliden's history. Drilling in 1997 intersected mineralization with one intersection grading 19.9% zinc, 0.3% copper, 3.5% lead, 2.4 g/t gold and 244 g/t silver over a core length of seven metres. The recently completed haulage drift connecting the Petiknäs mine and the Renström mine will provide a platform for additional exploration.

In 1994, BAO discovered blind gold mineralization at Åkulla East at a depth of between 300 and 600 metres. BAO is currently planning in-fill drilling to confirm geological interpretation and is carrying out a pre-feasibility study to determine mining and processing methods, costs and anticipated production rates. Access to the mineralization is currently in progress through a 1,000 metre ramp driven from the recently closed Kankberg mine.

Past drilling at Petiknäs North has revealed approximately 1.3 Mtonnes of mineral resources. The mineralization is open at depth. BAO is currently planning to implement a biooxidation method to process ore from the mineralization.

In 1994, BAO identified a polymetallic mineralization below the 500 metre level in the Kristineberg trend approximately 600 metres southwest of the main orebody. Previous drilling had investigated down to the 300 metre level only. The mineralization is open at depth below the 700 metre level. The mineral resources set out in the table

above include approximately 500 Ktonnes relating to the Kristineberg A4 deposit. BAO intends to continue further drilling and to conduct test mining on a copper/gold mineralization in the Kristineberg mine where drilling to date has indicated a 2.5 Mtonne mineral resource, including a well-defined core of 500 Ktonnes grading 1.5% copper, 8 g/t gold and 9 g/t silver.

During 1998, BAO plans to spend approximately U.S.\$2.7 million on exploration and property development at its mining properties, including approximately U.S.\$1.3 million at Kristineberg, U.S.\$0.7 million at Petikinäs and U.S.\$0.6 million at Långdal.

Exploration

In addition to BAO's mining properties, Boliden holds exploration permits covering approximately 160,000 hectares of the favourable geology of the Skellefteå mineral district. A large portion of Boliden's properties are relatively untested using newer technologies which permit deeper and more effective exploration.

Boliden's Exploration Group is currently exploring for deep-seated mineralization, using computerized simulation and modelling of geological processes backed up by surface electromagnetic techniques to identify drilling targets. A three-dimensional, in-hole electromagnetic system developed by Boliden is successfully being used in deep holes to find and delineate areas of mineralization. Boliden is in a unique position to carry out this exploration as a result of over 70 years of work in the Skellefteå mineral district, sole access to its own 20,000 drillhole database and a large, well-organized drill core storage facility where cores from many of the old drillholes are retained. The recent discoveries at Renström Deep (polymetallic) and Åkulla East (gold) are examples of the potential for new discoveries.

During 1998, Boliden's Exploration Group plans to spend approximately U.S.\$5.1 million on exploration in the Skellefteå mineral district, in addition to the amount that BAO plans to spend on exploration and property development at its mining properties. See "Business of Boliden — Minerals — Related Activities — Exploration and Business Development Groups".

Milling

The BAO mill is located just outside the village of Boliden. The current capacity of the mill is 1.5 million tpa of ore. The mill was built in the 1950s and has been progressively altered and modernized since that time. The latest upgrade of the mill occurred during the period 1989 to 1991 when BAO increased the capacity of the mill by approximately 50% at a total cost of approximately U.S.\$28.2 million by introducing autogenous grinding, installing new larger flotation cells and changing the concentrate de-watering system to a pressure filtration system.

During 1998, BAO plans to spend approximately U.S.\$8.9 million on capital improvements at the mill, including the implementation of a hydrometallurgical process intended to improve the treatment of ores containing gold.

The mill has two separate sections to permit the simultaneous processing of different types of ore. Ore from the Kristineberg mine is blended with ore from the Renström mine to facilitate grinding and separation of copper and lead concentrates and is processed in one section of the mill. Ore from the other BAO mines is stockpiled and is processed in separate batches in the second section of the mill.

The BAO mill produces zinc, copper, copper/gold and lead concentrates. The concentrates are transported 50 kilometres by truck to Rönnskär. There, the zinc concentrates are blended with zinc concentrates from Laisvall and shipped to Norzink for smelting and refining or sold to European smelters. See "Business of Boliden — Minerals — Smelting and Refining — Norzink AS (Norzink)". The copper and copper/gold concentrates are processed principally at Rönnskär. See "Business of Boliden — Minerals — Smelting and Refining — Rönnskär Smelter and Refinery (Rönnskär)". The lead concentrates are sold to European smelters.

The annual production from the BAO mill for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Ore delivered to mill (Ktonnes)	<u>1,534</u>	<u>1,465</u>	<u>1,424</u>	<u>1,350</u>	<u>1,450</u>
Estimated contained metals in concentrates					
Zinc (tonnes)	45,164	56,850	59,673	56,523	56,059
Copper (tonnes)	11,835	8,944	7,960	8,573	10,428
Lead (tonnes)	2,250	3,607	4,888	4,260	4,485
Gold (ounces)	75,248	63,046	65,007	53,530	54,140
Silver (Kounces)	2,022	2,104	2,444	2,226	2,415

Cost, Productivity, Employees and Capital Expenditures

The cash production cost of zinc produced at BAO in 1997 was U.S.\$0.31 per pound.

Since 1989, the total cost per tonne of ore milled (expressed in constant 1989 SEK) decreased by 27% and the number of tonnes of ore milled per hour worked increased by 40%. During this period, the number of employees at BAO decreased from 810 to 518.

Capital expenditures at BAO for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
			(U.S.\$ millions)		
Capital expenditures	\$19.0	\$15.8	\$13.9	\$8.0	\$3.3

Garpenberg Operations (Garpenberg)

Overview

Garpenberg's mining and associated milling operations are located in the Bergslagen mineral district of central Sweden near the village of Garpenberg, approximately 200 kilometres north-west of the city of Stockholm.

The Bergslagen mineral district is a significant mining area historically associated with magnetite iron and polymetallic sulphide deposits. Mining has been carried out in the district for over 700 years. Structurally, the district consists of an intrusive granite complex that is surrounded by supracrustal rocks, metasediments and metavolcanics that are over two billion years old and host the district's mineral resources. The principal orebodies, which lie in a belt extending to the west of the city of Uppsala, are contained within distinct but extensive horizons of coarse-grained acid volcanic rocks.

Boliden has carried on mining operations in the Bergslagen mineral district since 1957 when it acquired the Garpenberg mine. In 1997, ores from Garpenberg's mines were the source of the following percentages of Boliden's contained primary metal production: zinc 18%, lead 15%, gold 5% and silver 34%.

Mining

Properties and Mines

Garpenberg's mining properties comprise 550 hectares held by Boliden under exploitation concessions.

Garpenberg currently operates two underground mines located approximately 3 kilometres apart: the Garpenberg mine and the Garpenberg North mine. The mines are located in a trend that is over 15 kilometres long and holds more than 15 lens-shaped ore zones. The mill is located next to the Garpenberg mine. Mining operations are carried out underground using both the cut and fill and the undercut and fill methods at Garpenberg and the cut and fill method at Garpenberg North.

The Garpenberg mine produces polymetallic ores. There are two orebodies (Strand and Kanal) at the mine located approximately 200 metres apart. The Strand orebody is between 100 and 150 metres long and up to 20 metres thick, has been explored to a depth of 800 metres and dips at angles of between 75 and 80 degrees. The Kanal orebody is between 170 and 240 metres long and 6 metres thick, has been explored to a depth of 970 metres and dips at angles of between 75 and 80 degrees. Both orebodies are currently being mined. The mine operates a personnel shaft that extends to the 490 metre level, a production shaft that extends to the 680 metre level and a haulage ramp that extends to the 750 metre

level. Mined ore is hauled to the 640 metre level where it is crushed and then hoisted to the surface for transport by conveyor to the Garpenberg mill.

The Garpenberg North mine, which commenced production in 1972, is located approximately 3 kilometres north of the Garpenberg mine and produces polymetallic ores. The orebody is approximately 500 metres long and 4.5 to 16 metres thick, has been explored to a depth of 1,005 metres and dips at angles of between 75 and 80 degrees. The mine operates a single production shaft that was extended to the 810 metre level in early 1996 and a haulage ramp that extends to the 910 metre level. Mined ore is hauled to the 800 metre level where it is crushed and then hoisted to the surface for transport to the Garpenberg mill.

Mine Production

The annual production from Garpenberg's mines for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Mine production (Ktonnes)					
Garpenberg	346	346	314	316	324
Garpenberg North	<u>576</u>	<u>496</u>	<u>436</u>	<u>495</u>	<u>476</u>
Total	<u>922</u>	<u>842</u>	<u>750</u>	<u>811</u>	<u>800</u>

The average ore grades from Garpenberg's mines for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Average ore grades (all mine ore production)					
Zinc (%)	4.31	4.52	4.30	4.30	4.26
Copper (%)	0.12	0.13	0.15	0.15	0.20
Lead (%)	2.11	2.24	2.20	2.30	2.40
Gold (g/t)	0.44	0.47	0.43	0.51	0.57
Silver (g/t)	134	141	133	152	160

Ore Reserves

The ore reserves at Garpenberg's mines at December 31, 1996 as calculated by Boliden were as follows:

	<u>Ore Reserves</u> (Ktonnes)	<u>Average Grades</u>				
		<u>Zinc</u> (%)	<u>Copper</u> (%)	<u>Lead</u> (%)	<u>Gold</u> (g/t)	<u>Silver</u> (g/t)
Garpenberg						
Proven	<u>1,264</u>	6.4	0.2	3.1	0.5	71
Garpenberg North						
Proven	2,883	4.0	—	1.9	—	144
Probable	<u>930</u>	4.0	—	1.9	—	166
Total	<u>3,813</u>	4.0	—	1.9	—	149
Total all mines						
Proven	4,147	4.7	—	2.3	—	122
Probable	<u>930</u>	4.0	—	1.9	—	166
Total	<u>5,077</u>	4.6	—	2.2	—	130

The ore reserves at Garpenberg's mines at December 31, 1997 as calculated by Boliden were as follows:

	Ore Reserves (Ktonnes)	Average Grades				
		Zinc (%)	Copper (%)	Lead (%)	Gold (g/t)	Silver (g/t)
Garpenberg						
Proven	1,464	6.0	0.1	2.7	0.4	64
Garpenberg North						
Proven	4,571	3.6	—	1.8	0.2	149
Total all mines						
Proven	6,035	4.2	0.1	2.0	0.2	128

The changes in the ore reserves at Garpenberg's mines between December 31, 1996 and December 31, 1997 as calculated by Boliden were as follows:

	December 31, 1996 (Ktonnes)	Production (Ktonnes)	Revisions/ Discoveries (Ktonnes)	December 31, 1997 (Ktonnes)
Total all mines				
Proven	4,147	922	2,810	6,035
Probable	930	—	(930)	—
Total	<u>5,077</u>	<u>922</u>	<u>1,880</u>	<u>6,035</u>

Additional Mineral Resources

The additional mineral resources at Garpenberg's mines and adjacent prospects at December 31, 1997 as calculated by Boliden were as follows:

	Mineral Resources (Ktonnes)	Average Grades				
		Zinc (%)	Copper (%)	Lead (%)	Gold (g/t)	Silver (g/t)
Garpenberg						
Measured (pillars)	209	6.8	—	2.7	0.3	50
Measured and indicated (excluding pillars)	300	5.2	—	2.2	0.2	46
Inferred	500	—	—	—	—	—
Garpenberg North						
Measured (pillars)	853	3.7	—	1.7	0.1	154
Inferred	5,300	—	—	—	—	—
Dammsjön						
Measured and indicated	3,300	2.9	—	1.2	—	127
Inferred	5,000	—	—	—	—	—
Tyskgårdsgruvan						
Inferred	1,000	—	—	—	—	—
Total all mines and prospects						
Measured (pillars)	1,062	4.3	—	1.9	0.1	133
Measured and indicated (excluding pillars)	3,600	3.1	—	1.3	—	120
Inferred	11,800	—	—	—	—	—

Since 1995, Garpenberg has carried out extensive exploration on its mining properties. Boliden believes that down-dip extensions are likely at both of Garpenberg's mines. The Garpenberg North mine in particular appears to have significant potential down dip. Exploration drilling to deeper levels is on-going at both mines.

In addition, Garpenberg is exploring the Dammsjön prospect located between the Garpenberg and Garpenberg North mines. Drilling to date has revealed approximately 3.3 Mtonnes of measured and indicated mineral resources above the 300 metre level. Garpenberg commenced a conceptual study on the Dammsjön prospect in the fourth quarter of 1997, including investigating the best means of accessing the prospect. One alternative is to extend an underground

drift from the Garpenberg mine into the Dammsjön prospect to carry out underground investigations. If this drift is constructed, Garpenberg also intends to conduct drilling of the smaller nearby Tyskgårdsgruvan prospect.

During 1998, Garpenberg plans to spend approximately U.S.\$2.2 million on exploration and property development at its mining properties, U.S.\$0.6 million at Garpenberg and U.S.\$1.6 million at Garpenberg North.

Exploration

In addition to Garpenberg's mining properties, Boliden holds exploration permits and permit applications covering approximately 170,000 hectares of the favourable geology of the Bergslagen mineral district. Garpenberg is currently conducting detailed geophysical and geochemical surveys of these exploration properties and has commenced drilling of targets.

During 1998, Boliden's Exploration Group plans to spend approximately U.S.\$0.1 million on exploration in the Bergslagen mineral district, in addition to the amount that Garpenberg plans to spend on exploration and property development at its mining properties. See "Business of Boliden — Minerals — Related Activities — Exploration and Business Development Groups".

Milling

The Garpenberg mill was constructed in the 1950s and has been progressively altered and modernized since that time. The current capacity of the mill is 950,000 tpa of ore. The latest upgrade of the mill occurred during the period 1989 to 1991 when Garpenberg increased the capacity of the mill by approximately 25% at a total cost of approximately U.S.\$6.8 million by introducing autogenous grinding, installing new larger flotation cells and changing the concentrate de-watering system to a pressure filtration system.

During 1998, Garpenberg plans to spend approximately U.S.\$1.0 million on capital improvements at the mill.

The Garpenberg mill produces zinc, copper/precious metals and lead concentrates. The concentrates are transported 90 kilometres by truck to the port at Gävle. There, the zinc concentrates are shipped to Norzink for smelting and refining or sold to European smelters and the lead concentrates are sold to European smelters. See "Business of Boliden — Minerals — Smelting and Refining — Norzink AS (Norzink)". The copper/precious metals concentrates are transported 800 kilometres by rail to Rönnskär for smelting and refining. See "Business of Boliden — Minerals — Smelting and Refining — Rönnskär Smelter and Refinery (Rönnskär)".

The annual production from the Garpenberg mill for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Ore delivered to mill (Ktonnes)	<u>898</u>	<u>842</u>	<u>750</u>	<u>811</u>	<u>800</u>
Estimated contained metals in concentrates					
Zinc (tonnes)	34,740	33,699	27,802	30,136	29,442
Copper (tonnes)	702	702	759	828	1,202
Lead (tonnes)	14,591	14,475	12,995	14,826	14,731
Gold (ounces)	9,055	9,271	7,395	9,388	11,381
Silver (Kounces)	2,937	2,879	2,375	3,006	3,189

Cost, Productivity, Employees and Capital Expenditures

The cash production cost of zinc produced at Garpenberg in 1997 was U.S.\$0.47 per pound.

Since 1989, the total cost per tonne of ore milled (expressed in constant 1989 SEK) decreased by 26% and the number of tonnes of ore milled per hour worked increased by 15%. During this period, the number of employees at Garpenberg decreased from 351 to 335.

Capital expenditures at Garpenberg for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
			(U.S.\$ millions)		
Capital expenditures	\$12.3	\$11.1	\$ 9.8	\$ 3.4	\$ 1.0

Aitik Operations (Aitik)

Overview

Aitik's mining and associated milling operations are located in the Norrbotten mineral district of northern Sweden approximately 350 kilometres north of the city of Skellefteå and 60 kilometres north of the Arctic Circle. The Norrbotten mineral district lies along the Kiruna-Ladoga shear zone, a major northwest-southeast trending suture which extends from Kiruna in northern Sweden to Lake Ladoga in Russia with numerous known copper/gold mineralized zones in metasediments and metavolcanics. The district consists of Precambrian supracrustal rocks, with which most of the district's mineralization is associated, and plutonic rocks that are covered by extensive till. The low-grade copper mineralization at Aitik consists of disseminations and thin veinlets of chalcopyrite.

Boliden has carried on mining operations at Aitik since 1968. In 1997, ores from the Aitik mine were the source of the following percentages of Boliden's contained primary metal production: copper 52%, gold 26% and silver 23%.

Mining

Properties and Mine

Aitik's mining properties comprise 375 hectares held by Boliden under exploitation concessions.

Aitik operates one open pit mine. The mill is located next to the mine. The orebody is 3,000 metres long, 400 metres wide and over 600 metres deep and dips at angles of between 45 and 65 degrees. The pit is currently approximately 2,500 metres long, 600 metres wide and between 250 and 300 metres deep. The orebody is mined in two sections, a southern section which will be mined out in 1998 at a final depth of 330 metres and a northern section. The mineralization in the northern section is open at depth below 650 metres. Current plans call for a third and fourth pushback of the north wall of the mine pit and mining of the northern section of the orebody to a depth of 430 metres by 2011. See "Additional Mineral Resources" below. Ore is crushed in an in-pit crusher located at the 165 metre level between the northern and southern sections of the mine and transferred to the Aitik mill by underground conveyor.

Mine Production

The annual production from the Aitik mine for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Mine ore production					
Ore (Ktonnes)	17,014	17,899	17,465	16,411	16,047
Stripping ratio	0.94	0.93	0.82	0.88	0.85

The average ore grades from the Aitik mine for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Average ore grades					
Copper (%)	0.48	0.32	0.38	0.36	0.40
Gold (g/t)	0.18	0.15	0.22	0.21	0.22
Silver (g/t)	4.92	3.60	3.20	2.90	4.50

Ore Reserves

The ore reserves at Aitik at December 31, 1996 as calculated by Boliden were as follows:

	<u>Ore Reserves</u>	<u>Average Ore Grades</u>		
	(Ktonnes)	<u>Copper</u>	<u>Gold</u>	<u>Silver</u>
		(%)	(g/t)	(g/t)
Proven				
Aitik	202,000	0.40	0.2	4
Liikavaara	<u>9,549</u>	0.45	0.1	5
Total	<u>211,549</u>	0.40	0.2	4

The ore reserves at Aitik at December 31, 1997 as calculated by Boliden were as follows:

	Ore Reserves (Ktonnes)	Average Ore Grades		
		Copper (%)	Gold (g/t)	Silver (g/t)
Proven				
Aitik	202,312	0.40	0.2	3
Liikavaara	9,549	0.45	0.1	5
Total	<u>211,861</u>	0.40	0.2	3

The changes in the ore reserves at Aitik between December 31, 1996 and December 31, 1997 as calculated by Boliden were as follows:

	December 31, 1996 (Ktonnes)	Production (Ktonnes)	Revisions/ Discoveries (Ktonnes)	December 31, 1997 (Ktonnes)
Proven				
Aitik	202,000	17,014	17,326	202,312
Liikavaara	9,549	—	—	9,549
Total	<u>211,549</u>	<u>17,014</u>	<u>17,326</u>	<u>211,861</u>

Additional Mineral Resources

The additional mineral resources at Aitik at December 31, 1997 as calculated by Boliden were as follows:

	Mineral Resources (Ktonnes)	Average Ore Grades		
		Copper (%)	Gold (g/t)	Silver (g/t)
Measured and indicated				
Aitik	770,000	0.3	0.2	2
Liikavaara	32,450	0.3	0.1	3
Total	<u>802,450</u>	0.3	0.2	2

The northern section of the Aitik orebody is open below the 430 metre level. Drilling of the orebody to a depth of 600 metres has delineated 770 Mtonnes of measured and indicated mineral resources. Development of the orebody below the 430 metre level will depend on future metal prices.

As a result of an exploration program conducted in recent years, Aitik has identified a deposit at Liikavaara, approximately 3 kilometres east of the Aitik mine. Drilling to date has delineated 9.5 Mtonnes of proven ore reserves and an additional 32.4 Mtonnes of measured and indicated mineral resources.

During 1998, Aitik plans to spend approximately U.S.\$0.25 million on exploration and property development at its mining properties.

Exploration

In addition to Aitik's mining properties, Boliden holds exploration permits and permit applications covering 135,000 hectares of the favourable geology of the Norrbotten mineral district. The Aitik area contains a number of exploration targets that Boliden believes have the potential to host additional copper and gold deposits. At five sites in the vicinity of the Aitik mine, Boliden's Exploration Group has begun extensive soil and bedrock sampling programs combined with ground geophysical surveys. In late 1997, a strong copper-gold anomaly from bedrock sampling was discovered within one kilometre of the Aitik mine. The anomaly is approximately four kilometres long and one kilometre wide. Follow-up drilling is planned for 1998.

During 1998, Boliden's Exploration Group plans to spend approximately U.S.\$0.5 million on exploration in the Norrbotten mineral district, in addition to the amount that Aitik plans to spend on exploration and property development at its mining properties. See "Business of Boliden — Minerals — Related Activities — Exploration and Business Development Groups".

Milling

The Aitik mill was constructed in the late 1960s and has been progressively expanded and modernized since that time. The current capacity of the mill is just under 18 million tpa of ore. The latest upgrade of the mill occurred in 1989 and 1990 when Aitik increased the capacity of the mill by approximately one-third at a total cost of approximately U.S.\$83.3 million by introducing in-pit crushing at the mine, constructing an underground conveyor from the mine to the mill and installing an additional autogenous grinding circuit and additional larger flotation cells at the mill.

During 1998, Aitik plans to spend approximately U.S.\$6.2 million on capital improvements at the mill, including the implementation of a process to recover fine-grained gold from pyrite.

The Aitik mill produces copper concentrates. The concentrates are transported 20 kilometres by truck to the railhead at Gällivare and then 400 kilometres by rail to Rönnskär for smelting and refining. See “Business of Boliden — Minerals — Smelting and Refining — Rönnskär Smelter and Refinery (Rönnskär)”.

The annual production from the Aitik mill for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Ore delivered to mill (Ktonnes)	<u>17,014</u>	<u>17,899</u>	<u>17,465</u>	<u>16,411</u>	<u>16,047</u>
Estimated contained metals in concentrates					
Copper (tonnes)	72,202	50,636	59,951	53,041	58,060
Gold (ounces)	49,035	40,124	61,632	59,799	61,696
Silver (Kounces)	2,020	1,512	1,317	1,117	1,531

Contained metals in concentrates decreased in 1996 and increased in 1997 due to anticipated and temporary fluctuations in copper grades.

Cost, Productivity, Employees and Capital Expenditures

The cash production cost of copper produced at Aitik in 1997 was U.S.\$0.59 per pound.

Since 1989, the total cost per tonne of ore milled (expressed in constant 1989 SEK) decreased by 24% and the number of tonnes of ore milled per hour worked increased by 41%. During this period, the number of employees at Aitik decreased from 410 to 343.

Capital expenditures (excluding deferred stripping) at Aitik for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
			(U.S.\$ millions)		
Capital expenditures	\$17.2	\$12.5	\$8.3	\$8.6	\$9.0

Laisvall Operations (Laisvall)

Overview

Laisvall's mining and associated milling operations are located in the foothills of the Caledonian mountains in northern Sweden, close to the Norwegian border and approximately 260 kilometres north-west of the city of Skellefteå.

Laisvall is Europe's largest lead mine. Boliden has carried on mining operations at Laisvall since 1943. In 1997, ores from the Laisvall mine were the source of the following percentages of Boliden's contained primary metal production: lead 70%, zinc 3% and silver 6%.

Mining

Properties and Mines

Laisvall's mining properties comprise 1,050 hectares held by Boliden under exploitation concessions.

Laisvall operates one underground mine. The mill is located next to the mine. Mining operations are carried out using large-scale, mechanized, room and pillar mining methods. The orebody is relatively flat and is divided into two mineralized layers (upper and lower) which extend approximately 3,000 metres. The lower layer is 200 to 600 metres wide and 2 to 24 metres thick. The upper layer is 300 to 1,000 metres wide and 2 to 8 metres thick. Both layers are currently being mined. The mine operates two shafts that extend to the 200 metre level, one for personnel and one for

hoisting. There is also a ramp to the surface which provides access for large mobile equipment and materials. Mined ore is hauled to a central crusher and then hoisted to the surface where it is fed into the Laisvall mill.

Mining operations are carried out under and on both sides of Lake Stor-Laisan. A minimum cover of 20 metres is left between the lake bed and the top of the mining room. Water seepage is controlled by large pump stations which pump water back into the lake. Strict quality controls are applicable to the water pumped back into the lake. Laisvall operates large, underground water treatment plants to comply with applicable regulatory requirements.

Mine Production

The annual production from the Laisvall mine for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Mine ore production (Ktonnes)	1,879	1,784	1,650	1,679	1,752

The average ore grades from the Laisvall mine for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Average ore grades					
Lead (%)	4.2	4.2	4.4	5.1	4.7
Zinc (%)	0.5	0.8	1.0	0.7	0.8
Silver (g/t)	9.6	9.0	9.9	12.2	11.4

Ore Reserves

The ore reserves at Laisvall at December 31, 1996 as calculated by Boliden were as follows:

	<u>Ore Reserves</u> (Ktonnes)	<u>Average Grades</u>		
		<u>Lead</u> (%)	<u>Zinc</u> (%)	<u>Silver</u> (g/t)
Proven	9,622	5.0	0.5	11

The ore reserves at Laisvall at December 31, 1997 as calculated by Boliden were as follows:

	<u>Ore Reserves</u> (Ktonnes)	<u>Average Grades</u>		
		<u>Lead</u> (%)	<u>Zinc</u> (%)	<u>Silver</u> (g/t)
Proven	7,864	5.0	0.5	9
Probable	736	2.6	3.1	—
Total	<u>8,600</u>	4.8	0.7	9

In September 1997, Boliden received an environmental permit to increase annual production from the Laisvall mine to 2.2 Mtonnes. At current mining rates and metal prices, the ore reserves will be exhausted by 2002. Production beyond 2002 will require positive exploration results, increases in metal prices above current levels or additional increases in productivity to reduce operating costs.

The changes in the ore reserves at Laisvall between December 31, 1996 and December 31, 1997 as calculated by Boliden were as follows:

	<u>December 31, 1996</u> (Ktonnes)	<u>Production</u> (Ktonnes)	<u>Revisions/ Discoveries</u> (Ktonnes)	<u>December 31, 1997</u> (Ktonnes)
Proven	9,622	1,879	121	7,864
Probable	—	—	736	736
Total	<u>9,622</u>	<u>1,879</u>	<u>857</u>	<u>8,600</u>

Additional Mineral Resources

The additional mineral resources at Laisvall at December 31, 1997 as calculated by Boliden were as follows:

	Mineral Resources (Ktonnes)	Average Grades		
		Zinc (%)	Lead (%)	Silver (g/t)
Laisvall				
Measured and indicated	2,204	1.8	0.5	—
Maiva				
Measured and indicated	1,150	0.1	4.9	—

Since 1992, Boliden's Exploration Group has spent over U.S.\$1.2 million on exploration in the immediate vicinity of the Laisvall mine, including boulder mapping, geophysics, geochemistry and drilling. Some potential for additional ore reserves exists at the Laisvall mine. In addition, a number of small satellite deposits have been identified, including the Maiva deposit located approximately six kilometres north-east of the Laisvall mine and containing over one Mtonne of measured and indicated mineral resources with an average grade of 4.9% lead and 0.1% zinc. Surface drilling during the second quarter of 1997 resulted in the discovery of a zinc-rich zone approximately 100 metres from the Laisvall mine's underground workings. A drift has been driven to the zone and mining began during the fourth quarter of 1997.

During 1998, Laisvall plans to spend approximately U.S.\$1.2 million on new equipment and property development at the mine.

Milling

The Laisvall mill was constructed in the 1940s and has been progressively expanded and modernized since that time. In order to reduce the total cost per tonne of ore milled, Laisvall has increased the capacity of the mill to 2.0 million tpa of ore.

During 1998, Laisvall plans to spend approximately U.S.\$0.4 million on capital improvements at the mill.

The Laisvall mill produces lead and zinc concentrates. The concentrates are transported 280 kilometres by truck to Rönnskär. There, the zinc concentrates are blended with the zinc concentrates from BAO and shipped to Norzink for smelting and refining or sold to European smelters. See "Business of Boliden — Minerals — Smelting and Refining — Norzink AS (Norzink)". The lead concentrates are smelted and refined at Rönnskär or sold to European smelters. See "Business of Boliden — Minerals — Smelting and Refining — Rönnskär Smelter and Refinery (Rönnskär)".

The annual production from the Laisvall mill for the five years ended December 31, 1997 was as follows:

	1997	1996	1995	1994	1993
Ore delivered to mill (Ktonnes)	1,879	1,784	1,650	1,679	1,752
Estimated contained metals in concentrates					
Lead (tonnes)	69,487	66,337	65,425	77,278	74,766
Zinc (tonnes)	6,622	11,060	12,658	8,413	10,785
Silver (Kounces)	495	444	453	552	558

Cost, Productivity, Employees and Capital Expenditures

The cash production cost of lead produced at Laisvall in 1997 was U.S.\$0.24 per pound.

Since 1989, the total cost per tonne of ore milled (expressed in constant 1989 SEK) decreased by 34% and the number of tonnes of ore milled per hour worked increased by 50%. During this period, the number of employees at Laisvall decreased from 257 to 202.

Capital expenditures at Laisvall for the five years ended December 31, 1997 were as follows:

	1997	1996	1995	1994	1993
	(U.S.\$ millions)				
Capital expenditures	\$4.2	\$2.4	\$0.8	\$0.8	\$0.3

Boliden Apirsa SL (Apirsa)

Overview

Apirsa's mining and associated milling operations are located at Aznalcóllar on the south-east edge of the Iberian pyrite belt of south-western Spain and south-eastern Portugal, approximately 45 kilometres west of Seville. The Iberian pyrite belt is a 230 kilometre long east-west mineral belt well known for its massive sulphide deposits. The belt contains many other base metal mines, including the Neves Corvo, Rio Tinto, Sotiel and Tharsis mines.

Boliden acquired Apirsa in 1987. At the time of the acquisition, Apirsa was mining the recently depleted (1996) Aznalcóllar orebody. Immediately after the acquisition, Boliden began to explore Apirsa's mining properties. In 1988, Boliden discovered the Los Frailes orebody located one kilometre to the east of the Aznalcóllar mine. A feasibility study was commenced in 1991 and a production decision was made in 1995.

Production at the Los Frailes mine began in February 1997. In December 1997, the Los Frailes mine reached its designated production level of 4 Mtonnes of ore per annum. As part of the development of the Los Frailes orebody, Apirsa upgraded and expanded its existing mill to improve recovery rates and operating efficiencies. Apirsa's capital expenditures to bring the Los Frailes mine into production were U.S.\$167 million. Approximately 20% of these expenditures is being funded by development grants from the Spanish government. In 1997, ores from the Los Frailes mine were the source of the following percentages of Boliden's contained primary metal production: zinc 23%, lead 13% and silver 7%.

Mining

Properties and Mines

Apirsa's mining properties comprise 9,132 hectares in the Provinces of Seville and Huelva held by Apirsa under mining concessions.

Apirsa operates one open pit mine. The mill is located next to the mine. The orebody has an east-west strike, with an investigated length of approximately 400 metres at depths of less than 45 metres and over 1,000 metres at depths of greater than 100 metres. The orebody dips northward at angles of between 45 and 50 degrees in the upper sections, flattening to 30 to 40 degrees at depth. The orebody has been drilled to the 300 metre level and is open at depth and to the west. It is generally thinner in the upper parts and thicker down dip, to a maximum of 90 metres. Mined ore is hauled to a primary crusher by truck and transferred to the Apirsa mill by conveyor.

Mine Production

Production at the Los Frailes mine began in February 1997 and full production began in December 1997.

Based on the feasibility study for, and its initial operating experience at, the Los Frailes mine and its operating experience at the Aznalcóllar mine, Boliden believes that annual production from the Los Frailes mine will be 4.0 Mtonnes of ore in 1998, increasing to approximately 4.2 Mtonnes in 2000, with an average stripping ratio over the remaining life of the mine of approximately 5.9:1.

Ore Reserves

The ore reserves at the Los Frailes mine at December 31, 1996 as calculated by Boliden were as follows:

	Ore Reserves (Ktonnes)	Average Ore Grades			
		Zinc (%)	Copper (%)	Lead (%)	Silver (g/t)
Proven	46,400	3.8	0.3	2.2	60

The ore reserves at the Los Frailes mine at December 31, 1997 as calculated by Boliden were as follows:

	Ore Reserves (Ktonnes)	Average Ore Grades			
		Zinc (%)	Copper (%)	Lead (%)	Silver (g/t)
Proven	44,600	3.8	0.3	2.2	60

The changes in the ore reserves at the Los Frailes mine at December 31, 1996 and December 31, 1997 as calculated by Boliden were as follows:

	<u>December 31, 1996</u>	<u>Production</u>	<u>Revisions/ Discoveries</u>	<u>December 31, 1997</u>
	(Ktonnes)	(Ktonnes)	(Ktonnes)	(Ktonnes)
Proven	46,400	1,800	—	44,600

Additional Mineral Resources

The additional mineral resources at Los Frailes at December 31, 1997 as calculated by Boliden were as follows:

	<u>Mineral Resources</u>	<u>Average Ore Grades</u>			
	(Ktonnes)	<u>Zinc</u>	<u>Copper</u>	<u>Lead</u>	<u>Silver</u>
		(%)	(%)	(%)	(g/t)
Measured and indicated	30,000	3.6	0.3	2.2	60

The Los Frailes orebody is open at depth and to the west. In the third quarter of 1997, drilling to test depth extension intersected a horizon grading 6.1% zinc, 3.5% lead and 104 g/t silver at a depth of 500 metres. In addition, the Salome prospect, located 3 kilometres to the east, may be the eastward continuation of the Los Frailes orebody across the Los Frailes fault.

Exploration

In addition to its mining properties, Apirsa holds investigation permits or applications for investigation permits comprising 17,990 hectares in the Provinces of Seville and Huelva around and up to 60 kilometres from the Los Frailes mine. Boliden believes that Apirsa's mineral properties have good potential for additional base metal and gold discoveries.

Boliden's Exploration Group intends to conduct exploration on targets in the area between the Los Frailes mine and the nearby, recently-discovered Las Cruces base metal deposit of Rio Tinto and at several nearby properties, including Tintillo where geological and geophysical work was carried out by Apirsa in 1988.

During 1998, Boliden's Exploration Group plans to spend approximately U.S.\$0.9 million on Apirsa's exploration properties in the Iberian pyrite belt. See "Business of Boliden — Minerals — Related Activities — Exploration and Business Development Groups".

Milling

The original Apirsa mill was constructed in the late 1970s and started operations in 1979 at a capacity of 2.3 million tpa of ore. As part of the development of the Los Frailes mine, the Apirsa mill was upgraded and expanded to a capacity of 4.0 million tpa of ore and Apirsa expects to further increase the capacity of the mill to approximately 4.2 million tpa of ore by 2000. Significant modifications included the introduction of autogenous grinding, conversion of the ball mills into secondary pebble mills and installation of new larger flotation cells. In addition, the concentrate de-watering system was changed to pressure filtration and a state-of-the-art process control system was installed to improve recoveries and the quality of concentrates.

During 1998, Apirsa plans to spend approximately U.S.\$1.1 million on capital improvements at the mill.

The Apirsa mill produces zinc, copper and lead concentrates. The concentrates are transported 90 kilometres by truck to the port at Huelva. A portion of the zinc concentrates is shipped to Norzink for smelting and refining. See "Business of Boliden — Minerals — Smelting and Refining — Norzink AS (Norzink)". The balance of the zinc concentrates and the lead concentrates are sold to European smelters. The increased production of lead concentrates from the Los Frailes mine may necessitate the identification of additional smelters outside Europe. The copper concentrates will be sold to a Japanese smelter.

Based on previous operating experience at the Apirsa mill and mine production to date from the Los Frailes mine, Boliden believes that average recovery rates from the Apirsa mill will be approximately 75% for zinc, 52% for lead, 41% for copper and 40% for silver for an estimated annual contained primary metal production commencing in 1998 of approximately 125,000 tonnes of zinc, 4,700 tonnes of copper, 48,000 tonnes of lead and 2,920,000 ounces of silver.

Cash Production Costs

Based on the feasibility study for the Los Frailes mine, Boliden estimates that the cash production cost of zinc produced at Apirsa in 1998 (the first full year of production at the Los Frailes mine) will be approximately U.S.\$0.46 per pound.

Water Supply

In recent years, southern Spain has experienced unusual climatic conditions, including both a drought and severe flooding which seriously disrupted operations at the Aznalcóllar mine. In response, Apirsa has broadened its water management program, including expansion of the capacity of its water treatment plant to permit increased recycling of water from the tailings area within the mill. Apirsa has a fresh water reservoir located approximately 2 kilometres from the Apirsa mill with a storage capacity equal to approximately 2.5 years of operation. Boliden believes that these facilities are adequate to minimize the effect of any recurring adverse climatic conditions on the Los Frailes mine under most situations.

MINING AND MILLING — MIDDLE EAST

Boliden's mining and processing activities in the Middle East are carried out through SCPM. See "Boliden — Organizational Chart".

Saudi Company for Precious Metals (SCPM)

Overview

Boliden and General Petroleum and Mineral Organization ("Petromin"), the state-owned organization responsible for, and engaged in, the development and operation of the minerals industry in the Kingdom of Saudi Arabia, formed SCPM in 1989 to develop and mine the Sukhaybarat gold deposit.

The discovery of the Sukhaybarat gold deposit was the result of joint exploration by Boliden and Petromin in 1983. Boliden and Petromin each own 50% of SCPM and, under the agreements between them, are alternately entitled to appoint the chief executive officer for a nine year period. The chief executive officer of SCPM is currently an appointee of Boliden. His term of office expires in 1998. Boliden has entered into a technical services agreement with SCPM under which Boliden has agreed to recruit experienced technical personnel and provide technical and exploration support for the operations of SCPM.

SCPM holds a mining lease for the Sukhaybarat mine and owns mining and mineral processing facilities for the production of gold at a site located approximately 330 kilometres east of the town of Medina, approximately 36 kilometres south of the highway connecting Medina and Buraydah. There is an asphalt road connecting the highway and the site and a 900 metre airstrip close to the site. Electrical power for the facilities is supplied by the Saudi public power supplier. Process water for the facilities is obtained from a number of wells located within 35 kilometres from the site. Living accommodation for personnel is at the site. A majority of the personnel are expatriates and the supervisory staff is Scandinavian. Saudi personnel are employed as security guards and office staff and are being trained for operational functions.

Production at the Sukhaybarat mine began in 1991. Since that time, the mine has produced approximately 492 Kounces of gold at an average cash production cost of approximately U.S.\$130 per ounce. In 1997, Boliden's share of the gold produced at the Sukhaybarat mine represented 16% of Boliden's contained primary gold production.

Production

Properties and Mines

The Sukhaybarat mining lease covers approximately 50 square kilometres and expires in 2019.

The original plan for the mine has been implemented. The plan involved the excavation of an open pit to the 135 metre level with higher grade ore being processed immediately and lower grade ore being stockpiled for processing once the higher grade ore was depleted. See "Additional Mineral Resources" below. Higher grade ore recovered from the excavation is processed using carbon in leach (CIL) and lower grade oxidized material is processed using heap leaching (HL), achieving average recovery rates of 90% and 83%, respectively.

A feasibility study was completed in August 1997 with respect to a pushback of the open pit to the 160 metre level and work on the pushback began in October 1997. Approximately 2 Mtonnes of ore with an average grade of 2.3 g/t of

gold and 1.5 Mtonnes of heap-leach ore with an average grade of 0.73 g/t of gold has been established out of the inferred mineral resources. In addition to the ore reserves and the mineral resources described above, SCPM has stockpiled 1.5 Mtonnes of material with an average grade of 1.0 g/t of gold. SCPM plans to process this material in 1998 and 1999 in conjunction with ore mined from the pushback of the open pit to the 160 metre level.

The annual production at SCPM for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Ore Production (Ktonnes) (1)					
CIL	649.7	641.9	664.2	651.7	679.5
HL	<u>606.4</u>	<u>604.2</u>	<u>540.4</u>	<u>—</u>	<u>—</u>
Total	<u>1,256.1</u> (2)	<u>1,246.1</u>	<u>1,204.6</u>	<u>651.7</u>	<u>679.5</u>
Head Grades (g/t)					
CIL	2.5	3.6	3.7	4.2	4.0
HL	0.9	1.1	1.5	—	—
Gold Production (Kounces) (1)					
CIL	47.4	67.8	71.6	81.0	81.9
HL	<u>14.8</u>	<u>17.6</u>	<u>19.3</u>	<u>—</u>	<u>—</u>
Total	<u>62.2</u>	<u>85.4</u>	<u>90.9</u>	<u>81.0</u>	<u>81.9</u>

Notes:

(1) Represents 100% of production at SCPM. Boliden owns 50% of SCPM.

(2) Includes 142 Ktonnes of ore previously mined and stockpiled by SCPM.

The cash production cost of gold produced at the Sukhaybarat mine in 1997 was U.S.\$162 per ounce.

Ore Reserves

The ore reserves at the Sukhaybarat mine at December 31, 1996 as calculated by SCPM were as follows:

	<u>Ktonnes</u>	<u>Average Ore Grade — Gold</u> (g/t)	<u>Contained Gold</u> (Kounces)
Proven (1)	750	2.2	53

Note:

(1) Represents 100% of ore reserves at SCPM. Boliden owns 50% of SCPM.

The ore reserves at the Sukhaybarat mine at December 31, 1997 as calculated by SCPM were as follows:

	<u>Ktonnes</u>	<u>Average Ore Grade — Gold</u> (g/t)	<u>Contained Gold</u> (Kounces)
Proven (1)	2,900	1.7	153

Note:

(1) Represents 100% of ore reserves at SCPM. Boliden owns 50% of SCPM.

The changes in the ore reserves at the Sukhaybarat mine between December 31, 1996 and December 31, 1997 as calculated by Boliden were as follows:

	<u>December 31, 1996</u> (Ktonnes)	<u>Production</u> (Ktonnes)	<u>Revisions/ Discoveries</u> (Ktonnes)	<u>December 31, 1997</u> (Ktonnes)
Proven (1)	750	1,114 (2)	3,264	2,900 (3)

Notes:

(1) Represents 100% of ore reserves at SCPM. Boliden owns 50% of SCPM.

(2) Does not include 142 Ktonnes of ore previously mined and stockpiled by SCPM.

(3) SCPM has stockpiled an additional 1,478 Ktonnes of ore for processing.

Additional Mineral Resources

SCPM is in the final stages of completing a feasibility study at Bulghah North in its Mawan exploration area, located 68 kilometres from the Sukhaybarat site. Drilling to date has revealed approximately 31 Mtonnes of mineralization with an average grade of 0.9 g/t of gold. The feasibility study is scheduled for completion in May 1998. Assuming that the feasibility study is positive and that all necessary approvals are available in a timely fashion, SCPM would plan to bring the deposit into production in mid-1999 at an initial production rate of approximately 70,000 ounces per year. SCPM has submitted an application for a mining lease for the Bulghah North project in advance of the completion of the feasibility study.

During 1998, SCPM expects to spend approximately U.S.\$0.1 million on exploration and property development at Bulghah North.

Exploration

The Kingdom of Saudi Arabia has the potential to become a major minerals producer, particularly gold. At the present time, SCPM operates one of only two producing gold mines in Saudi Arabia. The other is 100% owned by the Saudi government.

In addition to its rights in the Sukhaybarat and Mawan exploration areas, SCPM holds rights to explore four other areas within 100 kilometres of the Sukhaybarat site. These rights were granted in 1992 and renewed for another four-year period in 1996.

SCPM has an exploration team of 21 persons of whom five are geologists. During 1998, SCPM plans to spend approximately U.S.\$1.3 million on other exploration areas.

MINING AND MILLING — AMERICAS

Boliden's mining, milling and processing activities in Canada and Chile (commencing July 1998) are carried out through Boliden Westmin Limited and Compañía Minera Lomas Bayas. See "Boliden — Organizational Chart".

Myra Falls Operations (Myra Falls)

Overview

Myra Falls' mining and associated milling operations are located in Strathcona Provincial Park in the Myra Valley on Vancouver Island, British Columbia, approximately 90 kilometres south-west of Campbell River. The ore deposits comprise complex metal-zoned volcanogenic massive sulphides contained within the 450 metre-thick Myra Formation of the Sicker Group volcanic assemblage. The Myra Formation hosts a geologically diverse collection of orebodies, including polymetallic massive sulphides, polymetallic disseminated sulphides, zoned pyritic massive sulphides and stringer sulphide zones.

Mining operations have been carried on at Myra Falls since 1966. Over the past 32 years, approximately 18 Mtonnes of ore have been processed from Myra Falls' mines. In 1997, ores from Myra Falls' mines were the source of the following percentages of Boliden's contained primary metal production: zinc 32%, copper 12%, gold 13% and silver 6%.

Mining

Properties and Mines

Myra Falls' mining properties comprise 3,629 hectares held by Boliden under mineral claims, mining leases and Crown-granted claims.

Myra Falls currently operates two underground mines: the H-W mine which commenced production in 1985 and the Battle mine which commenced significant production in 1996 and is located approximately 1.8 kilometres north-west of the H-W mine. The mines are located in a stratigraphic sequence of volcanic rocks that is over 6 kilometres long and 450 metres thick. Mining operations are carried out using bulk-mining methods.

The H-W and Battle mines produce polymetallic ores. A single production shaft at the 700 metre level services both mines. Mined ore is hauled to the H-W underground crusher and then hoisted to the surface for transport to the Myra Falls mill which is located approximately one kilometre from the mine opening.

Mine Production

The annual production from Myra Falls' mines for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Mine ore production (Ktonnes)	1,257	1,268	1,197	252 (1)	433(1)(2)

Notes:

(1) Production results were adversely affected by a 16-month labour dispute from April 24, 1993 to August 15, 1994.

(2) In 1993, 42 Ktonnes of ore were milled from the Lynx mine which was depleted in 1993.

The average ore grades from Myra Falls' mines for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Average ore grades (all mine ore production)					
Zinc (%)	5.36	3.93	2.71	2.80	2.77
Copper (%)	1.51	1.58	2.03	1.94	1.88
Gold (g/t)	1.56	1.73	1.86	1.91	1.89
Silver (g/t)	21.3	21.9	22.5	27.2	21.9

Ore Reserves

The ore reserves at Myra Falls at December 31, 1997 as calculated by Boliden were as follows:

	<u>Ore Reserves</u>	<u>Average Ore Grades</u>			
	(Ktonnes)	<u>Zinc</u> (%)	<u>Copper</u> (%)	<u>Gold</u> (g/t)	<u>Silver</u> (g/t)
Total all mines					
Proven	7,321	7.3	1.5	1.4	34
Probable	737	9.1	1.6	1.1	28
Total	<u>8,058</u>	7.5	1.6	1.4	34

Total Mineral Resources

The total mineral resources (including mineral resources which are also classified as ore reserves and included in "Ore Reserves" above) at Myra Falls at December 31, 1997 as calculated by Boliden were as follows:

	<u>Mineral Resources</u>	<u>Average Ore Grades</u>			
	(Ktonnes)	<u>Zinc</u> (%)	<u>Copper</u> (%)	<u>Gold</u> (g/t)	<u>Silver</u> (g/t)
Total all mines and properties					
Measured and indicated	11,051	8.5	1.8	1.8	46
Inferred	2,164	7.9	1.8	1.7	60

Two new mineralized zones, Trumpeter and Marshall, discovered in 1992 and 1995, respectively, are not fully delineated and hold potential for additional mineral resources.

Surface drilling during the third quarter of 1997 resulted in an upgrade of the mineralization located in the Extension zone between the H-W mine and the Battle mine. Intersections from 5 drill holes have outlined measured and indicated mineral resources of approximately 400 Ktonnes grading 4.3% zinc, 1.3% copper, 0.9 g/t gold and 35 g/t silver. Definition drilling for mine planning and development purposes is scheduled to begin in the first half of 1998.

During 1998, Myra Falls plans to spend approximately U.S.\$5.6 million on exploration and property development at its mining properties and approximately U.S.\$3.6 million on equipment to upgrade mining capacity at its mines.

Boliden is currently investigating options to increase the seismic stability of the tailings facility at Myra Falls. The amount of any required expenditures has not been determined.

Milling

The original Myra Falls mill was constructed in 1966 and was replaced in 1985 by the current mill which has been progressively modernized since that time. In 1990, the existing zinc and copper flotation circuit was streamlined by using column flotation cells and a reduced recirculating load which resulted in improved zinc recovery. In 1992, a Knelson gravity concentrator was added to each grinding circuit to improve gold recovery.

The Myra Falls mill produces zinc and copper/precious metals concentrates which are transported 90 kilometres by truck to the port at Campbell River on the east coast of Vancouver Island. There, the concentrates are shipped to smelters overseas.

The annual production from the Myra Falls mill for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994(1)</u>	<u>1993(1)</u>
Ore delivered to mill (Ktonnes)	<u>1,257</u>	<u>1,268</u>	<u>1,197</u>	<u>251</u>	<u>433</u>
Estimated contained metals in concentrates					
Zinc (tonnes)	61,283	43,950	26,780	4,992	9,412
Copper (tonnes)	16,470	17,576	21,770	4,069	7,086
Gold (ounces)	24,575	27,756	26,357	4,530	10,514
Silver (Kounces)	558	575	547	130	181

Note:

(1) Production results were adversely affected by a 16-month labour dispute from April 24, 1993 to August 15, 1994.

Cost, Productivity, Employees and Capital Expenditures

The cash production cost of zinc produced at Myra Falls in 1997 was U.S.\$0.43 per pound.

Since 1989, the total cost per tonne of ore milled (expressed in constant 1989 C\$) decreased by 38% and the number of tonnes of ore milled per hour worked increased by 53%. During this period, the number of employees at Myra Falls decreased from 678 to 442.

Capital expenditures at Myra Falls for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
			(U.S.\$ millions)		
Capital expenditures	\$4.8	\$13.1	\$12.2	\$2.6	\$3.6

Gibraltar Operations (Gibraltar)

Overview

Gibraltar's mining and associated milling and processing operations are located approximately 60 kilometres north of Williams Lake in the Cariboo region of British Columbia at an elevation of approximately 1,120 metres. Mining operations have been carried on at Gibraltar since 1972. Over the past 26 years, approximately 294 Mtonnes of ore have been processed from the Gibraltar mine. In 1997, ores from the Gibraltar mine were the source of 26% of Boliden's contained copper production.

Mining operations at the Gibraltar mine will be suspended and the mine put on care and maintenance at the end of 1998.

Mining

Properties and Mine

Gibraltar's mining properties comprise 1,795 hectares held by Boliden under mineral claims and mining leases.

Gibraltar operates one open pit mine which produces copper concentrate, copper cathode and molybdenum concentrate. The mill is located next to the mine. Since 1994, the orebody has been mined from the Gibraltar East pit which is currently approximately 1,200 metres long, 1,200 metres wide and between 150 and 300 metres deep. Ore is crushed in a primary in-pit crusher located at the 1,010 metre level south of the Gibraltar East pit and transferred to the Gibraltar mill by conveyor.

Mine Production

The annual production from the Gibraltar mine for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Mine ore production (Ktonnes)	13,029	13,161	13,855	3,757 (1)	10,133 (1)

Note:

- (1) Gibraltar temporarily suspended operations during a 24-day vacation period in the summer of 1993 and reduced concentrator production by 50% of annual throughput on September 24, 1993. On December 1, 1993, Gibraltar suspended all mining and milling operations. Gibraltar returned to full production on September 25, 1994.

The average ore grades from the Gibraltar mine for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Average ore grades					
Copper (%)	0.31	0.28	0.27	0.28	0.30
Molybdenum (%)	0.008	0.008	0.006	0.005	0.008

Ore Reserves

The ore reserves at Gibraltar at December 31, 1997 as calculated by Boliden were as follows:

	Ore Reserves	Average Ore Grades	
	(Ktonnes)	Copper	Molybdenum
		(%)	(%)
Proven	150,887	0.31	0.01
Probable	<u>16,279</u>	0.29	0.01
Total	<u>167,166</u>	0.31	0.01

Milling

The Gibraltar mill was constructed in 1972 and has been progressively modernized since that time. The milling circuit is conventional with primary and secondary crushing followed by ball mill grinding and a flotation and dewatering circuit. A cycloned-tailing constructed dam is used to impound the tailings from the mill

The Gibraltar mill produces copper and molybdenum concentrates. The concentrates are transported 560 kilometres by rail to the port at Vancouver. There, the concentrates are shipped to smelters overseas.

The annual production from the Gibraltar mill for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994 (1)</u>	<u>1993 (1)</u>
Ore delivered to mill (Ktonnes)	<u>13,029</u>	<u>13,161</u>	<u>13,855</u>	<u>3,757</u>	<u>10,133</u>
Estimated contained metals in concentrates					
Copper (tonnes)	33,197	29,136	27,771	6,988	22,916
Molybdenum (tonnes)	164	182	30	—	—

Note:

- (1) Gibraltar temporarily suspended operations during a 24-day vacation period in the summer of 1993 and reduced concentrator production by 50% of annual throughput on September 24, 1993. On December 1, 1993, Gibraltar suspended all mining and milling operations. Gibraltar returned to full production on September 25, 1994.

Leaching

Copper is also leached from three of the four major waste dumps and one heap leach pad at Gibraltar, using both sulphuric leaching and natural bacterial leaching. The copper is recovered from solution in a conventional SX-EW plant which produces cathode containing 99.99% copper. The cathode is transported by truck to the port at Vancouver. There, the cathode is shipped to customers.

The annual production of copper cathode for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Copper cathode (tonnes)	2,722	2,551	2,596	2,304	2,719

Cost, Productivity, Employees and Capital Expenditures

The cash production cost of copper produced at Gibraltar in 1997 was U.S.\$0.90 per pound.

Since 1989, the total cost per tonne of ore milled (expressed in constant 1989 C\$) decreased by 4% and the number of tonnes of ore milled per hour worked increased by 16%. During this period, the number of employees at Gibraltar decreased from 299 to 280.

Capital expenditures at Gibraltar for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
			(U.S.\$ millions)		
Capital expenditures	\$1.0	\$5.9	\$3.1	\$2.9	\$2.9

Compañía Minera Lomas Bayas (Lomas Bayas)

Overview

Lomas Bayas' mining operations are located in the Atacama desert of northern Chile in the Sierra San Cristobal, a local north-east trending range of mountains, at an elevation of 1,500 metres, approximately 110 kilometres north-east of the port city of Antofagasta. The orebody at Lomas Bayas is composed of Upper Cretaceous volcanic arc rocks and associated backarc sediments that are intruded by an Upper Cretaceous-Paleocene composite granodiorite batholith. The orebody is generally oxidized with a few zones of mixed oxide and sulphide. Copper mineralization occurs in an irregular concentric zone around a low grade, hydrothermally altered centre.

Production at Lomas Bayas is expected to commence in July 1998 at an annual rate of 60,000 tonnes of copper cathode.

Mining

Properties and Mine

Lomas Bayas' mining properties comprise 3,905 hectares held by Boliden under exploitation concessions.

The orebody at Lomas Bayas has been explored to a depth of 300 metres and comprises three main mineralized zones that have been structurally controlled by faulting: the Tirana, the Candelaria and the Andacollo.

In November 1997, Westmin completed the acquisition of Fortuna de Cobre, a porphyry copper property located three kilometres south-west of the Lomas Bayas mine. The Fortuna de Cobre property comprises 7,825 hectares held by Boliden under exploration and exploitation concessions.

Mining and Processing

Mining at Lomas Bayas will be by conventional open pit methods and will commence with a small starter pit in the Tirana zone. Heap leach grade ore will be crushed and placed on leach pads by a series of portable conveyors and a stacking system. Lower grade ore that does not economically justify the cost of crushing and additional handling will be placed directly on separate leach pads by mine haulage trucks. Solutions containing sulphuric acid will then be applied to leach the ores and copper recovery will occur by SX-EW process. The copper cathode will be transported 120 kilometres by truck and rail to the port at Antofagasta and shipped to customers overseas.

Ore Reserves

A feasibility study commissioned in 1995 and updated in 1996 evaluated the geology, mineable reserves, heap leaching (HL) and run-of-mine leaching (RML) performance, plant design and infrastructure requirements for the Lomas Bayas mine. The feasibility study estimated cash production costs at approximately US\$0.39 per pound of copper produced in year one and life of mine cash production costs at approximately US\$0.54 per pound of copper produced (in each case including offsite costs of US\$0.04 per pound).

The mineable ore reserves at the Lomas Bayas mine as determined under the feasibility study were as follows:

	Mineable Ore Reserves (Mtonnes)	Copper (%)	Contained Copper (billion lbs)
HL ore	143.1	0.487	1.536
RML ore	146.5	0.226	0.730
Total	<u>289.6</u>	<u>0.355</u>	<u>2.266</u>

The ore reserves at the Lomas Bayas mine at December 31, 1997 as calculated by Boliden were as follows:

	Ore Reserves (Ktonnes)	Average Copper Grade (%)
HL ore		
Proven	49,811	0.6
Probable	96,707	0.5
Total	<u>146,518</u>	0.5
RML ore		
Proven	36,310	0.2
Probable	136,473	0.2
Total	<u>172,783</u>	0.2

Total Mineral Resources

The total mineral resources at the Lomas Bayas mine (including mineral resources which are also classified as ore reserves and included in “Ore Reserves” above) and Fortuna de Cobre at December 31, 1997 as calculated by Boliden were as follows:

	Mineral Resources (Ktonnes)	Average Copper Grade (%)
Lomas Bayas Mine		
Measured and indicated	479,100	0.3
Inferred	60,000	0.2
Fortuna de Cobre		
Measured and indicated	317,300	0.3
Inferred	274,900	0.2

Capital expenditures by Lomas Bayas for the year ended December 31, 1997 were U.S.\$168.2 million, consisting of U.S.\$159.0 million on construction of the Lomas Bayas mine, U.S.\$5.1 million to complete the acquisition of Fortuna de Cobre, U.S.\$3.1 million on drilling and metallurgical and engineering studies and U.S.\$1.0 million to acquire additional water rights and wells sufficient for expanded operations. A project financing facility totaling U.S.\$140 million was entered into in June 1997. The facility is secured by a charge on all of the Lomas Bayas assets and is guaranteed by Westmin until completion of the construction of the Lomas Bayas mine.

During 1998, Lomas Bayas expects to spend approximately U.S.\$76.1 million on the construction of the Lomas Bayas mine and approximately U.S.\$5.0 million on exploration and property development and metallurgical and engineering studies at Fortuna de Cobre.

Exploration

In addition to the Lomas Bayas mine (which is expected to commence production in July 1998), Lomas Bayas holds exploration concessions comprising 24,300 hectares in the Atacama desert around and up to 150 kilometres from the Lomas Bayas mine.

Boliden’s Exploration Group plans to spend approximately U.S.\$2.9 million on Lomas Bayas’ exploration properties, in addition to the amounts that it intends to spend at the Lomas Bayas mine and Fortuna de Cobre. See “Business of Boliden — Minerals — Related Activities — Exploration and Business Development Groups”.

SMELTING AND REFINING

Boliden's smelting and refining activities are carried out through the following units and operating groups: Rönnskär, Norzink and Bergsöe. See "Boliden — Organizational Chart".

Rönnskär Smelter and Refinery (Rönnskär)

Overview

Rönnskär is an integrated metallurgical complex comprising a copper smelter and refinery, a lead smelter and refinery, a slag fuming plant, a precious metals plant, a liquid sulphur dioxide plant, a sulphuric acid plant and a nickel sulphate plant. The complex processes all of the copper and copper/gold concentrates from BAO, Garpenberg and Aitik as well as copper and gold concentrates from third parties, most of the lead concentrates from Laisvall and secondary materials from third parties.

Rönnskär is strategically located on a small peninsula 20 kilometres east of Skellefteå on the east coast of north Sweden. In addition to having its own port facilities, Rönnskär is connected to the Swedish national railway and highway networks, ideally situated both for receiving concentrates and secondary materials and for shipping metal to customers, by ship, rail and road. Its location also gives it access to an abundant source of electrical power at prices which are competitive by international standards.

The complex was originally constructed in the 1930s and has been progressively expanded and modernized over the years. Recent capital investment and cost rationalization programs have increased production capacity, improved productivity and performance and significantly reduced emissions. Emissions from the complex currently are well below Swedish regulatory limits. Because of its advanced technology, Rönnskär is able to efficiently process metallurgically complex concentrates and a wide variety of secondary materials. A further major expansion of the complex (Project 200+) is currently being planned.

Operations

The copper smelter currently has the capacity to process approximately 300,000 tpa of copper concentrates and 130,000 tpa of secondary materials to produce approximately 170,000 tpa of blister copper. The blister copper is refined at the copper refinery which has the capacity to produce approximately 140,000 tpa of copper cathode.

The lead line (which uses a Boliden Kaldo-type furnace) has the capacity to process approximately 100,000 tpa of lead concentrates to produce approximately 76,000 tpa of lead. Lead is refined to a minimum purity of 99.99% and cast into 42 kg ingots. Because of its purity, Rönnskär lead is highly regarded as an attractive source of lead for battery manufacturers. The lead line also can be used to process up to 40,000 tpa of secondary copper materials to produce approximately 15,000 tpa of copper cathode after treatment by the copper refinery. Because some of the capacity of the lead line is dedicated to processing secondary copper materials, Boliden sells a portion of the lead concentrates produced at its mines to third parties for further processing.

In addition to the copper and lead smelters and refineries, the complex includes a slag fuming plant, a precious metals plant, a liquid sulphur dioxide plant, a sulphuric acid plant and a nickel sulphate plant. The slag fuming plant treats slag from the copper smelter and allows for the recovery of zinc clinker from metallurgically complex feed. Gold concentrates and slimes rich in gold, silver and platinum group metals produced in the copper refinery are processed in the precious metals plant. Copper electrolysis residues are treated in the nickel sulphate plant to produce crude nickel sulphate. Sulphurous gases generated in the copper and lead smelter operations are converted into commercial products, such as liquid sulphur dioxide and sulphuric acid.

Feed

Between 70% to 80% of the copper concentrate feed to Rönnskär is sourced from Aitik, BAO and Garpenberg. The balance is purchased at market rates from third parties with whom Rönnskär has long-standing relationships. Under the third party contracts, the concentrate supplier is compensated for the payable metal in the concentrate less treatment and refining charges and penalties for impurities which are negotiated each year.

Secondary materials, consisting of copper/zinc ashes and copper and precious metals scrap, are procured from a variety of sources and are typically purchased from or processed for customers with whom Rönnskär has long-standing relationships. Rönnskär has the ability to process a wide range of secondary materials, including copper/zinc ashes, copper slag, sludge, sweeps and cables, steel dust, switchboards and circuit boards. Boliden's wholly-owned subsidiary,

Arv Andersson AB, procures secondary materials throughout Sweden and the rest of Scandinavia and is currently expanding its operations into Eastern Europe.

Substantially all of the lead concentrate feed to Rönnskär is sourced from Laisvall.

Production

The annual production of copper, lead, zinc clinker and sulphuric acid at Rönnskär for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u> (tonnes)	<u>1994</u>	<u>1993</u>
Copper	128,414	126,378	105,142	102,681	99,077
Lead	42,449	42,156	42,237	40,218	46,752
Zinc clinker	41,400	43,259	38,372	38,295	34,798
Sulphuric acid	229,769	223,886	186,204	172,785	196,473

The annual revenues from sales of gold, silver and platinum group metals produced at Rönnskär for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u> (U.S.\$ millions)	<u>1994</u>	<u>1993</u>
Revenues from gold, silver and platinum group metals, excluding the impact of hedging activities	\$135.8	\$170.8	\$137.9	\$135.5	\$115.5

Cost, Productivity, Employees and Capital Expenditures

The cost index, productivity index, number of employees and capital expenditures at Rönnskär for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Cost index (1)	94	95	95	107	100
Productivity index (2)	139	133	105	105	100
Number of employees (year end)	891	901	1,028	1,052	1,168
Capital expenditures (U.S.\$ millions)	\$25.7	\$13.9	\$ 31.2	\$ 12.6	\$ 8.3

Notes:

- (1) Index reflects the change in the total cost per tonne of copper, lead and zinc produced (expressed in constant 1993 SEK).
- (2) Index reflects the change in the number of tonnes of copper, lead and zinc produced per hour worked (1993 = 100).

The total cost per tonne of copper, lead and zinc produced (expressed in constant 1993 SEK) decreased by 6% during the period, principally as a result of the increased utilization of the different facilities at Rönnskär made possible by the changes described below. The 39% increase in the number of tonnes of copper, lead and zinc produced per hour worked, while somewhat overstated as a result of outsourcing, was achieved principally as a result of the increased utilization of the different facilities at Rönnskär and the decrease in the number of employees.

The capital expenditures during the period were directed at reconditioning the facilities at Rönnskär. The electric smelting furnace and the tankhouse were expanded in 1995 at a total cost of approximately U.S.\$34 million. These expansions removed bottlenecks in the production process and increased copper cathode production capacity by 25%. A new precious metals recovery plant was completed in November 1997 at a cost of U.S.\$10.2 million. The new plant has the capacity to recover 15 tonnes of gold per year and will reduce work in progress and allow for a future expansion of the copper smelting line. The gas cleaning unit on the lead line was reconditioned both to increase its capacity and to reduce mercury emissions. The reconditioning was completed in November 1997 at a cost of U.S.\$5.9 million and will allow more electronic and precious metals scrap to be processed, resulting in higher margins.

A pre-feasibility study for a major expansion of the copper smelting and refining facilities to increase copper cathode production from 140,000 tpa to 220,000 tpa at an estimated cost of approximately U.S.\$230 million was completed in September 1996. A feasibility study is currently underway and is scheduled for completion during the first half of 1998. The primary purpose of the expansion is to reduce the cost of copper smelting. The pre-feasibility study indicates that cost reductions per tonne of copper of up to 25% are possible, with other benefits including reduced emissions per tonne of copper produced and increased production of sulphuric acid. If all regulatory approvals were

received and construction were to commence immediately following completion of the feasibility study, the expansion would begin in 1999, with full production by 2001.

During 1998, Rönnskär plans to spend U.S.\$4.0 million on capital improvements at its facilities, in addition to the Project 200+ expansion.

Norzink AS (Norzink)

Overview

Norzink, a joint venture corporation owned 50% by each of Boliden and Rio Tinto, owns and operates the Norzink zinc smelter and refinery located near Odda, on the west coast of southern Norway, approximately 370 kilometres west of Oslo.

Norzink has its own ice-free port facilities which are used for receiving zinc concentrates and clinker and other raw materials and for shipping refined zinc and aluminum fluoride powder. Norzink has access to abundant supplies of electrical power at rates which are competitive by international standards.

Norzink has an active program of research and development that has resulted in significant improvements in its zinc production. Norzink process technology is licensed, and its instruments sold, to industrial companies worldwide.

Operations

The facility consists of a zinc smelter and refinery and an aluminum fluoride plant. The zinc smelter and refinery have the capacity to process approximately 200,000 tpa of zinc concentrates and 40,000 tpa of zinc clinker. Norzink produces approximately 140,000 tpa of refined zinc and 28,000 tpa of aluminum fluoride powder at the facility. A pre-feasibility study with respect to the expansion of the smelter is currently underway and is scheduled for completion in late 1998.

Norzink's refined zinc production consists of both standard and value-added specialty products which are sold to European and North American customers with whom Norzink has long-standing relationships under long-term sales contracts. In 1997, Norzink's two largest customers accounted for 8% and 6%, respectively, of Norzink's refined zinc production. Norzink's aluminum fluoride powder production is sold to Norwegian aluminum smelters under sales contracts with different contract periods.

All European zinc smelters are faced with the potentially difficult environmental task of disposing of their jarosite wastes. Norzink is able to dispose of its jarosite wastes safely by depositing them in caves which it excavates in nearby mountains. Norzink has also been able to successfully reclaim nearby wet lands that were once used as jarosite waste disposal sites. Norzink's unique approach to jarosite waste disposal gives it a competitive advantage over its other European competitors. Emissions from the facility meet all the requirements of Norwegian environmental authorities.

Feed

Norzink purchases approximately 100,000 tpa of zinc concentrates and all of its zinc clinker requirements from Boliden under long-term purchase contracts with annual price negotiations. The remainder of its zinc concentrate requirements is purchased from approximately ten international suppliers also under long-term purchase contracts at market prices negotiated annually.

Production

The annual production at Norzink for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
			(tonnes)		
Zinc (1)	142,249	135,052	130,818	136,751	134,177
Aluminum fluoride powder (1)(2)	27,084	27,018	27,587	25,057	21,590

Notes:

(1) Represents 100% of the production of Norzink. Boliden owns 50% of Norzink.

(2) 100% of the production at the aluminum fluoride powder plant. Before 1994, Norzink owned only 50% of the plant.

The following tables set forth selected financial information of Norzink for the periods indicated:

	Year Ended December 31,			
	1997	1996	1995	1994
	(U.S.\$ thousands)			
Operating results and cash flow data (1)				
Revenues	\$228,249	\$168,780	\$161,209	\$153,030
Operating income	27,206	9,264	806	5,827
Net earnings	11,835	7,251	1,553	12,949
Cash provided by operating activities, before net change in non-cash operating working capital	19,678	15,377	10,275	8,983

Note:

(1) Represents 100% of Norzink. Boliden owns 50% of Norzink.

	As at December 31,		
	1997	1996	1995
	(U.S.\$ thousands)		
Balance sheet data (1)			
Total assets	\$140,224	\$135,714	\$135,970
Working capital	47,244	41,765	32,793
Long-term debt	4,176	5,844	8,290
Shareholders' equity	93,140	88,916	82,995

Note:

(1) Represents 100% of Norzink. Boliden owns 50% of Norzink.

Cost, Productivity, Employees and Capital Expenditures

The cost index, productivity index, number of employees and capital expenditures at Norzink for the five years ended December 31, 1997 were as follows:

	1997	1996	1995	1994	1993
Cost index (1)	87	99	95	95	100
Productivity index (2)	151	127	108	102	100
Number of employees (year end)	382	433	492	542	545
Capital expenditures (U.S.\$ millions) (3)	\$2.7	\$4.7	\$13.9	\$1.9	\$3.2

Notes:

(1) Index reflects the change in the total cost per tonne of zinc produced (expressed in constant 1993 NOK).

(2) Index reflects the change in the number of tonnes of zinc produced per hour worked (1993 = 100).

(3) Represents 100% of Norzink. Boliden owns 50% of Norzink.

The total cost per tonne of zinc produced (expressed in constant 1993 NOK) decreased by 13% during the period, principally as a result of the decrease in the number of employees. The 51% increase in the number of tonnes of zinc produced per hour worked, while somewhat overstated as a result of outsourcing, was achieved principally as a result of capital improvements in 1995 and the decrease in the number of employees.

The capital expenditures in 1995 were directed at reconditioning the facilities at Norzink. A new gas purification plant and a new casting station were installed, the tankhouse was renovated and modernized and the control room in the leaching plant was centralized. The capital expenditures in the other years during the period were directed to smaller operating improvements.

In 1997, Norzink commenced a pre-feasibility study for a major expansion of the zinc smelting and refining facilities to increase zinc production to 240,000 tpa.

During 1998, Norzink plans to spend U.S.\$15 million on capital improvements at its facilities, including the continued development of facilities to dispose of environmentally sensitive materials.

Boliden Bergsöe AB (Bergsöe)

Overview

Bergsöe operates the only secondary lead smelter in the Nordic countries (Sweden, Norway, Denmark and Finland) and is strategically located on the south coast of Sweden at Landskrona, approximately 600 kilometres south-west of Stockholm. In addition to the port facilities at Landskrona, the facility is connected to the Swedish national railway and highway systems and is ideally suited for receiving secondary materials and shipping refined lead to customers by ship, rail and road.

Operations and Feed

Bergsöe recycles all the spent lead-acid batteries collected in Sweden and most of the spent lead-acid batteries collected in Norway, Denmark and Finland. Bergsöe operates in Sweden under the Returbatt System of Recycling Automotive Batteries (the "Returbatt System"), which was started in 1989 to implement a Swedish regulation enacted in that year requiring that a minimum of 95% of spent lead-acid batteries disposed of in Sweden be recycled. The Returbatt System comprises arrangements involving battery manufacturers, scrap dealers, Bergsöe and the Swedish environmental agency, under which fees collected on the sale of new lead-acid batteries are used to make it economic for scrap dealers to collect spent lead-acid batteries and deliver them to Bergsöe for recycling. Most of the lead recovered is sold by Bergsöe to battery manufacturers as lead alloy for use in new lead-acid batteries.

The Returbatt System has been a success since its inception and provides a stable and secure supply of spent lead-acid batteries to Bergsöe. Norway and Denmark have battery recycling programs that are similar to the Returbatt System. Boliden also purchases spent lead-acid batteries from sources in Finland and Eastern Europe.

The smelter recycles approximately 60,000 tpa of spent lead-acid batteries, of which approximately 23,000 tpa is collected under the Returbatt System and the balance is purchased, and produces approximately 50,000 tpa of lead in lead alloys. As a by-product of the lead recovery process, Bergsöe produces slag that is sold for the production of sulphuric acid and gases that, through disposal, produce energy, a portion of which is sold to the district heating system for Landskrona.

Bergsöe also operates a small tin recycling line which recycles scrap tin purchased from scrap dealers. The tin line has a capacity of approximately 2,000 tpa of tin in tin alloys.

The Bergsöe smelter is a modern facility that operates on an efficient basis utilizing proven technology. The smelter is one of the most environmentally friendly lead smelters in the world with water and air emissions at less than 25% of Swedish environmental requirements.

Production

The annual production at Bergsöe for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
			(tonnes)		
Lead	43,425	41,926	40,587	42,478	37,677
Tin	1,457	1,252	1,316	1,481	1,591

Cost, Productivity, Employees and Capital Expenditures

The cost index, productivity index, number of employees and capital expenditures at Bergsöe for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Cost index (1)	90	91	90	89	100
Productivity index (2)	113	116	112	114	100
Number of employees (year end)	127	126	126	130	131
Capital expenditures (U.S.\$ millions)	\$1.7	\$1.6	\$0.9	\$0.3	\$0.2

Notes:

(1) Index reflects the change in the total cost per tonne of lead produced (expressed in constant 1993 SEK).

(2) Index reflects the change in the number of tonnes of lead produced per hour worked (1993 = 100).

The total cost per tonne of lead produced (expressed in constant 1993 SEK) decreased by 10% during the period as a result of increased production and the decrease in the number of employees. The 13% increase in the number of tonnes of lead produced per hour worked was achieved for the same reasons.

Capital expenditures of U.S.\$1.2 million were incurred in 1997 in order to rebuild and expand a furnace and increase the capacity of the facility from 43,000 tpa to 50,000 tpa of lead.

RELATED ACTIVITIES

Exploration and Business Development Groups

Exploration Group

The mandate of Boliden's Exploration Group is to discover or develop new economic mineral deposits for Boliden's existing mining operations and to provide growth opportunities for Boliden through the exploration, acquisition and development of attractive mineral properties worldwide, particularly in the Baltic Shield and West Africa. The Exploration Group's focus is on zinc and copper.

Exploration in Sweden is conducted from offices located in Boliden, Garpenberg, Aitik, Laisvall and Kristineberg. Exploration outside Sweden is conducted from offices located in Aznalcóllar (Spain), Ouagadougou (Burkina Faso), Sukhaybarat (Saudi Arabia), Myra Falls (Canada), Antofagasta (Chile) and Mendoza (Argentina).

At December 31, 1997, the Exploration Group had a permanent staff of 92, including 31 geologists, geophysicists and geochemists.

Boliden's annual exploration expenditures (excluding those of Westmin) for the four years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
		(U.S.\$ millions)		
Mines sites (Sweden, Spain and Saudi Arabia)	\$ 3.8	\$ 4.8	\$ 4.3	\$0.7
Sweden (regional)	7.7	7.8	6.7	6.0
Burkina Faso (1)	0.9	0.3	0.1	0.1
Spain	1.0	0.4	—	—
SCPM (2)	0.1	1.4	1.6	0.5
	<u>\$13.5</u>	<u>\$14.7</u>	<u>\$12.7</u>	<u>\$7.3</u>

Notes:

- (1) Boliden holds one exploration concession in the greenstone belt of Burkina Faso on which it is exploring for gold. The concession covers 500 square kilometres. At various places in the greenstone belt, small-scale mining of gold-bearing oxides has occurred in the past. Boliden commenced a geochemistry sampling program in March 1997.
- (2) Represents 50% of the expenditures at SCPM.

Boliden's planned exploration expenditures for 1998 are approximately U.S.\$20.0 million.

Boliden's exploration and property development activities at its mine sites and in Sweden, Spain, Canada and Chile are described under "Business of Boliden — Minerals — Mining and Milling".

Business Development Group

During 1996, Boliden established the Business Development Group. The mandate of the group is to search worldwide for new opportunities for growth in zinc, copper and gold. The group works closely with the Exploration Group, the Technology Group and Boliden Contech (see "Technology" below). At December 31, 1997, the Business Development Group had a permanent staff of 4.

Boliden's planned business development expenses for 1998 are approximately U.S.\$5.0 million.

Boliden has entered into a number of international joint ventures with well established partners who bring a combination of local geological expertise and properties in the Baltic Shield, Mexico, Chile and Canada. Boliden

believes that joint ventures are an effective way of expanding its international exploration opportunities and anticipates entering into additional joint ventures as suitable opportunities arise.

Baltic Shield

In January 1997, Boliden and South Atlantic Resources Ltd. (“SCQ”) established a joint venture company, North Atlantic Natural Resources AB (“North Atlantic”), to explore primarily for gold and precious metals in the Baltic Shield (an area comprising Sweden, Norway, Finland and north-western Russia). On June 24, 1997, North Atlantic completed a public offering of 7.3 million units (each unit consisting of one share and one share purchase warrant) for gross proceeds of approximately U.S.\$22 million which will be used to fund a five-year exploration program in the Baltic Shield. Following the offering, Boliden and SCQ each owned 38.3% of North Atlantic. Boliden has the right to acquire 51% of any base metal deposits discovered by North Atlantic.

Boliden transferred to North Atlantic exploration permits and preliminary exploration permits covering approximately 120,000 hectares in Sweden’s Skellefteå, Bergslagen and Norrbotten mineral districts. SCQ also transferred to North Atlantic exploration permits covering a similar area in the same mineral districts.

Boliden and a Russian co-venturer are currently carrying out preliminary exploration on the Kola peninsula in north-west Russia.

Mexico

In March 1997, Boliden entered into an exploration agreement with Silver Eagle Resources Limited (“Silver Eagle”). Under the agreement, Boliden can earn a 51% interest in Silver Eagle’s Minera Serrena exploration properties in the Mexican state of Sonora by spending U.S.\$1.2 million on exploration on the properties over the next two years. The properties comprise more than 23,144 hectares and contain identified targets of zinc, lead and silver.

In April 1997, Boliden entered into an exploration agreement with Luismin S.A. de C.V. (“Luismin”), a Mexican mining company. Under the agreement, Boliden acquired the right to conduct exploration on Luismin’s polymetallic Sacrificio and La Papa properties in the Mexican state of Durango and agreed to spend U.S.\$2.5 million on exploration on the properties. Boliden will be entitled to a 50% interest in any prospect identified by it during the initial exploration period and for which it carries out a feasibility study. Boliden may withdraw from the joint venture after it has spent U.S.\$1.0 million.

Chile

In October 1997, Westmin entered into an agreement with General Minerals Corporation. Under the agreement, Boliden can earn a 51% interest in Vizcachitas, a mid-stage copper exploration property located in central Chile, by spending U.S.\$20.4 million over the next five years. Vizcachitas comprises 22,300 hectares and is located approximately 130 kilometres north of Santiago. A diamond drilling program was commenced in October 1997 to increase the size of the near surface high grade resource.

Canada

In January 1995, Westmin entered into an agreement with Atna Resources Ltd. Under the agreement, Westmin earned a 60% interest in Wolverine, a high grade zinc deposit located in southeast Yukon, by making option payments of C\$190,000 and incurring expenditures of C\$3 million. The deposit contains high levels of selenium which is a contaminant at the smelting stage and may be difficult to remove. Boliden is investigating possible solutions to this problem.

Exploration and Mining Permits

Sweden

Exploration for and mining of mineral substances in Sweden is governed by the Minerals Act, which came into force in 1992.

Under that Act, exploration permits are granted for an initial period of three years and are renewable for an additional period of three years if appropriate exploration work has been carried out within the area. A further renewal for an additional period of up to four years is possible if special reasons apply. After an exploration permit expires, the permit holder will not, as a general rule, be entitled to receive a new exploration permit for the same area until three years after the expiry of the original exploration permit. Exploitation concessions, which permit the holder to carry out

mining operations, are granted for an initial period of up to 25 years, renewable for further periods of up to 10 years as long as mining operations are being carried out.

In 1992, Sweden lifted its ban on foreign entities acquiring interests in Swedish real estate, exploration permits and exploitation concessions without special permission and, in 1993, the right of the State to receive a 50% participation in any new mining projects against a sharing of costs was abolished.

Spain

Under Spanish minerals legislation, investigation permits are granted for an initial period of three years and are renewable for an additional period of three years. Exploitation concessions are granted for an initial period of 30 years and are renewable for further periods up to a maximum of 90 years in total.

Saudi Arabia

In Saudi Arabia, non-exclusive reconnaissance permits are granted for up to two years; exploration licences are granted for an initial period of five years and are renewable for an additional four years; and mining leases are granted for 30 years and are renewable for further periods up to a maximum of 50 years in total. All grants of permits, licences and leases are within the discretion of the State.

Chile

The Chilean constitution establishes the State as the owner of all mineral resources but permits the exploration and development of mineral resources through exploration and exploitation concessions. Exploration concessions are granted for an initial period of two years and are renewable for a further period of two years if one-half of the area is surrendered. Exploitation concessions are granted for an indefinite period.

Marketing and Sales Group

Overview

Boliden's Marketing and Sales Group is responsible for marketing and selling Boliden's metals and mineral products. At December 31, 1997, the group had a permanent staff of 18.

The majority of Boliden's metals sales are to customers with whom Boliden has had relationships for over 10 years. Contracts for the sale of refined metals are for a term of one year with the exception of the contract with Boliden's largest customer for refined copper, which is for three years. Contracts for sales of concentrates are long-term evergreen contracts. Boliden has an agreement with Kemira Kemi AB ("Kemira") and Trelleborg Chemtrade SA ("Chemtrade"), a wholly-owned subsidiary of Trelleborg AB, pursuant to which Kemira and Chemtrade act as sales agents for all the sulphuric acid and liquid sulphur dioxide produced at Rönnskär.

Boliden uses various hedging instruments to hedge the effect of price changes on a portion of the metals that it sells.

Market Information

Information contained in this section has been obtained from a variety of sources. Western World zinc, copper and lead production, consumption and inventory statistics and Former East Bloc import statistics, for the periods up to and including 1997, are based on data published by metal and mining industry consultants, the International Lead and Zinc Study Group, the World Bureau of Metal Statistics and the International Wrought Copper Council and, for 1998, have been estimated by Boliden using available information. U.S. Strategic Stockpile Sales are based on information provided by metal and mining industry consultants. The outlook for 1998 and beyond is that of Boliden.

Average settlement prices for zinc, copper and lead are based on data provided by the LME, and average prices for gold and silver are based on data provided by the LBM.

Boliden does not warrant or guarantee the accuracy of the data and information used by it to prepare its estimates.

Zinc

Zinc is used extensively as a means of protecting steel against corrosion. Galvanized steel is used extensively in the automotive and construction industries. Galvanizing represents approximately 46% of all zinc consumption in the Western World. Other applications of zinc include the production of die-cast alloys used to manufacture precision

machine parts, brass alloys used to manufacture a wide range of industrial parts and household hardware, chemicals and zinc dusts used in the manufacture of pigments and rubber tires.

Western World refined zinc production and consumption, net imports from the Former East Bloc and the resulting supply/demand balance for the four years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
		(Ktonnes)		
Western World refined zinc production	5,574	5,476	5,450	5,361
Imports from Former East Bloc, net	801	456	457	551
U.S. Strategic Stockpile Sales	<u>35</u>	<u>17</u>	<u>17</u>	<u>36</u>
Total supply	6,410	5,949	5,924	5,948
Western World consumption	<u>6,394</u>	<u>6,185</u>	<u>6,237</u>	<u>5,851</u>
Surplus (deficit)	<u>16</u>	<u>(236)</u>	<u>(313)</u>	<u>97</u>

In 1997, Western World consumption increased by approximately 3%. Western World zinc mine production totalled approximately 5,460 Ktonnes, a small decrease from 1996. Western World refined zinc production increased as did net imports from the Former East Bloc and U.S. Strategic Stockpile Sales. Western World consumption and supply were in balance. Boliden expects that consumption will exceed supply in 1998 and that, by year-end, total refined zinc stocks will equal 6.2 weeks consumption.

Norzink refined zinc is sold on the basis of the monthly average LME Special High Grade settlement price. Boliden's zinc concentrates are sold on the basis of the monthly average LME Special High Grade settlement price and yearly market-determined "benchmark" terms and conditions relating to treatment and refining charges and penalties for impurities. The average LME Special High Grade settlement prices and the average prices realized by Boliden (excluding Westmin) for zinc (metal in concentrate) and by Norzink for refined zinc for the periods indicated were as follows:

	<u>Average Zinc Prices</u>			
	<u>Year ended December 31,</u>			
	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
		(U.S.\$/lb)		
Average LME Special High Grade settlement price	\$0.60	\$0.46	\$0.47	\$0.45
Average realized price — zinc (metal in concentrate)	0.58	0.46	0.47	0.46
Average realized price — refined zinc	0.63	0.50	0.50	0.47

The closing LME Special High Grade settlement price for zinc on December 31, 1997 was U.S.\$0.49 per pound.

In 1997, Boliden (excluding Westmin) sold approximately 27% of its zinc concentrates to Norzink and the balance to 10 customers in Europe. Boliden's (excluding Westmin) two largest customers after Norzink accounted for 24% and 12.5%, respectively, of Boliden's total zinc concentrate sales.

In 1997, Westmin sold 60% of its zinc concentrate production to a consortium of five Japanese smelters, 25% to a Korean smelter and the balance to a concentrate trading company.

Copper

Copper is utilized in a number of major industry sectors, including construction, electrical and electronics, industrial machinery, transportation and consumer products. The primary use of copper is for electrical and electronic applications across all industry sectors because of copper's excellent electrical conductivity, durability, malleability and resistance to corrosion.

Western World refined and SX-EW copper production and consumption, net imports from the Former East Bloc and the resulting supply/demand balance for the four years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Ktonnes)			
Western World refined and SX-EW copper production	10,816	10,087	9,306	8,959
Imports from Former East Bloc, net	<u>712</u>	<u>564</u>	<u>835</u>	<u>772</u>
Total supply	11,528	10,651	10,141	9,731
Western World consumption	<u>11,163</u>	<u>10,738</u>	<u>10,307</u>	<u>10,125</u>
Surplus (deficit)	<u>365</u>	<u>(87)</u>	<u>(166)</u>	<u>(394)</u>

In 1997, Western World copper consumption increased by approximately 4%. Western World copper mine production totalled approximately 7,803 Ktonnes, approximately the same as in 1996. Western World refined copper production increased by over 5%, SX-EW copper production increased by approximately 20% and net imports from the Former East Bloc increased by approximately 26%. Western World supply exceeded consumption by 365 Ktonnes. Boliden expects that supply will exceed consumption again in 1998 and that, by year-end, total refined copper stocks will equal 5.9 weeks consumption.

Boliden's refined copper is sold on the basis of the monthly average LME Grade A settlement price. Boliden's copper concentrates are also sold on the basis of the monthly average LME Grade A settlement price and yearly market-determined "benchmark" terms and conditions relating to treatment and refining charges and penalties for impurities. The average LME Grade A settlement prices and the average prices realized by Boliden (excluding Westmin) for copper (metal in concentrate) and refined copper for the periods indicated were as follows:

	<u>Average Copper Prices</u>			
	<u>Year ended December 31,</u>			
	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(U.S.\$/lb)			
Average LME Grade A settlement price	\$1.03	\$1.04	\$1.33	\$1.05
Average realized price — copper (metal in concentrate)	0.99	1.04	1.31	0.99
Average realized price — refined copper	1.04	1.06	1.34	1.06

The closing LME Grade A settlement price for copper on December 31, 1997 was U.S.\$0.78 per pound.

In 1997, Boliden (excluding Westmin) sold approximately 71.5% of its total production of refined copper to one customer with whom it has a long-standing relationship that Boliden believes is beneficial to both the customer (in terms of delivery and quality) and Boliden. Boliden's next two largest customers accounted for 9.5% and 8%, respectively, of Boliden's total refined copper sales. Also, in 1997, Boliden sold all of the copper concentrates produced at Apirsa to one Japanese customer.

In 1997, Westmin sold all of its production of refined copper to two customers. Also, in 1997, Westmin's three largest customers accounted for approximately 58% of its production of copper concentrates.

Lead

Lead is used primarily in the manufacture of lead-acid automotive batteries, which accounts for almost 70% of Western World lead consumption. It is also used in the manufacture of pigments and chemicals, lead pipes and sheet, and cable sheathing.

Western World refined lead production and consumption, net imports from the Former East Bloc and the resulting supply/demand balance for the four years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(Ktonnes)			
Western World refined lead production	5,041	4,829	4,765	4,598
Imports from Former East Bloc, net	234	298	219	231
U.S. Strategic Stockpile Sales	23	38	34	65
Total supply	5,298	5,165	5,018	4,894
Western World consumption	5,325	5,265	5,112	4,911
Surplus (deficit)	<u>(27)</u>	<u>(100)</u>	<u>(94)</u>	<u>(17)</u>

In 1997, Western World lead consumption increased slightly over 1996. Western World lead mine production totalled approximately 2,049 Ktonnes, a decrease of approximately 2% over 1996. Western World refined lead production increased by over 4%. Net imports from the Former East Bloc decreased, as did U.S. Strategic Stockpile Sales. Western World consumption exceeded supply by 27 Ktonnes. Boliden expects that supply will exceed consumption in 1998 and that, by year-end, total refined lead stocks will equal 4.6 weeks consumption.

Boliden's refined lead is sold on the basis of the monthly average LME settlement price. Boliden's lead concentrates are also sold on the basis of the monthly average LME settlement price and yearly market-determined "benchmark" terms and conditions relating to treatment and refining charges and penalties for impurities. The average LME settlement prices and the average prices realized by Boliden (excluding Westmin) for lead (metal in concentrate) and refined lead for the periods indicated were as follows:

	<u>Average Lead Prices</u>			
	<u>Year ended December 31,</u>			
	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(U.S.\$/lb)			
Average LME settlement price	\$0.28	\$0.35	\$0.29	\$0.25
Average realized price — lead (metal in concentrate)	0.32	0.35	0.29	0.25
Average realized price — refined	0.32	0.39	0.31	0.27

The closing LME settlement price for lead on December 31, 1997 was U.S.\$0.25 per pound.

In 1997, Boliden sold all of its refined lead production from Rönnskär to 15 customers, principally battery manufacturers and producers of lead oxide. The two largest customers accounted for approximately 33% and 17.5%, respectively, of such sales. Also, in 1997, Boliden sold all of its lead concentrates not processed at Rönnskär to four smelters in Europe and three smelters in Asia.

In 1997, Boliden sold all of its refined lead production from Bergsöe to over 65 customers in Europe. Most of Bergsöe's production was sold to battery manufacturers. The two largest customers accounted for 13% and 12%, respectively, of such sales.

Other Metals and Mineral Products

Other metals and mineral products produced and sold by Boliden include gold, silver, sulphuric acid and molybdenum concentrate.

Central banks hold large quantities of gold as reserves although they have been net suppliers to the international gold market in recent years. The principal use of gold is in jewellery. Other uses include electronics, dentistry, decorative applications, medals and coins. Silver is used mainly for photography, jewellery, silverware, coins, electronics and other industrial applications. Movements in the price of silver tend to follow the price of gold.

The average LBM morning gold fix (the “AM gold fix”) and the average LBM spot silver fix (the “spot silver fix”) and the average prices realized by Boliden (excluding Westmin) for gold and silver for the periods indicated were as follows:

	<u>Average Gold and Silver Prices</u>			
	<u>Year ended December 31,</u>			
	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(U.S.\$/ounce)			
Gold				
Average LBM AM gold fix	\$330	\$388	\$384	\$384
Average realized price — BAO, Garpenberg and Aitik (metal in concentrate)	347	444	420	420
Average realized price — SCPM (metal in doré)	384	384	384	383
Silver				
Average LBM spot silver fix	4.90	5.20	5.20	5.29
Average realized price — (metal in concentrate)	5.82	7.07	6.89	6.93

The LBM AM gold fix and the LBM spot silver fix on December 31, 1997 were U.S.\$289 and U.S.\$6.00, respectively.

Sulphuric acid is used in the manufacture of fertilizer, synthetic fibres, pigments, explosives, plastics, rubber and catalysts. Liquid sulphur dioxide is used for bleaching purposes in the pulp and paper industry. Sulphuric acid production is required to enable Boliden to comply with limits on the quantity of sulphur dioxide which can be emitted from the Rönnskär smelter. Most of the sulphur dioxide gas produced at the Rönnskär smelter is captured before emission via the stack and converted into sulphuric acid or liquid sulphur dioxide. Boliden’s sulphuric acid and liquid sulphur dioxide production is sold on multi-year contracts. The sulphuric acid is sold to customers in Europe for the manufacture of fertilizer and for use as a consumable in the pulp and paper industry. The liquid sulphur dioxide is sold to customers in Europe for use as a bleaching agent in the pulp and paper industry.

Technology

Technology Group

The mandate of Boliden’s Technology Group is to carry out research and development to improve Boliden’s overall competitiveness in exploration, mining, mineral processing and metallurgy, including environmental and product development.

Research and development is conducted from facilities located at BAO and Rönnskär. At December 31, 1997, the Technology Group had a permanent staff of 71 (57 at BAO and 14 at Rönnskär), including 60 engineers and scientists.

Expenditures on research and process development for the five years ended December 31, 1997 were approximately U.S.\$9.3 million, of which approximately U.S.\$1.8 million was spent in 1997. Boliden’s expected research and development expenditures for 1998 are U.S.\$3.5 million.

Technology developed by Boliden over the years includes:

- Boliden’s geophysical instruments for mineral exploration, including Boliden’s EM-3 system for deep drillhole analysis
- Boliden’s autogenous grinding system which has been installed at all of Boliden’s mills (excluding Westmin) and is very cost efficient
- Boliden’s on-stream (Boxray) analyser and process control system which has been installed at 20 operations worldwide
- Boliden’s Kaldo furnace for the treatment of secondary materials in the production of copper, lead and brass
- Boliden’s precious metals recovery process using the Kaldo furnace
- Boliden’s mercury and arsenic removal technology.

Boliden Contech AB (Contech)

The principal activities of Boliden Contech AB are the provision of design and process engineering services and procurement and project management services to mining and minerals processing companies around the world. Contech's principal focus is on the technology and products, particularly metallurgical processing technology, developed by Contech and by Boliden's Technology Group, which it refines and adapts to particular situations and customer requirements.

Contech has offices in Frankfurt, Moscow, Beijing and Dar es Salaam and agents in Europe and South America. Because it operates internationally, Contech is able to provide Boliden with information on the latest developments in mining and process technology and access to a variety of business opportunities.

At December 31, 1997, Contech employed 130 people, including over 70 engineers.

Environment, Health and Safety

Boliden's businesses, particularly its minerals business, are subject to extensive government regulations relating to the protection of the environment, including those relating to air and water quality, solid and hazardous waste handling and disposal, mine reclamation and closure, and occupational health and safety.

Environment

Current Operations

Boliden is well advanced in the establishment of a comprehensive environmental management system consisting of an environmental policy, codes of practice, audits, job descriptions and procedures, rules and responsibilities, employee training, public and employee reporting, emergency prevention and response, hazard analysis and community awareness. Environmental protection and pollution prevention are priorities at all operations.

Over the last several years, Boliden has reduced discharges into water of metals from its Swedish mines, largely as a result of new investments in equipment and the skill and commitment to environmental protection of its employees. Emissions and discharges from Boliden's operations are within applicable requirements and standards.

The Rönnskär smelter has experienced a continuous decline in energy consumption and sulphur dioxide emissions since operations commenced. Today, emissions are well below applicable requirements.

Product Stewardship

Boliden has an active environmental product stewardship program. This includes providing customers with advice on the safe handling of products and disposal of metal waste and the development of the capability to accept a wide range of metal bearing materials for recycling at its smelting facilities. For example, Bergsöe recycles most of the spent lead-acid batteries collected in the Nordic countries. In addition, approximately 25% of the materials processed at Rönnskär consists of recycled material.

Reclamation

Boliden procedures include commencement of reclamation activities during the lifetime of an operating mine where possible. In addition, where feasible, waste rock disposal procedures identify and separate acid and non-acid generating waste rock to reduce future reclamation costs.

Boliden has invested, and will continue to invest, significant resources in the development of decommissioning and rehabilitation technology for, and the implementation of rehabilitation measures at, its operations. Significant portions of this work are carried out by Boliden in collaboration with environmental protection authorities. In 1997, Boliden participated in a research program in this area supported by the Foundation for Strategic Environmental Research in Sweden.

Based on currently available information and past experience with its operations and existing law and regulatory practice, Boliden believes that its current provision (U.S.\$73.6 million as at December 31, 1997) for mine reclamation and closure costs as well as its current estimate (between U.S.\$117 million and U.S.\$122 million) for total mine reclamation and closure costs are reasonable and that its reclamation and rehabilitation costs will be manageable and will not have a material adverse effect on its earnings or competitive position. The current estimates for reclamation costs are, however, subject, among other things, to changes in law and regulatory practice.

Future Regulations

Future regulations may place lower limits on allowable emissions of all kinds, including air, water, waste and hazardous materials and spills. In addition, requirements for site rehabilitation may become more demanding. Boliden's policies and programs of pollution prevention, continuous improvement and emphasis on innovation have enabled it to develop and implement effective and relatively low cost measures to meet or maintain emissions below regulatory requirements. Although Boliden believes that the continuation and strengthening of these policies and programs will enable it to keep ahead of future regulatory requirements in a cost effective manner, there can be no assurance that this will be the case.

Health and Safety

Boliden progressively decreased lost time accident frequencies at its Swedish mines and Rönnskär from 8.5 per 200,000 hours worked in 1991 to 3.62 per 200,000 hours worked in 1997. Following six fatality free years, in 1997, Boliden suffered five fatalities (four involving Boliden employees) in work-related accidents. Each of these accidents occurred in very different circumstances making it difficult for Boliden to identify any particular lapse in safety measures. Nevertheless, the accidents have heightened awareness of established safety measures throughout the organization. Safety responsibilities are part of all job descriptions, job procedures and performance reviews. Key safety priorities include emphasis on internal responsibility, joint safety and health committees and internal loss control management. Improvement programs in hazard analysis, risk assessment and emergency prevention and response are ongoing. A safety and health policy is in place for all operations.

EMPLOYEES

At December 31, 1997, Boliden employed approximately 4,663 people full-time in its minerals business, including approximately 2,778 in Sweden, 720 in Canada, 535 in Spain, 278 in Chile, 199 in Norway and 153 in other countries. Most of Boliden's employees at its mining and milling and smelting and refining operations are represented by unions. Boliden believes that it has satisfactory relations with these unions.

BUSINESS OF BOLIDEN — FABRICATION

Boliden conducts its fabrication business through two divisions with fabrication facilities in Belgium, the Netherlands, Sweden and the United Kingdom and sales offices in those countries and elsewhere in Europe. All are 100% owned. See "Boliden — Organizational Chart".

- **Copper Division** — fabricates copper tubing in Belgium and sells copper tubing throughout Europe.
- **Brass Division** — fabricates brass products in the Netherlands, Sweden and the United Kingdom and sells brass products throughout Europe.

Boliden acquired the companies comprising its fabrication business as part of a corporate policy within the Trelleborg group of companies of identifying special opportunities to increase value by applying technical and managerial expertise to existing businesses. The companies comprising the Brass Division were acquired in 1987 (Boliden Gusum AB), 1989 (Boliden LDM BV) and 1990 (Boliden MKM Limited). The Brass Division was established as a business unit within Boliden in 1992 with a view to increasing profitability by integrating the production and sales forces of the member companies and concentrating on reducing production costs and increasing productivity. Boliden Cuivre et Zinc (Liège) SA ("BCZ") was acquired in 1988 for the same reasons and to complement existing operations at Boliden Gusum AB.

Copper Division

Description of Business

Boliden conducts its copper fabrication business through its copper fabrication subsidiary, BCZ, in Belgium and four sales subsidiaries in France, Germany, Spain and the United Kingdom. One of the Brass Division subsidiaries, Boliden Gusum AB ("Gusum") in Sweden, also fabricates copper tubing.

The fabrication subsidiaries produce high quality copper tubing for sale to European metal distributors for resale to customers in the sanitary and industrial tubing markets throughout Europe.

Production

The principal copper tubing production facility is BCZ's plant located in Liège, Belgium. The BCZ plant was constructed in 1974 and has a capacity of 30,000 tpa of copper tubing. The plant in Gusum, Sweden has a capacity of 6,500 tpa of copper tubing.

The Copper Division has 10 principal competitors located primarily in Italy, Germany and the United Kingdom. The market for its products is very competitive.

The Copper Division obtains its raw materials in the form of copper billets from the Brass Division at market prices and from two third party suppliers under long-term purchase contracts. Boliden's policy is to fully hedge the risk to the Copper Division of fluctuations in copper prices to the extent reasonably practicable.

The major steps in the production process are the heating and extrusion of copper billets into rods and tubes which are then drawn down to the required size, wall thickness and dimensions. An annealing process is then used to produce the required temper of the copper.

BCZ is one of several companies that produce copper tubing that is marketed under the brand name "SANCO". SANCO tubes are subjected to an oxidizing treatment on their inner surface which reduces the effects of corrosion. BCZ has the patent to the relevant technology but licenses the right to use the brand name SANCO from a third party. These tubes command a premium price in the sanitary copper tubing market.

The annual production of the Copper Division (including copper production at the Gusum plant) for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
			(tonnes)		
Sanitary and industrial tubing	35,100	32,221	32,102	32,945	28,817

The planned production of the Copper Division (including copper production at the Gusum plant) for 1998 is 36,069 tonnes. Approximately 80% of the production of the Copper Division represents sanitary tubing and 20% represents industrial tubing.

Marketing

The Copper Division sells its sanitary tubing products to approximately 15 wholesale distributors and "do-it-yourself" centres and its industrial tubing products to wholesalers and directly to industry distributors for resale to a large number of customers. No one distributor or customer accounts for more than 6% of the Copper Division's sales. In recent years, the sanitary tubing market has exhibited moderate growth and competitive pricing. Boliden believes that there is potential to increase sales of higher margin products to the growing "do-it-yourself" home renovation market in Europe and to new markets in Eastern Europe. The Copper Division is targeting the "do-it-yourself" market by offering a full range of pipes. It has also established an office in Poland to develop customers in Eastern Europe.

Revenues

The total conversion value (being revenues less the cost of metals sold) and the total revenues from the sale of products by the Copper Division (excluding Gusum copper production) for the four year period ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
		(U.S.\$ millions)		
Conversion value	\$ 31.3	\$ 40.2	\$ 42.5	\$ 43.4
Revenues	125.8	136.5	151.3	123.5

Approximately 80% of the Copper Division's revenues are attributable to the sale of sanitary tubing and 20% of revenues are attributable to the sale of industrial tubing.

Capital Expenditures

Capital expenditures at the Copper Division for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
			(U.S.\$ millions)		
Capital expenditures	\$1.4	\$1.7	\$3.3	\$1.4	\$0.9

Capital expenditures of approximately U.S.\$3.8 million are expected for 1998 principally for equipment which will increase capacity and productivity.

Employees

At December 31, 1997, the Copper Division employed 356 people, 313 in Belgium and 43 in other countries.

Most of the employees of each of the Copper Division's manufacturing facilities are represented by unions. Boliden believes it has satisfactory relations with these unions.

Brass Division

Description of Business

Boliden conducts its brass fabrication business through three fabrication subsidiaries: Boliden LDM BV ("LDM") in the Netherlands, Gusum in Sweden and Boliden MKM Limited ("MKM") in the United Kingdom and through five sales subsidiaries in Denmark, France, Germany, Spain and the United Kingdom.

The fabrication subsidiaries produce high quality brass billets, rods, hollows and specialty products. In addition, LDM produces products made from special aluminum, silicon and manganese-bronze alloys that are used in marine applications. Gusum produces cast bars, ingots and nuts of brass as well as copper tubing.

Production

The three fabrication subsidiaries produce approximately 90,000 tpa of brass products, approximately 40,000 tpa at MKM, 30,000 tpa at LDM and 20,000 tpa at Gusum.

The Brass Division has eight principal competitors located in France, Germany, Italy and the United Kingdom. The market for its products is very competitive.

The raw materials for brass production are primarily scrap copper and brass with zinc and other alloying metals being added during the smelting process. The Brass Division obtains these raw materials from a variety of third parties.

Each of the fabrication subsidiaries operates a furnace for smelting the raw materials and a continuous casting machine that casts brass billets that are either sold to customers or extruded, drawn, annealed or stamped to produce rods, hollows, wire and specialty products designed to meet customer specifications. The plants operate on a continuous basis for five or six days a week. Increased production could be realized by increasing the utilization rate of the furnaces without any increase in fixed costs.

The annual production of the Brass Division for the five years ended December 31, 1997 was as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
			(tonnes)		
Billets	13,100	9,971	11,031	10,726	8,047
Hollow	6,643	5,426	4,768	5,331	4,945
Rods	66,778	56,552	61,402	65,780	59,624
Specialty products	<u>2,890</u>	<u>7,360</u>	<u>8,122</u>	<u>8,749</u>	<u>7,885</u>
Total	<u>89,411</u>	<u>79,309</u>	<u>85,323</u>	<u>90,586</u>	<u>80,501</u>

The Brass Division has been able to increase productivity at its manufacturing facilities during the last few years by increasing plant utilization and reducing its total labour force.

The planned production of the Brass Division for 1998 is 90,615 tonnes of brass products, comprising 10,992 tonnes of billets, 68,767 tonnes of rods, 7,357 tonnes of hollows and 3,499 tonnes of specialty products.

Marketing

The Brass Division sells most of its products to customers in the construction industry in the countries where its plants are located and elsewhere in Europe. The Brass Division has a large number of customers and no one customer accounts for more than 5% of the Brass Division's sales. Boliden believes that the best opportunities for growth lie in increasing sales of value added products (such as hollow rods and specialty formed items).

A significant portion of the revenues of the Brass Division in each year is derived from the production of brass products for customers who deliver their own raw materials to the Brass Division for processing ("tolling arrangements"). Under various pricing arrangements with these customers, the Brass Division receives a processing fee, including a profit component, related to the value of an agreed percentage of the processed metal or the increase in value of such metal.

Revenues

The total conversion value (being revenues less the cost of metals sold) and the total revenues from the sale of products by, and tolling arrangements of, the Brass Division (including Gusum copper production) for the four year period ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	(U.S.\$ millions)			
Conversion value	\$ 69.5	\$ 70.3	\$ 75.8	\$ 64.0
Revenues	203.9	187.5	222.2	181.0

Like its principal competitors, the Brass Division experienced particularly strong results in 1995 followed by weaker results in 1996 and 1997, principally due to lower prices caused by decreased demand from the European construction industry. Similar fluctuations occurred across the industry. Boliden expects positive longer term results from the Brass Division, although not at the levels seen in 1995.

Capital Expenditures

Capital expenditures at the Brass Division for the five years ended December 31, 1997 were as follows:

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
	(U.S.\$ millions)				
Capital expenditures	\$2.5	\$2.6	\$6.1	\$1.4	\$0.9

Capital expenditures of approximately U.S.\$5.8 million are expected for 1998 principally for equipment which will permit a reduction in labour costs and increase productivity.

Employees

At December 31, 1997, the Brass Division employed 912 people, 192 in the Netherlands, 242 in Sweden, 468 in the United Kingdom and 10 in other countries.

Most of the employees at each of the Brass Division's manufacturing facilities are represented by unions. Boliden believes that it has satisfactory relations with these unions.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected historical consolidated financial information set forth below relating to Boliden (excluding Westmin) should be read in conjunction with the consolidated balance sheet of the Corporation as at December 31, 1997 and 1996 and the consolidated statements of earnings and cash flows of the Corporation for each of the years in the three-year period ended December 31, 1997, and related notes, together with the auditors' report thereon (the "Consolidated Financial Statements") and Management's Discussion and Analysis of the Corporation's Financial Condition and Results of Operations as at December 31, 1997, copies of which are attached to this annual information form as Appendix A and Appendix B, respectively. In addition, selected financial information relating to the Corporation's principal business segments for each of the years in the three-year period ended December 31, 1997 is set forth under Note 15 to the Consolidated Financial Statements.

	Year ended December 31,		
	1997	1996	1995
	(U.S.\$ thousands, except per share data)		
Operating results			
Revenue	\$1,201,985	\$1,262,718	\$1,273,611
Operating expenses			
Cost of sales of metal and other products	947,007	1,044,649	1,038,747
Writedown of mining interests	—	—	62,094
Depreciation, depletion and amortization	68,240	82,195	79,881
Selling, general and administrative	54,509	51,097	49,949
Exploration, research and development	20,508	20,392	15,183
	<u>1,090,264</u>	<u>1,198,333</u>	<u>1,245,854</u>
Operating income	<u>111,721</u>	<u>64,385</u>	<u>27,757</u>
Interest on long-term debt	(4,099)	(4,349)	(4,493)
Interest and other income (1)	<u>5,671</u>	<u>4,227</u>	<u>5,760</u>
	<u>1,572</u>	<u>(122)</u>	<u>1,267</u>
Earnings before income taxes	<u>113,293</u>	<u>64,263</u>	<u>29,024</u>
Income taxes (2)	<u>31,489</u>	<u>25,916</u>	<u>29,108</u>
Net earnings (2)	<u>\$ 81,804</u>	<u>\$ 38,347</u>	<u>\$ (84)</u>
Earnings per share (2)	<u>\$ 0.82</u>	<u>\$ 0.38</u>	<u>\$ 0.00</u>
Fully diluted earnings per share	<u>\$ 0.82</u>	<u>\$ 0.38</u>	<u>\$ 0.00</u>
Balance sheet data			
Assets	\$1,034,357	\$1,020,909	\$1,048,163
Long-term financial liabilities (3)	54,050	64,550	71,156
Shareholders' equity (4)	679,562	625,282	605,648

Notes:

(1) See note 12 to the Consolidated Financial Statements.

(2) See note 7 to the Consolidated Financial Statements.

(3) Includes the current portion of long-term debt. See note 6 to the Consolidated Financial Statements.

(4) See note 9 to the Consolidated Financial Statements.

SELECTED QUARTERLY CONSOLIDATED FINANCIAL INFORMATION

The tables below present selected unaudited quarterly consolidated financial information relating to Boliden (excluding Westmin) for the last two financial years.

	1997 Quarter Ended			
	December 31	September 30	June 30	March 31
	(unaudited)			
	(U.S.\$ thousands, except per share data)			
Revenue	\$299,426	\$313,508	\$304,061	\$284,990
Net earnings	\$ 16,842	\$ 27,561	\$ 19,695	\$ 17,706
Earnings per share	\$ 0.17	\$ 0.28	\$ 0.20	\$ 0.18
Fully diluted earnings per share	\$ 0.17	\$ 0.28	\$ 0.20	\$ 0.18

	1996 Quarter Ended			
	December 31	September 30	June 30	March 31
	(unaudited)			
	(U.S.\$ thousands, except per share data)			
Revenue	\$305,587	\$284,818	\$333,742	\$338,571
Net earnings	\$ 10,778	\$ 2,419	\$ 12,041	\$ 13,109
Earnings per share	\$ 0.11	\$ 0.02	\$ 0.12	\$ 0.13
Fully diluted earnings per share	\$ 0.11	\$ 0.02	\$ 0.12	\$ 0.13

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CORPORATION'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of the Corporation's Financial Condition and Results of Operations as at December 31, 1997 is set forth in Appendix B hereto which is incorporated into and forms part of this annual information form.

DIVIDEND POLICY

The Corporation did not pay dividends on its common shares in 1997 and has no intention to do so in 1998. Any decision to pay dividends on the Corporation's common shares will be made by the board of directors of the Corporation on the basis of the earnings, financial position and financing requirements of Boliden and other relevant factors.

MARKET FOR SECURITIES OF THE CORPORATION

Instalment receipts representing the common shares of the Corporation and common shares issued to former shareholders of Westmin Resources Limited are listed and posted for trading on The Toronto Stock Exchange and on the Montréal Exchange.

RISK FACTORS

Boliden's business is subject to a variety of risks including those described below.

Mining Risks and Insurance

The mining operations of Boliden are subject to risks normally encountered in the mining business. Such risks include environmental hazards, industrial accidents, labour disputes, unusual or unexpected geological formations or pressures, rock bursts, cave-ins, flooding and periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or production facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability. Although Boliden maintains insurance within ranges of coverage consistent with industry practice, no assurance can be given that such insurance will be available at economically feasible premiums. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) is not generally available to Boliden, or to other companies within the industry. To the extent that Boliden is subject to environmental liabilities, the payment of such liabilities would reduce the funds available to Boliden. If Boliden is unable to fund fully the cost of remedying an environmental problem, Boliden might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Nature of Mineral Exploration and Development

The exploration for and development of mineral properties includes significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting metals from the ore. It is impossible to ensure that the current exploration and development programs of Boliden will result in profitable commercial mining operations.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting minerals and environmental protection. The exact effect of these factors cannot be accurately predicted but a combination of these factors may result in Boliden not receiving an adequate return on invested capital.

Metal Price Volatility

Because a significant portion of Boliden's revenues are derived from the sale of zinc, copper, lead and gold, Boliden's earnings are directly related to the prices of these metals. Zinc, copper, lead and gold prices fluctuate widely and are affected by numerous factors beyond Boliden's control, including expectations for inflation, speculative activities, the relative exchange rate of the United States dollar, Norwegian krone, Spanish peseta and Swedish krona, global and regional demand and production, political and economic conditions and production costs in major producing regions. The effects of these factors, all of which are beyond Boliden's control, are impossible for Boliden to predict. If the market price for these metals falls below Boliden's full production costs and remains at such level for any sustained period, Boliden will experience losses and may determine to discontinue the development of a project or mining at one or more of its properties. For the approximate impact on Boliden's operating income of changes in metal prices, see "Earnings Sensitivities" in Management's Discussion and Analysis of the Corporation's Financial Condition and Results of Operations, a copy of which is attached to this annual information form as Appendix B.

Competition for Properties

Because mines have limited lives based on proven ore reserves, Boliden is continually seeking to replace and expand its ore reserves. Boliden encounters strong competition from other mining companies in connection with the acquisition of properties producing or capable of producing zinc, copper, lead and gold and other minerals. As a result of this competition, Boliden may be unable to acquire attractive mining properties on terms it considers acceptable. In addition, there are a number of uncertainties inherent in any program relating to the location of ore reserves, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and mineral processing facilities. Accordingly, there can be no assurance that Boliden's programs will yield new ore reserves to replace and expand current ore reserves.

Reserves

Boliden's ore reserves as presented in this annual information form are, in large part, estimates made by Boliden's technical personnel, and no assurance can be given that the indicated level of recovery of these metals will be realized. Reserves estimated for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of Boliden's metals, as well as increased production costs or reduced

recovery rates, may render ore reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of ore reserves. Moreover, short-term operating factors relating to the ore reserves, such as the need for sequential development of orebodies and the processing of new or different ore grades, may adversely affect Boliden's profitability in any particular accounting period.

Foreign Operations

Most of Boliden's exploration and development projects and investments are located in jurisdictions outside Canada. These projects and investments could be adversely affected by war, civil disturbances and activities of foreign governments which limit or disrupt markets, restrict the movement of funds or supplies or result in the restriction of contractual rights or the taking of property without fair compensation. These projects and investments could also be adversely affected by changes in Canadian laws and regulations relating to foreign trade, investment and taxation.

Exchange Rates

Fluctuations in currency exchange rates, principally the SEK/U.S.\$ and ESP/U.S.\$ exchange rates, can significantly impact Boliden's earnings and cash flows. Most of Boliden's revenues and debt are denominated in United States dollars whereas most of Boliden's operating costs are denominated in Swedish kronor, Spanish pesetas and Norwegian kroner.

Government Regulation and Legal Proceedings

Boliden's activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of properties, the extent of which cannot be predicted. In the context of environmental permitting, including the approval of reclamation plans, Boliden must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority.

Certain Environmental Risks

As described under "Business of Boliden — Minerals — Related Activities — Environment, Health and Safety", Boliden's businesses, particularly its minerals business, are subject to extensive government regulations relating to the protection of the environment, including those relating to air and water quality, solid and hazardous waste handling and disposal and mine reclamation and closure. Although Boliden believes that its current provision for mine reclamation and mine closure costs as well as its current estimates for total mine reclamation and closure costs are reasonable, there can be no assurance that they will not prove inadequate for various reasons. In addition, if Boliden were required for any reason to cease operations at any of its Rönnskär, Norzink or Bergsöe smelters, which have been operated at their current sites for extended periods, the reclamation costs could be substantial.

Employee Relations

A portion of Boliden's workforce is unionized and represented by different unions. The current contracts expire at different times. If these contracts are not renewed on their expiry, there is a risk of work stoppages due to strike or lockout. See "Business of Boliden — Minerals — Employees" and "Business of Boliden — Fabrication — Copper Division — Employees" and "Business of Boliden — Fabrication — Brass Division — Employees".

Aboriginal Land Claims

Aboriginal groups have claimed aboriginal title and rights with respect to their traditional territories in the portions of Canada where treaties have not yet been concluded, including much of British Columbia where most of Boliden's Canadian operations are located. In some instances, aboriginal groups have sought to restrict the Crown from issuing or renewing permits for mine development on their traditional territories. Boliden has not to date suffered any delay or disruption of business as a consequence of any aboriginal claim. The recent *Delgamuukw* decision of the Supreme Court of Canada has confirmed that aboriginal title can still exist in the portions of British Columbia not covered by treaties and that such title, where proved, is an interest in land and resources that is a burden on the underlying title of the Crown. The Court also confirmed that aboriginal title and rights are not absolute and may be infringed by the Crown for compelling and substantial purposes, including mining, subject to meeting a justification test. The governments of Canada and British Columbia have entered into treaty negotiations with British Columbia aboriginal groups respecting their aboriginal title and rights. The outcome of these negotiations is uncertain and there is no assurance that any treaties, or judicial decisions in respect of aboriginal claims, will not adversely affect Boliden's properties or that Boliden would receive adequate compensation for any such adverse effects.

DIRECTORS AND OFFICERS

Set out below are the names, municipalities of residence, offices and principal occupations of the directors and senior officers of the Corporation.

<u>Name and Municipality of Residence</u>	<u>Office</u>	<u>Principal Occupation</u>
CARL ERIK AMELN Lidingö, Sweden	Director	President, Luossavaara-Kiirunavaara
ALEX G. BALOGH Oakville, Ontario	Director	Corporate Director
ROBERT K. McDERMOTT Toronto, Ontario	Director, Secretary	Partner, McMillan Binch
KJELL NILSSON Trelleborg, Sweden	Director	President and Chief Executive Officer, Trelleborg AB
LARS OLOF NILSSON (1) Saltsjöbaden, Sweden	Director	Senior Vice President and Group Treasurer, Trelleborg AB
ROBERT R. STONE (1) Vancouver, British Columbia	Director	Corporate Director and Consultant
FREDERICK H. TELMER (1) Burlington, Ontario	Director, Chairman of the Board	Corporate Director
ANDERS BÜLOW Mississauga, Ontario	President and Chief Executive Officer	President and Chief Executive Officer of Boliden Limited
KENNETH G. STOWE Mississauga, Ontario	Senior Vice President, Business Development and Exploration	Senior Vice President, Business Development and Exploration of Boliden Limited
JAN PETTER TRAAHOLT Mississauga, Ontario	Senior Vice President and Chief Financial Officer	Senior Vice President and Chief Financial Officer of Boliden Limited
GUNNAR AXHEIM Skellefteå, Sweden	Vice President, Mining Europe	Business Area Manager, Mining Operations, Boliden AB
JAMES BORLAND West Hill, Ontario	Vice President, Investor Relations	Vice President, Investor Relations of Boliden Limited
THOMAS CEDERBORG Linköping, Sweden	Vice President, Copper Products and Recycling	Business Area Manager, Copper Products and Recycling, Boliden AB
STAFFAN JÄHKEL Waxholm, Sweden	Vice President, Technology Sales	President, Boliden Contech AB
ANDERS HAKER Mississauga, Ontario	Treasurer and Controller	Treasurer and Controller, Boliden Limited
LARS-ÅKE LINDAHL Älvsjö, Sweden	Vice President, Environmental Affairs	Manager, Environmental Affairs, Boliden AB
EBBE PEHRSSON Vancouver, British Columbia	Vice President, Mining Americas	General Manager, Boliden Westmin Limited
KARL-AXEL WAPLAN Bromma, Sweden	Vice President, Marketing and Sales	Director, Marketing and Sales, Boliden AB
ANDERS VIKDAHL Skellefteå, Sweden	Vice President, Smelting and Refining	Business Area Manager, Smelting Operations, Boliden AB

Note:

(1) Member of the Audit Committee.

Each of the directors has been a director of the Corporation since April 24, 1997 and holds office until the annual and special meeting of shareholders of the Corporation to be held on May 11, 1998 or until his office is vacated.

All of the directors and senior officers of the Corporation have held the principal occupations identified above for not less than five years, except for Mr. Balogh, who was Deputy Chairman, Noranda Inc. prior to July 1997 and President and Chief Executive Officer of Noranda Minerals Inc. prior to October 1994; Mr. L.O. Nilsson, who was Corporate Treasurer, Trelleborg AB from May 1994 to January 1997 and Managing Director, Trelleborg Finance BV prior to May 1994; Mr. Stone who was Vice President, Finance and Chief Financial Officer, Cominco Ltd. prior to February 1997; Mr. Telmer, who was Chairman and Chief Executive Officer, Stelco Inc. prior to April 1997; Mr. Bülow, who was President, Boliden AB from August 1995 to May 1997, Business Area Manager, Building and Distribution, Trelleborg AB from January 1993 to July 1995 and President, Boliden Metall AB from October 1992 to August 1995; Mr. Stowe, who was Vice President, Operations and Environment, Westmin Resources Limited from September 1996 to February 1998, Vice President, Technology Diamond Fields Resources Inc. from August 1995 to August 1996 and Director – Milling, Noranda Inc. prior to August 1995; Mr. Traaholt, who was Vice President and Chief Financial Officer, Boliden AB from August 1996 to May 1997, Managing Director, Trelleborg Finance BV from May 1994 to April 1996 and Head of Internal Bank, Trelleborg Finance BV from May 1992 to May 1994; Mr. Axheim, who was Division Manager, Copper Division, Boliden Mineral AB from May 1992 to August 1995 and Division Manager, Rönnskär Smelter, Boliden Mineral AB prior to May 1992; Mr. Borland, who was Manager, Communications of the Nickel Development Institute from November 1992 to June 1997 and Editor, The Northern Miner newspaper prior to November 1992; Mr. Cederborg, who was President, NAF AB prior to December 1995; Mr. Haker, who was Financial Controller, Trelleborg AB from January 1995 to May 1997 and Financial Controller, Trelleborg Finance BV prior to January 1995; Mr. Lindahl, who was Head of the Hazardous Waste and Site Remediation Section of the Swedish Environmental Protection Agency from March 1994 to July 1996 and Administration Officer with the Swedish Environmental Protection Agency prior to March 1994; Mr. Pehrsson, who was Vice President Business Development, Boliden AB from February 1996 to January 1998, Managing Director, Boliden Apirsa SL from June 1994 to January 1996 and Technical Director, Boliden Mineral AB prior to June 1994; Mr. Waplan, who was a private consultant for a Russian investor in ferrous ores, metals and alloys from January 1996 to May 1996, a trader of ferrous ores, metals and alloys, AIOC Ltd. from June 1993 to December 1995 and a trader of ferrous ores, metals and alloys, Axel Johnson Ore & Metals AB prior to June 1993; and Mr. Vikdahl, who was General Manager, Rönnskär Smelter, Boliden Mineral AB from August 1995 to November 1996 and Production Manager, Rönnskär Smelter, Boliden Mineral AB prior to August 1995.

As at March 11, 1998, the directors and senior officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, less than 1% of the Corporation's outstanding common shares and no voting securities of any subsidiary of the Corporation. The information as to securities beneficially owned or over which control or direction is exercised is not within the knowledge of the Corporation and has been furnished by the directors and senior officers individually.

Robert K. McDermott, a director and Secretary of the Corporation, is a partner of McMillan Binch which provides legal services to the Corporation.

ADDITIONAL INFORMATION

Upon request to the Secretary of the Corporation at the Corporation's principal office at Suite 1500, BCE Place (Bay/Wellington Tower), 181 Bay Street, Toronto, Ontario, M5J 2T3, the Corporation will provide any person with a copy of:

- (a) this annual information form;
- (b) the management information circular dated March 11, 1998;
- (c) any unaudited interim reports to shareholders issued after December 31, 1997; and
- (d) any other documents that are incorporated by reference into a preliminary short form prospectus or short form prospectus filed in respect of a distribution of securities of the Corporation.

A copy of any of these documents may be obtained without charge at any time when a preliminary short form prospectus has been filed in respect of a distribution of any securities of the Corporation or any securities of the Corporation are in the course of a distribution pursuant to a short form prospectus. At any other time, any document referred to in (a) to (c) above may be obtained by security holders of the Corporation without charge and by any other person upon payment of a reasonable charge.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the management information circular for use at the annual and special meeting of shareholders of the Corporation to be held on May 11, 1998. Additional financial information is provided in the Consolidated Financial Statements and Management's Discussion and Analysis of the Corporation's Financial Condition and Results of Operations as at December 31, 1997, copies of which are attached to this annual information form as Appendix A and Appendix B, respectively.

APPENDIX A
CONSOLIDATED FINANCIAL STATEMENTS*

*References to Boliden and the Company in Appendix A do not include Westmin.

Report

Auditors'

To the Shareholders of Boliden Limited:

We have audited the consolidated balance sheets of Boliden Limited as at December 31, 1997 and 1996 and the consolidated statements of earnings and cash flows for each of the years in the three-year period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing

the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended December 31, 1997, in accordance with generally accepted accounting principles in Canada.



Chartered Accountants
Toronto, Canada
February 9, 1998

Financial Reporting

Management's Responsibility for

The information in this annual report has been reviewed and approved by management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles. Where alternative accounting methods exist, management has chosen those methods deemed most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. The financial information presented throughout this report is consistent with that in the consolidated financial statements.

Boliden has developed systems of internal accounting and administrative control to provide assurance of the reliability of the financial information, consistent with reasonable cost. The Company maintains formal policies and procedures, carefully selects and trains personnel, and requires the appropriate delegation of authority and segregation of responsibilities. These procedures are monitored by internal auditors who perform extensive tests at major locations worldwide. Boliden's independent auditors also review the Company's systems

of internal accounting control for the purpose of expressing their opinion on the consolidated financial statements.

Boliden's Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management's discussion and analysis. The Board carries out this responsibility principally through its Audit Committee. The Company's auditors have full access to the Audit Committee.



Anders Bülow
President and Chief Executive Officer



Jan Petter Traaholt
Senior Vice President and Chief Financial Officer

C o n s o l i d a t e d B a l a n c e S h e e t s

In thousands of United States dollars

December 31	1997	1996
Assets		<i>(Restated – note 7)</i>
Current assets:		
Cash and temporary investments	\$ 65,336	\$ 29,563
Amounts due from Trelleborg AB (note 13)	—	40,958
Accounts and metal settlements receivable	200,676	186,011
Inventories (note 3)	168,070	173,743
	434,082	430,275
Capital assets (note 4)	571,985	565,166
Other assets	28,290	4,692
Deferred income taxes (note 7)	—	20,776
	\$ 1,034,357	\$ 1,020,909
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	\$ 5,862	\$ 3,422
Accounts payable and accrued charges	220,184	225,591
Income and other taxes payable	7,154	7,109
Deferred revenue	14,417	33,755
Long-term debt maturing within one year (note 6)	833	4,601
	248,450	274,478
Long-term debt (note 6)	53,217	59,949
Deferred income taxes (note 7)	1,622	—
Deferred revenue	9,870	20,167
Provision for reclamation costs	31,579	37,131
Other long-term liabilities	10,057	3,902
	354,795	395,627
Shareholders' equity (note 9)	679,562	625,282
Commitments and contingencies (notes 10 and 14)	\$ 1,034,357	\$ 1,020,909

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Robert R. Stone

Robert R. Stone
Director

Frederick H. Telmer

Frederick H. Telmer
Director

C o n s o l i d a t e d S t a t e m e n t s o f E a r n i n g s

In thousands of United States dollars

Year ended December 31	1997	1996	1995
		<i>(Restated – note 7)</i>	<i>(Restated – note 7)</i>
Revenues	\$ 1,201,985	\$ 1,262,718	\$ 1,273,611
Operating expenses:			
Cost of sales of metal and other products	947,007	1,044,649	1,038,747
Writedown of mining interests (note 11)	—	—	62,094
Depreciation, depletion and amortization	68,240	82,195	79,881
Selling, general and administrative	54,509	51,097	49,949
Exploration, research and development	20,508	20,392	15,183
	1,090,264	1,198,333	1,245,854
Operating income	111,721	64,385	27,757
Interest on long-term debt	(4,099)	(4,349)	(4,493)
Interest and other income (note 12)	5,671	4,227	5,760
	1,572	(122)	1,267
Earnings before income taxes	113,293	64,263	29,024
Income taxes (note 7)	31,489	25,916	29,108
Net earnings (loss) for the year	\$ 81,804	\$ 38,347	\$ (84)
Earnings per share (note 2)	\$ 0.82	\$ 0.38	\$ 0.00

See accompanying notes to consolidated financial statements.

C o n s o l i d a t e d S t a t e m e n t s o f C a s h F l o w s

In thousands of United States dollars

Year ended December 31	1997	1996	1995
		<i>(Restated – note 7)</i>	<i>(Restated – note 7)</i>
Cash provided by (used in):			
Operating activities:			
Net earnings (loss) for the year	\$ 81,804	\$ 38,347	\$ (84)
Add (deduct) items not affecting cash:			
Depreciation, depletion and amortization	68,240	82,195	141,975
Deferred income taxes	20,296	130	(2,164)
Other	(382)	—	—
	169,958	120,672	139,727
Net change in non-cash operating working capital	(37,895)	23,603	(5,618)
Cash provided by operating activities	132,063	144,275	134,109
Financing activities:			
Additions to (repayments of) debt	(2,810)	(4,689)	(6,639)
Capital advances (repayment) from parent	29,434	(13,004)	(35,606)
Cash received from Trelleborg AB	35,789	—	—
Cash provided by (used in) financing activities	62,413	(17,693)	(42,245)
Investing activities:			
Capital expenditures	(149,629)	(118,262)	(107,802)
Proceeds on asset dispositions	2,381	—	—
Other assets	(13,644)	—	—
Cash used in investing activities	(160,892)	(118,262)	(107,802)
Effect of exchange rate changes on cash balances in foreign currencies	(251)	(46)	1,811
Cash provided (used) during the year	33,333	8,274	(14,127)
Cash and temporary investments, net of bank overdraft, beginning of year	26,141	17,867	31,994
Cash and temporary investments, net of bank indebtedness, end of year	\$ 59,474	\$ 26,141	\$ 17,867

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended December 31, 1997, 1996 and 1995

(Tabular amounts in thousands of United States dollars)

1. General and basis of presentation:

Boliden Limited (the “Company”) was incorporated under the Canada Business Corporations Act on April 18, 1997. The Company was formed to acquire, and did acquire on June 17, 1997, concurrent with the closing of the Company’s initial public offering of common shares by way of secondary offering (the “initial public offering”), certain mining and metals businesses of Trelleborg International BV, itself a wholly-owned subsidiary of Trelleborg AB (“Trelleborg”). The net assets acquired comprise 11 wholly-owned base metal mines in Europe, a 50% joint venture interest in a gold mine in Saudi Arabia (“SCPM”), two wholly-owned smelters in Sweden, a 50% joint venture interest in a smelter in Norway (“Norzink”), and wholly-owned fabrication, recycling, and technology sales businesses based in Europe.

The accompanying consolidated financial statements for periods prior to the closing date of the initial public offering have been prepared from the historical financial records of Trelleborg and its subsidiaries, and reflect the combined mining and metals businesses acquired as though carried on by the Company as a separate legal entity. The net assets acquired from Trelleborg are stated at carrying values based on their historic cost to Trelleborg. For periods prior to the closing date of the initial public offering, these financial statements reflect certain allocated costs which management believes are reasonable:

- (i) certain corporate overhead expenses incurred by Trelleborg (note 13);
- (ii) interest income on amounts due from Trelleborg, based on interest income earned by Trelleborg, on its interest earning cash and short-term investments (note 12); and
- (iii) corporate income taxes reflecting the corporate income taxes related to the operations included in these financial statements.

These financial statements may not necessarily be indicative of the results that would have been attained if the Company had been operated as a separate legal entity during the periods presented through to the closing of the initial public offering.

2. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied. The principal accounting policies followed by the Company are summarized hereunder:

(a) Basis of consolidation:

These financial statements combine the financial statements of all controlled companies, and also include the Company’s proportionate interests in the accounts of entities that are jointly controlled, including Norzink and SCPM. Intercompany transactions and balances have been eliminated.

(b) Translation of foreign currencies:

Exchange gains and losses on foreign currency transactions are included in income in the current year, except when hedged or when the gains or losses relate to a monetary item with a fixed or ascertainable life extending beyond the end of the following fiscal year. In this case, the gain or loss is deferred and amortized to income on a straight-line basis over the period the related monetary item is outstanding. Financial statements of self-sustaining foreign operations are translated into United States dollars using the current rate method. Under this method, assets and liabilities are translated at the rate of exchange in effect at the year end while revenue and expense items (including depreciation, depletion and amortization) are translated at the average exchange rates prevailing during the year. Exchange gains and losses from the translation of such financial statements are deferred and disclosed as a separate component of shareholders’ equity.

(c) Revenue recognition:

Revenues are recorded when the rights and obligations of ownership pass to the buyer.

(d) Valuation of inventories:

Metals inventories, including metals in purchased concentrates, are valued at the lower of cost, determined on a “first-in, first-out” basis, and net realizable value. Cost includes direct labour and material costs, mine site overhead and depreciation and depletion of capital assets. Supplies inventories are valued at the lower of average cost of acquisition and replacement cost.

(e) Forward, futures and option contracts:

The Company uses forward and option contracts to hedge the effect of exchange rate changes on foreign currency exposures, and futures and option contracts to hedge the effect of price changes on a portion of the commodities it sells. Gains and losses on these contracts are reported in revenue as a component of the related transactions. From time to time, the Company has entered into futures, options and forward contracts for the purchase or sale of commodities and currencies not designated as hedges. These contracts are carried at quoted market values and gains or losses arising from the changes in the market values of these contracts are recognized in earnings in the period in which the changes occur.

(f) Capital assets:

Property, plant and equipment and related capitalized development and preproduction expenditures are recorded at cost. Repairs and maintenance expenditures are charged to operations; major betterments and replacements are capitalized.

The Company generally depreciates plant and equipment used in mining operations on a straight-line basis over the lesser of their useful service lives or the lives of the producing mines to which they relate. Smelting and manufacturing facilities are depreciated on a straight-line basis over their estimated useful lives.

Mine development costs incurred to maintain current production are included in operating costs. Mine development costs incurred to expand the capacity of operating mines, to develop new orebodies or to develop mine areas substantially in advance of current production are capitalized and charged to operations on a unit-of-production basis.

Mining costs associated with waste rock removal at open pit mines are deferred and recognized in operations based on the average stripping ratio for each mine. The average stripping ratio is calculated as the tonnes of material estimated to be mined to the tonnes of ore estimated to contain economically recoverable metals. Where the stripping ratio over the life of the mine is relatively uniform, costs are generally expensed as incurred.

When events or changes in circumstances indicate that the carrying amount of a capital asset may not be recoverable, it is written down to its net recoverable amount based on estimated future net cash flows.

(g) Exploration:

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings. Further costs are generally capitalized and then amortized as appropriate under the policy for property, plant and equipment as described above.

(h) Income taxes:

In December 1997, the Canadian Institute of Chartered Accountants issued a new Handbook Section, "Accounting for Income Taxes." This requires a change from the deferral method of accounting for income taxes to the asset and liability method of accounting for income taxes. Under the asset and liability method of accounting for income taxes, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and tax basis of assets and liabilities.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company adopted the new Handbook Section and has applied the provisions of it retroactively to January 1, 1995. The cumulative effect of the change as at January 1, 1995 and the impact on previously reported earnings for 1995 and 1996 is disclosed in note 7.

(i) Environmental and reclamation costs:

Ongoing reclamation and other environmental costs are expensed as incurred. Estimated reclamation costs to be incurred when operations are closed are accrued and expensed over the lives of the operations.

(j) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(k) *Earnings per share:*

For all years presented earnings per share is calculated based on 99,640,315 shares outstanding, being the number of shares to be issued by the Company to acquire certain mining and metals businesses of Trelleborg (note 1).

3. Inventories:

Inventories consist of the following:

	1997	1996
In process	\$ 69,584	\$ 76,385
Finished products	56,502	51,844
Materials and supplies	41,984	45,514
	\$ 168,070	\$ 173,743

4. Capital assets:

1997	Cost	Accumulated depreciation	Net book value
Mining interests:			
Property acquisition and deferred mine costs	\$ 278,263	\$ (124,662)	\$ 153,601
Buildings and equipment	469,989	(253,473)	216,516
Construction in progress	893	—	893
	749,145	(378,135)	371,010
Smelters	430,762	(294,862)	135,900
Other property, plant and equipment	126,208	(67,231)	58,977
Construction in progress	6,098	—	6,098
	563,068	(362,093)	200,975
	\$ 1,312,213	\$ (740,228)	\$ 571,985

1996	Cost	Accumulated depreciation	Net book value
Mining interests:			
Property acquisition and deferred mine costs	\$ 231,480	\$ (120,068)	\$ 111,412
Buildings and equipment	501,132	(314,268)	186,864
Construction in progress	38,343	—	38,343
	770,955	(434,336)	336,619
Smelters	478,261	(316,522)	161,739
Other property, plant and equipment	170,218	(106,437)	63,781
Construction in progress	3,027	—	3,027
	651,506	(422,959)	228,547
	\$ 1,422,461	\$ (857,295)	\$ 565,166

5. Joint ventures:

A portion of the Company's activities are carried out through joint venture arrangements. The results of the Company's 50% interest in Norzink, and 50% interest in SCPM are proportionately consolidated in the Company's financial statements. The Company's share of the joint ventures' financial results is summarized as follows:

	1997	1996
Working capital	\$ 31,300	\$ 24,107
Non-current assets	43,532	51,919
Non-current liabilities	(9,738)	(14,634)
Net assets	\$ 65,094	\$ 61,392

	1997	1996	1995
Revenues	\$ 128,544	\$ 100,427	\$ 98,051
Expenses	116,603	90,304	89,347
Net earnings	\$ 11,941	\$ 10,123	\$ 8,704
Cash provided by operating activities	\$ 13,027	\$ 14,163	\$ 14,223
Cash used in financing activities	\$ (412)	\$ (4,188)	\$ (4,258)
Cash used in investing activities	\$ (1,598)	\$ (3,475)	\$ (8,712)

6. Long-term debt:

Long-term debt consists of the following:

	1997	1996
Accrued pension liability (note 8)	\$ 47,661	\$ 53,757
SCPM US dollar debt (a)	3,750	5,625
SCPM gold loan (a)	—	1,049
Norzink US dollar debt (b)	2,088	2,922
Other	551	1,197
	54,050	64,550
Less amounts maturing within one year	833	4,601
	\$ 53,217	\$ 59,949

(a) Through its joint venture, SCPM, the Company's 50% proportionate share of a loan with a Saudi bank is US\$3,750,000 (1996 – US\$5,625,000). The loan bears interest at 12-month LIBOR plus 0.25%, being 6.1375% at December 31, 1997 (1996 – 5.875%) and is repayable semi-annually from March 1999 through September 2001. The loan is secured on the assets of the joint venture.

Through its joint venture, SCPM, the Company's 50% proportionate share of a gold loan (1996 – 2,840 ounces) was repaid during the year.

(b) Through its joint venture, Norzink, the Company's proportionate share of US dollar loans is US\$2,088,000 (1996 – US\$2,922,000). These loans bear interest at an average of LIBOR plus .53% and are repayable evenly through the year 2000. The loan is secured by Norzink's property.

7. Income taxes:

(a) The income tax provision consists of the following:

	1997	1996	1995
Current	\$ 11,193	\$ 25,786	\$ 31,272
Deferred (recovery)	20,296	130	(2,164)
Total income taxes	\$ 31,489	\$ 25,916	\$ 29,108

(b) The difference between the amount of the reported consolidated income tax provision and the amount computed by multiplying the earnings before income taxes by the Company's applicable Swedish (being the principal country in which the Company operates) tax rates of 28% is reconciled as follows:

	1997	1996	1995
Income taxes computed using the Company's tax rates	\$ 31,722	\$ 17,993	\$ 8,127
Adjust for:			
Income of foreign subsidiaries taxed at (lower) higher effective tax rates	(5,434)	98	359
Losses of subsidiaries not tax benefited	1,360	5,712	18,639
Non-deductible items	2,073	2,113	1,983
Prior year taxes	1,768	—	—
Income tax provision	\$ 31,489	\$ 25,916	\$ 29,108

(c) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1997 and 1996 are as follows:

	1997	1996
Deferred tax assets:		
Capital assets, principally due to provisions taken for accounting purposes	\$ 31,078	\$ 31,218
Net operating loss carryforwards	26,886	30,719
Financial instruments, principally due to deferred revenue for financial reporting purposes	1,602	17,705
Provisions and other allowances	2,772	10,026
Total gross deferred tax assets	62,338	89,668
Less valuation allowance	(31,845)	(29,424)
Net deferred tax assets	\$ 30,493	\$ 60,244
Deferred tax liabilities:		
Excess depreciation taken for income tax over accounting purposes	\$ 31,496	\$ 37,858
Other	619	1,610
Total gross deferred tax liabilities	\$ 32,115	\$ 39,468
Net deferred tax asset (liability)	\$ (1,622)	\$ 20,776

(d) At December 31, 1997, the Company and subsidiaries included in these consolidated financial statements have available gross tax loss carryforwards of \$27.5 million which expire between the years 2001 and 2004 and \$56.7 million of available tax loss carryforwards with no expiry date.

(e) As described in note 2, the Company accounts for income taxes using the liability method in accordance with the recent Canadian Institute of Chartered Accountants recommendations on "Accounting for Income Taxes."

Prior years' earnings have been restated to retroactively reflect this change in accounting for income taxes and the cumulative effect of the change as at January 1, 1995 (the earliest period for which an income statement is presented) is \$26,680,000 and is reported as an adjustment to opening shareholders' equity.

	1996	1995
Net earnings, as previously reported	\$ 38,704	\$ 835
Effect of change in accounting for income taxes	(357)	(919)
Net earnings (loss), as restated	\$ 38,347	\$ (84)
Earnings per share, as previously reported	\$ 0.39	\$ 0.01
Effect of change in accounting for income taxes	(0.01)	(0.01)
Earnings per share, as restated	\$ 0.38	\$ 0.00

8. Retirement plans:

The Company maintains defined benefit retirement plans providing retirement, death and termination benefits for certain salaried and hourly employees principally in Sweden, Norway and the United Kingdom. Pension benefits are calculated based upon length of service and final average earnings. As permitted by Swedish law, the Company can choose to satisfy its pension obligations to Swedish employees either by participating in a government sponsored multi-employer plan (where pension benefits for employees are fully funded through group annuity contracts) or by maintaining an unfunded defined benefit plan. The Norwegian and United Kingdom defined benefit plans are funded plans.

The status of the Company's defined benefit plan is as follows:

	1997	1996
Funded plans:		
Plan assets at market value	\$ 71,415	\$ 66,202
Projected benefit obligations	(68,321)	(61,360)
	3,094	4,842
Unfunded plans	(43,677)	(46,377)
	(40,583)	(41,535)
Unrecorded plan surplus	7,078	12,222
Pension liability recognized on the consolidated balance sheet	\$ (47,661)	\$ (53,757)

Discount rates used in determining the projected benefit obligations for 1997 range from 6% to 7%.

9. Shareholders' equity:

(a) Shareholders' equity is comprised as follows:

	1997	1996
Common shares	\$592,649	\$ —
Retained earnings	44,403	—
Capital employed	—	530,859
Foreign currency translation account	42,510	94,423
Total shareholders' equity	\$679,562	\$ 625,282

During 1997, the Company was incorporated and acquired, concurrent with the closing of its initial public offering on June 17, 1997, certain mining and metals businesses of Trelleborg (note 1), in exchange for 99,640,315 common shares of Boliden. Accordingly, effective June 30, 1997, the balance of capital employed has been reclassified to common shares and retained earnings has been accumulated from June 30, 1997. Therefore the balance of retained earnings at December 31, 1997 represents earnings from July 1, 1997, through to December 31, 1997.

	Capital employed	Common shares Number	Amount	Retained earnings
Balance January 1, 1995	\$ 495,386	—	\$ —	\$ —
Cumulative effect of change in accounting for income taxes (note 7)	26,680	—	—	—
Balance January 1, 1995 as restated	522,066	—	—	—
Net loss as restated (note 7)	(84)	—	—	—
Repayments to parent	(35,606)	—	—	—
Transfer of tax deductions from affiliated companies	4,386	—	—	—
Balance December 31, 1995 as restated	490,762	—	—	—
Net earnings as restated (note 7)	38,347	—	—	—
Repayments to parent	(13,004)	—	—	—
Transfer of tax deductions from affiliated companies	14,754	—	—	—
Balance December 31, 1996 as restated	530,859	—	—	—
Net earnings January 1, 1997 to June 30, 1997	37,401	—	—	—
Advance from parent	29,434	—	—	—
Transfer of tax deductions from affiliated companies	(5,045)	—	—	—
Balance June 30, 1997	592,649	—	—	—
Issue of common shares to Trelleborg	(592,649)	99,640,315	592,649	—
Net earnings July 1, 1997 to December 31, 1997	—	—	—	44,403
Balance December 31, 1997	\$ —	99,640,315	\$ 592,649	\$ 44,403

The Company's authorized capital consists of an unlimited number of preferred shares, issuable in series, and an unlimited number of common shares.

(b) *Share option plan:*

A total of 790,000 options to acquire Boliden common shares are currently outstanding and unexercised. The options were granted to certain directors and executive officers on June 17, 1997 at an exercise price of \$16.00 per Boliden common share. The options granted to directors and executive officers who are residents of Sweden (375,000) vest at the rate of 1/3 on each of June 17, 2000, June 17, 2001 and June 17, 2002 and are exercisable for a period of 190 days from the date of vesting, after which they expire. The options granted to all other directors and executive officers vest at the rate of 1/3 on each of June 17, 1998, June 17, 1999 and June 17, 2000 and expire on June 17, 2007.

10. Commitments and contingencies:

Environmental:

All of the Company's mining operations are subject to reclamation and closure requirements. Minimum standards for mine reclamation have been established by various governmental agencies which affect certain operations of the Company. A reserve for mine reclamation costs has been established for restoring certain abandoned and currently disturbed mining areas based upon estimates of costs to comply with existing reclamation standards. Mine reclamation costs for operating properties are accrued using the unit-of-production method. The estimated amount of metals or minerals to be recovered from a mine site is based on internal and external geological data and is reviewed by management on a periodic basis. Changes in such estimated amounts which affect reclamation cost accrual rates are reflected on a prospective basis. The Company's estimate of its ultimate accrual for reclamation costs may change due to changes in laws and regulations, and interpretations thereof, and changes in cost estimates.

11. Writedown of mining interests:

The consolidated results of operations include losses and the 1995 writedown relating to the Aznalcóllar zinc mine in Spain, which closed in 1996, and which is therefore not part of the Company's continuing mining operations. The condensed consolidated results of operations, excluding losses and the writedown relating to the closed Aznalcóllar zinc mine, for 1996 and 1995 were as follows, after restating for the change in accounting for income taxes (note 7).

	1996	1995
Revenue	\$ 1,226,943	\$ 1,216,029
Operating expenses	1,147,579	1,122,019
Operating income	79,364	94,010
Interest and other	(210)	1,043
Earnings before income taxes	79,154	95,053
Income taxes	25,916	29,108
Net earnings	\$ 53,238	\$ 65,945
Cash flow from operations before changes in non-cash operating working capital	\$ 127,544	\$ 131,976

12. Interest income and other income:

Interest income and other income (expenses), net, includes the following:

	1997	1996	1995
Interest income	\$ 2,525	\$ 1,197	\$ 2,771
Interest income on balance due from Trelleborg	638	2,644	3,588
Other financial items	335	412	309
Interest expense	(50)	(1,069)	(852)
Gain on sale of capital assets	382	—	—
Gain (loss) on commodity and other contract trading activities	1,841	1,043	(56)
Total interest and other income	\$ 5,671	\$ 4,227	\$ 5,760

13. Related party transactions:

Certain expenses incurred by Trelleborg on behalf of, and attributable to the Company, through the closing of the initial public offering were allocated to the Company based on the fair value of the services performed. Allocated costs include management, accounting and other general corporate costs. These costs were allocated based upon methods which management believes results in a reasonable allocation. Allocated costs by Trelleborg were as follows:

	1997	1996	1995
Selling, general and administrative	\$ 629	\$ 2,506	\$ 2,032

The Company has an agreement with Trelleborg Metech, Inc. (“Metech”) whereby Metech sources and sells to the Company at market rates secondary materials for processing at Rönnskär. The agreement may be terminated on 12 months notice. The amount paid to Metech during 1997 was \$27.4 million (1996 – \$45.1 million).

Trelleborg AB was the counterparty on all foreign exchange hedging instruments entered into by the Company through March 31, 1997.

The receivable due from Trelleborg was interest bearing (notes 1 and 12) and was paid to the Company concurrently with the closing of the secondary offering.

14. Financial instruments:

(a) Fair value of financial assets and financial liabilities:

The carrying value of cash and short-term investments, accounts receivable, accounts payable, accrued liabilities and short-term obligations approximates fair value due to the short-term maturities of these instruments.

The Company holds cash and marketable short-term investments which are subject to various risks such as interest rate, credit and liquidity. These risks are mitigated by restricting both the type and term of securities for investment. The Company deals with highly rated counterparties to reduce credit risk.

(b) Foreign exchange exposure management:

The Company manages its exposure to changes in foreign exchange rates through the use of forward exchange contracts and put and call options to hedge certain future transactions and investments denominated in foreign currencies. The Company hedges a portion of its anticipated but not yet committed foreign currency exposures when such transactions are probable and the significant characteristics and expected terms are identified.

Notes to Consolidated Financial Statements

Gains and losses resulting from the early termination of currency hedge instruments relating to future transactions are deferred and recognized based on the original maturities. As at December 31, 1997, the deferred gain relating to such amounts amounted to \$12.9 million (1996 – \$40.4 million), of which \$7.2 million and \$5.7 million will be recognized in 1998 and 1999, respectively.

At December 31, 1997, the Company's principal currency hedge positions are summarized as follows:

Maturing in	1998		1999		2000	
	\$ Million	Rate	\$ Million	Rate	\$ Million	Rate
Swedish kronor:						
Forward sales	27	7.66	128	7.63	150	7.78
Put options bought	347	7.40	241	7.53	30	7.40
Call options sold	347	8.00	241	8.07	30	7.91
Norwegian kroner:						
Forward sales	40	6.76	41	6.91	—	—
Spanish pesetas:						
Forward sales	—	—	48	146	—	—
Put options bought	88	138	40	140	15	140
Call options sold	88	149	40	152	15	153

The fair value of the currency contracts designated as hedges at December 31, 1997 was an unrealized loss of \$29.4 million.

(c) Commodity price exposure management:

The Company manages its exposure to changes in commodity prices for its products through hedge transactions. Hedge transactions include forward sales contracts and put and call options.

Gains and losses resulting from the sale or conversion of commodity hedge instruments prior to maturity are deferred and recognized under the original maturity terms of the contract. As at December 31, 1997, the deferred gain relating to such contracts amounted to \$11.4 million (1996 – \$13.5 million), of which \$7.2 million and \$4.2 million will be recognized in 1998 and 1999, respectively.

As at December 31, 1997, the Company's principal commodity hedge positions are summarized as follows:

Maturing in	1998		1999	
	Quantity	Average price	Quantity	Average price
Silver: Forward sales	5,400,000 oz.	\$5.77 per oz.	2,250,000 oz.	\$5.64 per oz.
Gold: Forward sales	12,860 oz.	\$447 per oz.	8,038 oz.	\$ 468 per oz.

The fair value of the commodity contracts designated as hedges at December 31, 1997 was \$5.2 million.

15. Segmented data (thousands of United States dollars):

The Company operates principally in three industry segments: the mining segment, the smelting segment, and the fabrication segment.

	Mining	Smelting	Fabrication	Corporate and other	Consolidation adjustments	Total
Year ended December 31, 1997:						
Revenues	\$ 348,240	\$ 728,170	\$ 360,777	\$ 31,091	\$ (266,293)	\$ 1,201,985
Operating income	84,940	38,131	8,460	(19,568)	(242)	111,721
Depreciation, depletion and amortization	34,755	23,341	9,201	943	—	68,240
Capital assets, net	371,010	140,268	54,473	6,234	—	571,985
Capital expenditures	112,288	31,622	4,782	937	—	149,629
Year ended December 31, 1996:						
Revenues	351,959	725,285	323,998	45,232	(183,756)	1,262,718
Operating income	38,546	30,918	9,468	(13,439)	(1,108)	64,385
Depreciation, depletion and amortization	41,095	30,091	8,150	2,200	659	82,195
Capital assets, net	313,658	162,366	57,055	15,075	4,387	552,541
Capital expenditures	91,374	19,845	4,317	2,726	—	118,262
Year ended December 31, 1995:						
Revenues	365,093	687,722	373,519	72,215	(224,938)	1,273,611
Operating income	2,288	20,776	16,480	(11,367)	(420)	27,757
Depreciation, depletion and amortization	41,009	28,398	8,190	1,846	438	79,881
Capital assets, net	269,919	181,200	61,600	13,397	4,856	530,972
Capital expenditures	55,357	41,097	9,436	1,912	—	107,802

16. Subsequent event:

On February 9, 1997, the Company announced that it had acquired an aggregate 89,997,303 common shares of Westmin Resources Limited. ("Westmin") representing approximately 95% of the issued and outstanding shares pursuant to an Offer to Purchase issued on December 1, 1997. The Company intends to exercise its right under the CBCA to acquire the remaining shares of Westmin.

The total cost of the acquisition, including expenses, is approximately \$360 million and will be accounted for by the purchase method effective January 1, 1997. This purchase allocation is based on information currently available. The accounting for the acquisition of Westmin, when completed, may differ based on information available at that time.

The acquisition is summarized as follows:

Current assets	\$ 76,014
Non-current assets	22,752
Capital assets	637,080
	735,846
Current liabilities	47,815
Provision for reclamation costs	41,982
Long-term debt	285,169
Other long-term liabilities	1,600
Total consideration cost	\$ 359,280
Consideration:	
Common shares	\$ 49,544
Cash	309,736
	\$ 359,280

The pro forma condensed balance sheet of the Company below reflects the effect of the acquisition on the consolidated balance sheet of the Company at December 31, 1997 prior to any refinancing.

Current assets	\$ 500,096
Non-current assets	37,398
Capital assets	1,209,065
Total assets	\$ 1,746,559
Current liabilities	\$ 296,264
Provision for reclamation costs	73,561
Long-term debt	624,478
Other long-term liabilities	23,149
	1,017,452
Shareholders' equity	729,107
Total liabilities and shareholders' equity	\$ 1,746,559

17. Reclassifications:

Certain comparative figures have been reclassified to conform with the current financial statement presentation, including the reclassification of freight costs from selling, general and administrative costs, to cost of sales.

APPENDIX B
MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CORPORATION'S
FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

*References to Boliden and the Company in Appendix B do not include Westmin.

Management's Discussion and Analysis



This analysis provides management's perspective on the financial position of Boliden Limited at December 31, 1997. Also included is a review of the Company's liquidity and capital resources and the results of operations. Future opportunities and uncertainties facing the Company are also discussed.

>>>>>> *Petter Traaholt, Senior Vice President and Chief Financial Officer*

Consolidated Results of Operations

(Unless otherwise indicated, all financial information is expressed in US dollars.)

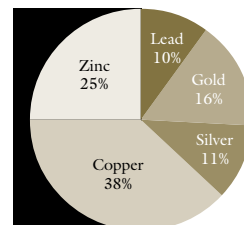
Boliden generates revenues primarily from three business segments: mining, smelting and fabrication. It also provides design and process engineering services and project management through a subsidiary, Boliden Contech AB.

In 1997, consolidated revenues from operations declined 4.8% to \$1,202 million. The decrease was primarily due to lower zinc production and price declines for all metals produced by Boliden, with the exception of zinc. Partially offsetting these declines were higher copper production and higher volumes in Boliden's smelting operations. Primary zinc production declined principally as a result of the closing of the Aznalcóllar mine in late 1996.

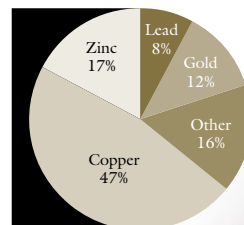
Changes in production levels fluctuate at each site as mining plans evolve, affecting ore grades. Mining plans sometimes require that higher or lower grade ores be mined for a period of time to ensure overall efficiency. In 1997 for instance, lower zinc production was due in part to temporarily lower grades

at the Boliden Area Operations, while higher copper production was due to temporarily higher grades in the Aitik mine. Gold production increased due to temporarily higher grades at the Boliden Area Operations. Ore grades at the 50%-owned Sukhaybarat gold mine in Saudi Arabia are declining, in line with expectations.

Mining revenue
per metal 1997



Smelting revenue
per metal 1997



Production

Metal in Concentrate

	1997	1996	1995
Zinc (tonnes)	129,761	142,497	157,351
Copper (tonnes)	86,041	65,669	77,668
Lead (tonnes)	99,320	97,346	99,797
Gold* (ounces)	164,445	155,033	179,397
Silver (thousand ounces)	8,084	7,773	7,779

* Includes 50% of the gold produced at the Saudi Company for Precious Metals.

Refined Metal

(tonnes)	1997	1996	1995
Zinc	71,125	67,526	65,409
Copper	128,414	126,379	105,142
Lead	85,874	84,082	82,824
Gold	8,162	10,075	8,162

Prices*

(US\$)	1997	1996	1995
Zinc (per pound)	0.60	0.46	0.47
Copper (per pound)	1.03	1.04	1.33
Lead (per pound)	0.28	0.35	0.29
Gold (per ounce)	330	388	384
Silver (per ounce)	4.90	5.20	5.20

* Average annual prices from the London Metal Exchange and the London Bullion Market Association.

Although Boliden's revenues declined slightly, its costs of sales, expressed in US dollars, decreased even more. There are three principal elements to Boliden's costs of sales: metals prices, which affect the "inputs" in Boliden's smelting and fabricating operations; operating costs in local currencies; and

exchange rates. Roughly 73% of Boliden's costs of sales are incurred in Swedish kronor.

When translated into US dollars, costs of sales declined 9.3% to \$947.0 million. The average value of the Swedish krona against the US dollar fell 14% in 1997.

Exchange Rates

(US\$1.00 = Swedish krona)	1997	1996	1995
Rate at end of year	7.86	6.87	6.67
Average for the year	7.64	6.70	7.13

Depreciation, depletion and amortization was \$68.2 million in 1997 compared to \$82.2 million in 1996. The decrease was due mainly to the weakening of the Swedish krona against the US dollar. Selling, general and administrative costs increased to \$54.5 million in 1997 from \$51.1 million in 1996. The largest contribution to the increase was the cost of becoming a public company and locating Boliden's head office in Toronto.

Exploration, research and development expenditures were \$20.5 million in 1997 compared to \$20.4 million in 1996. Boliden's exploration efforts are focused at or near its existing mine sites in Sweden and Spain. Total exploration and R&D expenditures have climbed from \$9.7 million in 1994 and are expected to continue to increase. Exploration and research and development expenditures do not include property development expenditures at Boliden's existing mines.

Interest on long-term debt decreased slightly in 1997 to \$4.1 million from \$4.3 million in 1996. This is a result of a small reduction in outstanding debt. Interest and other income increased slightly in 1997 to \$5.7 million from \$4.2 million in 1996.

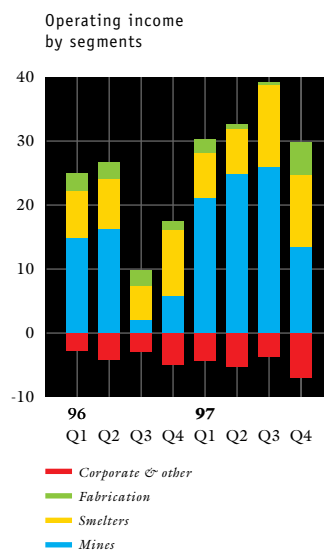
The effective tax rate decreased in 1997 to 27.8% from 40.3%. This was due to lower tax rates of certain subsidiaries and the fact that Boliden incurred operating losses at its Spanish operations in 1996 for which no tax benefit was recognized.

Net earnings increased 113% to \$81.8 million in 1997 compared to \$38.3 million the year before.

The improvement was largely due to three factors: record production levels and higher margins at Boliden's smelting operations, and the effect of a stronger US dollar, particularly against the Swedish krona.

These improvements were partially offset by lower realized prices for all metals produced by Boliden, except zinc. In the fabrication segment, operating earnings were affected by weaker construction markets in Europe.

Net earnings from mining in 1996 were adversely affected by the operations of the Aznalcollar mine, which was closed in October of that year. Excluding the results of that mine, net earnings were \$53.2 million in 1996.

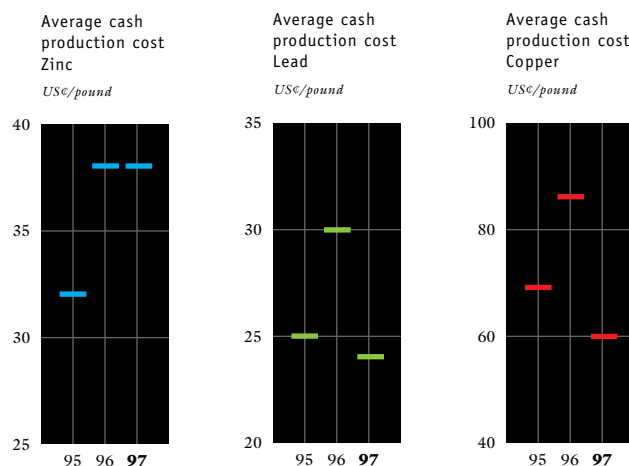


Results by Significant Segments

Segmented Operating Income

(\$ millions)	1997	1996	1995
Mining	84.9	38.5	2.3
Smelting	38.1	30.9	20.8
Fabrication	8.5	9.5	16.5
Corporate and other ¹	(19.8)	(14.5)	(11.8)
TOTAL	111.7	64.4	27.8

¹ Includes Boliden Contech AB, corporate overhead and consolidation adjustments.



Mining

Operating income from mining increased 121% to \$84.9 million from \$38.5 million in 1996. The improvement came largely from declines in local operating costs as measured in US dollars. Revenues were down slightly. While production increased for all metals, except zinc, prices declined for all metals, again with the exception of zinc.

Local operating costs increased at a rate less than local inflation. However, in US dollar terms, they declined, after taking into account a 14% fall in the average value of the Swedish krona in 1997 compared to 1996.

Cash costs rose for zinc production, as production and prices for by-products declined. Lower zinc production was primarily due to the closing of the Aznalcóllar mine. Cash costs for copper production declined as a result of temporarily higher grades in the Aitik mine, partially offset by lower by-product credits. Cash costs for lead fell as a result of higher grades for lead and improved zinc by-product credits.

At Boliden's 50%-owned Sukhaybarat gold mine in Saudi Arabia, grades are declining in line with expectations. Despite lower gold prices, the Saudi mine remains profitable with cash production costs of \$162 an ounce in 1997. While the contribution from this operation has been decreasing, cash costs remain low and additional reserves are being explored on the property. At year-end, ore reserves were marginally

higher, while grades were marginally lower compared to a year earlier.

Smelting

Operating income from smelting increased 23.3% to \$38.1 million in 1997 from \$30.9 million in 1996. The increase was attributable to record production at both the Rönnskär and Norzink smelters as well as higher margins. Treatment and refining charges increased at a greater rate than operating costs. In fact, unit costs declined, reflecting both increases in volume and productivity improvements resulting from changes at both smelters over the past few years. Cost improvement programs instituted in 1997, including a greater focus on competitive outsourcing of some services, are producing benefits, but will not have a full impact until 1998. Staffing has been reduced at Norzink.

Fabrication

Operating income from fabrication decreased to \$8.5 million in 1997 from \$9.5 million in 1996. Revenues were down due to declining copper prices and lower volumes, while costs of sales when expressed in local currencies were stable. European building markets, principally in Germany, Boliden's most important market, are cyclical and were weak for most of 1997. As a result, price competition was intense and margins suffered. The markets began to

strengthen in the autumn, but while volumes improved, prices have been slower to follow suit. Both the Brass Division and the Copper Division have made good progress in reducing costs and improving efficiencies over the past few years.

Liquidity and Operating Cash Flow

Working capital was \$185.6 million at December 31, 1997, compared to \$155.8 million a year earlier. The increase was due to a higher level of accounts receivable and the recognition of previously deferred revenue. The ratio of current assets to current liabilities was 1.75:1 at December 31, 1997, compared to 1.57:1 a year earlier.

Cash provided by operating activities, before changes in non-cash operating working capital, was \$170.0 million compared to \$120.7 million in 1996 and \$139.7 million in 1995. Cash provided by operat-

ing activities in 1995 and 1996 was affected by losses incurred at the Aznalcóllar mine which was closed in October, 1996, and is no longer part of Boliden's operations. Excluding the results from the Aznalcóllar mine, cash provided by operating activities, before changes in non-cash operating working capital, was \$127.5 million in 1996 and \$132.0 million in 1995.

Non-cash operating working capital increased by \$37.9 million in 1997, after decreasing by \$23.6 million in 1996 and increasing by \$5.6 million in 1995. The increase resulted primarily from increased accounts receivable and the recognition through the income statement of deferred revenue as a result of the termination of hedging contracts. The decrease in non-cash working capital in 1996 was primarily due to lower copper prices at the end of 1996, resulting in lower carrying values for inventory and accounts receivable.

Capital Expenditures

(\$ millions)	1997	1996	1995
Mining*	112.3	93.2	56.2
Smelting*	31.6	16.2	38.2
Fabrication and other	5.7	8.9	13.4
TOTAL	149.6	118.3	107.8

*50% of expenditures at SCPM and Norzink.

In 1997, property, plant and equipment, and pre-production and development expenditures totalled \$149.6 million. Major projects included the commissioning of the Los Frailes mine, construction of a new precious metals plant and the reconditioning of the gas cleaning unit at the Rönnskär smelter, and property development at the Boliden Area Operations. The most significant capital expenditures in 1995 and 1996 were the expansion of the electric smelting furnace and tankhouse at Rönnskär and the development of the Los Frailes mine.

Indebtedness and Capital Resources

Boliden had total long-term debt outstanding at December 31, 1997, including amounts due within one year, of \$54.1 million, compared with \$64.6 million a year earlier. The Company's debt-to-equity ratio was 0.08:1 at December 31, 1997, compared to 0.11:1 a year earlier.

Included in long-term debt at December 31, 1997, was \$47.7 million of accrued pension liabilities. The comparable figure a year earlier was \$53.8 million. Under Swedish law, a company which meets certain credit criteria can choose to pay its pension

obligations as they become due. Boliden meets these criteria and as a result has classified its pension liability as long-term debt. Interest is accrued on this debt and recorded as interest expense.

In June 1997, Boliden established a \$300 million revolving credit facility with a syndicate of international banks to be used for general corporate purposes. The rate of interest payable is LIBOR plus an applicable margin based on the consolidated net debt to equity ratio of Boliden.

In November 1997, Boliden established a \$200 million committed short-term bridge facility with a European bank. Drawings may be made until April 30, 1998. The rate of interest payable on borrowings is LIBOR plus 0.25%.

On December 1, 1997, Boliden offered to acquire all of the common shares of Westmin Resources Limited. On February 9, 1998, Boliden announced that it had acquired approximately 95% of Westmin's common shares.

The acquisition of Westmin by Boliden was financed through the issuance of 7.4 million Boliden common shares and cash consideration of \$309.7 million. The total purchase consideration, including fees and estimated expenses for the transaction, was \$359.3 million. The cash portion was financed by cash on hand and by drawing on Boliden's \$300 million revolving credit facility.

Westmin had total long-term debt outstanding at December 31, 1997, including amounts due within one year, of \$206.5 million, compared with \$81.1 million a year earlier. The increase is largely related to the financing of the Lomas Bayas Project. Westmin's debt-to-equity ratio was 0.91:1 at December 31, 1997, compared to 0.28:1 a year earlier.

In March, 1997, Westmin issued \$120 million of senior secured notes, maturing on March 15, 2007. Westmin also negotiated a \$140 million project loan facility to finance a portion of the cost of developing

Lomas Bayas. As of December 31, 1997, \$83.9 million was drawn under the project loan facility.

Capital costs for the Lomas Bayas Project are estimated to total about \$244 million. As of December 31, 1997, \$168 million had been spent on the project. The project is on budget and on schedule for a July 1998 start up.

Boliden anticipates that funds provided from operations, together with the existing \$140 million Lomas Bayas Project loan facility, will be sufficient to cover the Company's total planned capital expenditures of \$190 million (excluding capitalized interest).

Boliden is currently evaluating various means of refinancing the outstanding Westmin debt.

Risks and Uncertainties

Boliden's earnings and cash flows are sensitive to a number of external market forces over which the Company has no control. In particular, changes in world economic conditions, demand for Boliden's products, metal prices set in international markets and currency exchange rates can have a significant impact on Boliden's earnings and cash flows. Boliden is also subject to financing and credit risks in the normal course of business. Over the longer-term, the Company's financial results are also affected by its success in developing additional reserves from its exploration activities.

Since the majority of Boliden's costs have been incurred in Swedish kronor and most of its products are priced in US dollars, Boliden's earnings and cash flows are significantly affected by changes in the US dollar/Swedish krona exchange rate. Generally speaking, a weaker Swedish krona relative to the US dollar is favourable to Boliden. The addition of Myra Falls, which is located in British Columbia, Canada, as well as the Lomas Bayas Project in Chile, which is scheduled to start production in July 1998, will mitigate the

relative impact of changes in the US dollar/Swedish krona exchange rate on Boliden's results.

The table below shows the approximate impact of changes in metals prices and in the US dollar/Swedish krona exchange rate on Boliden's operating

income for a full year, based on the Company's operating budget for 1998. The sensitivities relate only to Boliden's mining and smelting segments and do not take into account the impact of commodity price and foreign exchange hedging.

Earnings Sensitivities

Sensitivities	Change -/+	Budget 1998, operating income, million US\$			
		Mining Europe	Mining Americas	Smelters	Gross Sensitivity
Copper c/lb	10	14.3	11.4	2.0	27.7
Zinc c/lb	5	11.7	4.2	5.1	21.0
Lead c/lb	5	11.3	—	3.0	14.3
Gold USD/oz	10	1.4	0.2	0.2	1.8
Silver US\$/oz	10	0.9	—	—	0.9

Metal Price and Foreign Exchange Hedging

Boliden uses hedging instruments such as forward contracts, futures, options, swaps and other financial instruments to manage its exposure to fluctuations in metal prices and foreign exchange rates. Boliden publishes its financial statements in US dollars and has significant investments in operations in Sweden, Spain and, with the Westmin acquisition, in Canada and Chile. Boliden's total position under hedging instruments at December 31, 1997 is summarized in note 14 to the financial statements.

Boliden's hedging policies and procedures permit currency and commodity trading only to manage its exposures to the effects of changes in metal prices, exchange rates and interest rates. Unless otherwise approved by the Board, Boliden's total position under hedging instruments relating to base metal prices may not exceed two years of forecast base metal revenues, spread over three years; its total position under hedging instruments relating to gold and silver prices may not exceed five years of forecast gold and silver

revenues; and its total position under hedging instruments relating to foreign currencies may not exceed two years of forecast net exposure to foreign currencies. The Board has approved three years' exposure for the Swedish krona, the Norwegian krona and the Spanish peseta. Boliden may occasionally carry on small amounts of trading activity, primarily in metals and currencies, to maintain a flow of market information and to test different hedging strategies. Boliden does not consider the credit risk associated with its hedging instruments to be significant.

Credit Risk Exposure

Boliden sells its metals to a limited number of high quality customers. In the case of refined copper, over 70% of Boliden's production is sold to a single investment grade customer. All of Boliden's credit risks are managed through a rigorous cash management program. As a result, Boliden does not believe that the credit risk with its customers, or with any single customer, is significant.

Year 2000

In 1996, Boliden undertook a comprehensive analysis of the steps which would be necessary to make its computer systems Year 2000 compliant. A three-year program was initiated with costs expensed as they occur. Boliden expects its systems to be Year 2000 compliant by 1999 at a total program cost of less than \$5 million. A compliance program is currently under evaluation regarding Westmin.

Outlook

One of Boliden's biggest tasks in 1998 will be to successfully integrate Westmin's operations with its own. The acquisition will lower Boliden's average cash production costs since Westmin's Myra Falls mine is, and its Lomas Bayas mine will be, lower than average cash cost producers. In the short-term, the acquisition will be dilutive to earnings as a result of earning changes resulting from depletion of the purchase cost of the mining assets, but accretive to

operating cash flow. Assuming full production at Lomas Bayas, the acquisition will become accretive to earnings at a copper price of more than \$0.85 a pound assuming long-term prices of other metals. Lomas Bayas is expected to reach full production of about 60,000 tonnes of copper annually in the second half of 1998.

Westmin's operations, including full annual production from Lomas Bayas, will increase Boliden's copper production by about 113% and its zinc production by about 28%.

Boliden will also benefit in 1998 from a full-year's operation of the Los Frailes mine in Spain, which reached full production in late 1997. The mine is expected to produce about 125,000 tonnes of zinc annually. Copper production in 1998 will be also affected by the return to normal ore grades at the Aitik mine, following a year in which higher grades were mined.

	Copper	1999 Zinc
Boliden	67.6	236.6
Westmin	76.1	66.6
Projected increase	113%	28%

The currency and economic crisis in Asia may have a negative effect on metals demand and prices through 1998. Currently almost 20% of world zinc and copper consumption is in Asia, excluding China.

Boliden expects to make a decision in the second quarter of 1998 to substantially increase the capacity of the Rönnskär smelter. At the same time, prefeasibility studies will begin on a possible expansion of the Norzink smelter.

In the smelting segment, agreements in place with major customers indicate a continuation of the

margins that were realized last year. Markets for the Company's fabrication products improved toward the end of the 1997; however, there is concern about the effects of the Asian currency and economic crisis on European building markets.

Boliden will continue with its cost savings programs at all operations. Exploration will be focused at or near existing mines, including the Westmin mines.



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