

Building value
through internal
growth, exploration
and acquisitions

1924

Original Boliden orebody discovered, the richest gold find in European history. Boliden mining company founded the following year.

1930

Rönnskär copper-lead smelter in northern Sweden starts up.

1952

Shares listed on the Stockholm stock exchange.

1964

Buys 50% interest in Norzink zinc smelter and refinery in Norway.

1986

Trelleborg begins acquiring Boliden shares; acquires 100% by 1988.

1997

Head office established in Toronto. Trelleborg sells 55% of Boliden's shares to the public.

1998

Acquires Westmin Resources, adding operations in North and South America.

Boliden Limited corporate profile

Boliden Limited is engaged in the mining,

processing and sale of metals and mineral

products, principally zinc, copper, and gold.

The Company operates mining and milling

operations in Sweden, Spain, Canada, and

Saudi Arabia, and smelting and refining

operations in Sweden and Norway. The

Company is also engaged in the fabrication

and sale of copper tubing and brass

products with fabrication facilities in

Belgium, the Netherlands, Sweden and

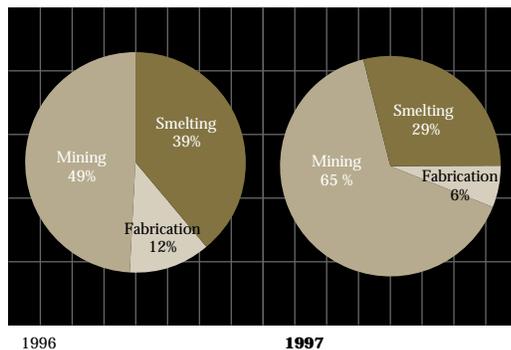
the United Kingdom.

1997 Highlights

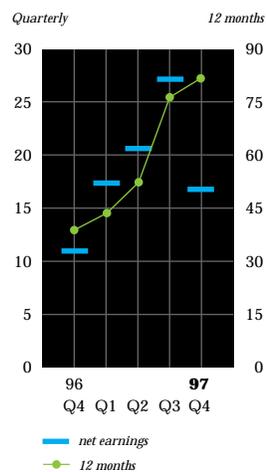
Thousands, except per share data; in US\$	1997	1996	1995
Revenues	\$1,201,985	\$ 1,262,718	\$ 1,273,611
Operating income	111,721	64,385	27,757
Net earnings (loss) for the year	81,804	38,347	(84)
Earnings per share*	0.82	0.38	0.00
Cash provided by operating activities before changes in non-cash operating working capital	169,958	120,672	139,727
Capital expenditures	(149,629)	(118,262)	(107,802)
Cash and temporary investments	65,336	29,563	25,276
Total assets	1,034,357	1,020,909	1,048,163
Long-term debt including current portion	54,050	64,550	71,156
Shareholders' equity	679,562	625,282	605,648
— shares outstanding	99,640	—	—

*Based on shares outstanding as at Dec. 31, 1997.

Operating income per segment



Boliden net earnings rolling 12 months



A t a G l a n c e

B o l i d e n

Boliden organizes its business into four segments: Mining, Smelting, Fabrication, and Technology Sales.

This matrix describes the main features of each business area.

Profile

Highlights

Mining



Boliden (including Westmin) produces zinc, copper, lead, gold, and silver from 13 mines organized into seven mining areas. In 1997, Mining accounted for 65% of the Company's operating income.

- Los Frailes zinc mine in Spain reaches full production at a rate of 4 million tonnes per year.
- Aitik copper mine in northern Sweden produces a record 250,000 tonnes of concentrates.
- A US\$18 million underground rail haulageway completed between the Petiknäs and Renström mines in Sweden.
- New pushback started at SCPM gold mine in Saudi Arabia.

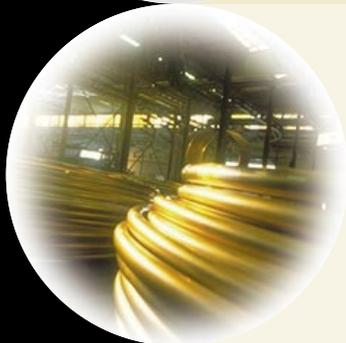
Smelting



The Smelting business area's principal products are refined copper, lead, precious metals, and sulphuric acid. In 1997, Smelting accounted for 29% of the Company's operating income.

- Record copper production of 128,414 tonnes at Rönnskär smelter in 1997.
- Feasibility study for Rönnskär expansion proceeds according to plan.
- Shaft furnace expansion completed at Bergsöe secondary lead smelter.
- Norzink zinc smelter sets production record of 142,249 tonnes zinc.

Fabrication



The Fabrication business area produces copper tubing and brass products. In 1997, Fabrication accounted for 6% of the Company's operating income.

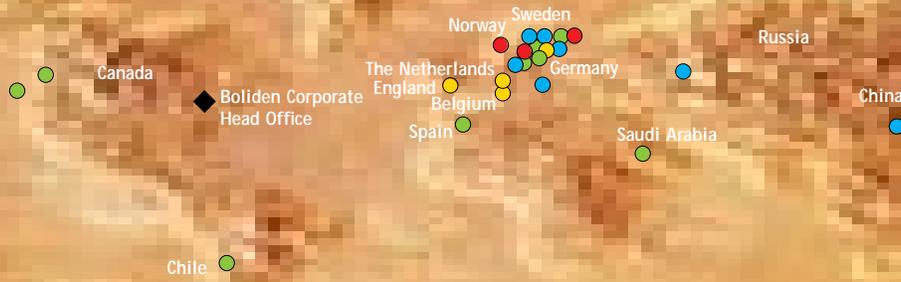
- Operating income decline in 1997 compared to 1996 reflects construction slowdown in Europe.
- Price increases in second half of 1997 indicate better outlook for 1998.
- Recycling unit investigates northwest Russia as source of scrap material.

Technology Sales



Boliden Contech provides design and process engineering, procurement and project management services around the world. Its earnings are included in corporate and other operating income.

- Key contracts signed for treating electronic scrap in Russia and supplying roasting technology in China.
- Ongoing projects include a complete copper plant in India and a precious metals plant in Mexico.
- Precious metals plant completed in Kazakhstan and mercury removal plants completed in China and Germany.



Where We Are

Performance

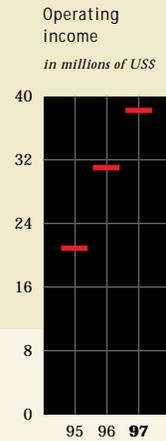
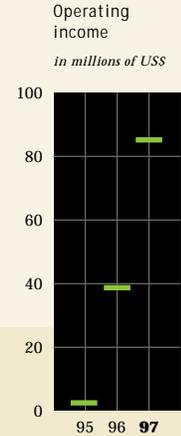
Zinc mining at two mining areas in Sweden and one mine in Spain; **copper mining** at one mine in Sweden; **lead mining** at one mine in Sweden; **gold mining** at one 50%-owned mine in Saudi Arabia. Westmin has a zinc mine in Canada and an advanced copper project in Chile.

One copper-lead smelter and metallurgical complex in Sweden; one secondary lead smelter in Sweden; 50% ownership of one zinc smelter in Norway.

Three brass division facilities in Sweden, the Netherlands and the United Kingdom; one copper tubing division in Belgium; a recycling division operating nine scrap yards in Sweden.

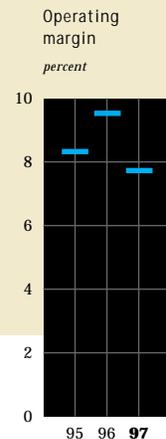
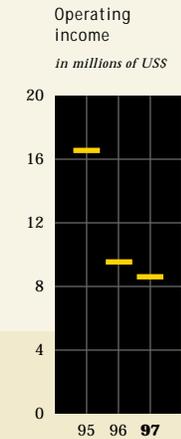
Boliden Contech operates offices in Sweden, Germany, Russia, China, and Tanzania, and has representatives in several other countries.

*Mining contributed
US\$84.9 million to total
operating income in 1997.*



*Smelting contributed
US\$38.1 million to total
operating income in 1997.*

*Fabrication contributed
US\$8.5 million to total
operating income in 1997.*

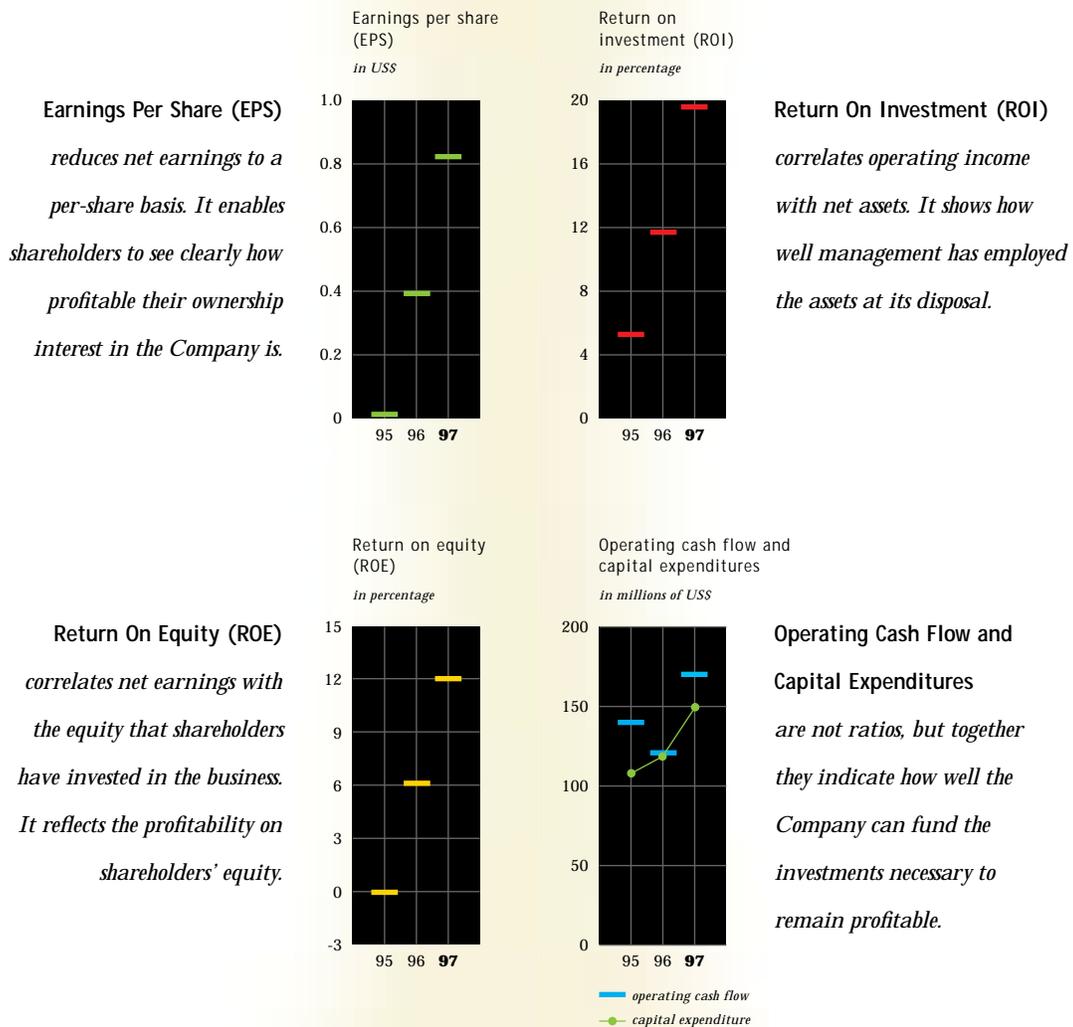


*Technology Sales is included
with corporate and other
operating income.*

Ratios

Performance

The Company has established the following four financial ratios as important measures of performance. Given the risks and uncertainties inherent in the Company's business areas, these ratios may not reflect consistent performance for any given period. However, management believes these ratios, over a reasonable period of time, provide a good means of measuring the Company's overall performance.





Boliden Limited's senior management from left: Bengt Löfkvist, Executive Vice President, Business Development and Exploration; Anders Bülow, President and Chief Executive Officer; Petter Traaholt, Senior Vice President and Chief Financial Officer.

Shareholders

Better to

In 1997 Boliden's earnings improved to US\$81.8 million, largely because of better zinc prices and a stronger US dollar in relation to European currencies. Equally significant, the Company established a clear strategy for growth and made significant progress toward its objective: to become a first-tier, international mining and smelting company. >>>>>> *Anders Bülow, President and Chief Executive Officer*

1997 was an eventful year for Boliden. In less than nine months:

- Boliden Limited was incorporated under the Canada Business Corporations Act and its head office established in Toronto
- 55.1% of its shares were sold to the public by Trelleborg International BV
- Boliden shares (represented by instalment receipts) were listed for trading on the Toronto and Montreal stock exchanges
- a successful bid was launched to acquire Westmin Resources Limited, a Canadian base-metal producer with major assets in British Columbia and Chile

Volatile commodity markets were a feature of 1997 with metal prices rallying in the first half of the year, then plummeting in the second half. Major shifts in currency markets, with a trend toward a stronger US dollar, were also influential. Near the end of the year, an emerging currency crisis in Southeast Asia added to the turmoil. In general, however, Boliden benefited from a stronger US dollar and an improved zinc price compared with 1996.

These market conditions, combined with generally good performances at our operating units contributed to Boliden's earnings of US\$81.8 million in 1997, a US\$43.5 million improvement from the previous year, and a 12% return on equity.

Our operating and financial results are outlined in detail on the following pages of this report. In my comments, I would like to focus on some of the more significant events and achievements of 1997.

Consistent strategy

When the decision was made to take Boliden public, we recognized that the mining industry as a whole is going through a consolidation process driven by the globalization of the industry. Size is becoming an increasingly critical factor as viable mining projects tend to be larger and more capital intensive. We concluded that Boliden had to break out of its established geographic environment and grow with the objective of becoming a first-tier, international mining and smelting company.

We are convinced that the platform from which we started is sound: a strong portfolio of assets; well-trained and technically qualified employees; a healthy balance sheet; and a well-established culture focusing on cost efficiency and continuous productivity improvements.

Our growth strategy is built on three elements: internal growth, exploration, and acquisitions. During 1997 we have consistently adhered to that strategy and have achieved success in all three areas.

Internal growth

Our first priority is to build on what we already have. Our existing asset base offers good opportunities to expand.

The single most important event in this context during 1997 was the start up of our Los Frailes zinc project in Spain. Our US\$167 million investment encompasses mine development as well as a total modernization and capacity increase of the concentrator. By year end, Los Frailes had reached its designed production rate of 4 million tonnes per year, and in 1998 is expected to produce about 125,000 tonnes of zinc in concentrate.

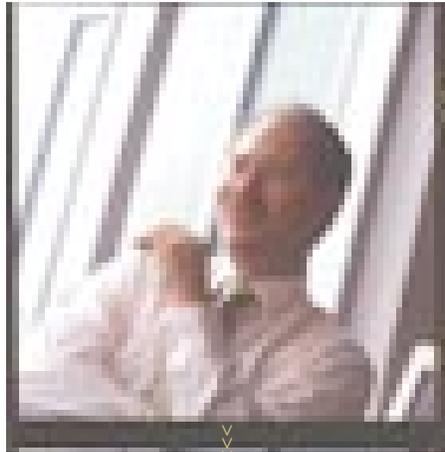
Other significant events in 1997 include the completion of a 2.7-km haulage drift linking the Petiknäs and Renström mines and a new precious metals plant at the Rönnskär smelter with a capacity to recover 15 tonnes of gold per year.

Our ambition is to continuously improve operating standards. In the semi-manufacturing businesses, for example, consistent efforts to reduce costs and improve productivity partially offset the effect of weaker prices. Continuous improvements also helped all of our smelters set production records in 1997. The planned expansion of our Rönnskär smelter demanded a great deal of management attention in 1997, although the project will not begin until a final feasibility study is completed in the first half of 1998. This expansion is expected to increase copper output at the smelter by more than 85% and is expected to reduce copper smelting costs by 25%.

Exploration

Exploration efforts have increased considerably over recent years, with close to US\$15 million being spent in this area in 1997. Exploration at our existing mines in 1997 replaced ore mined during the year.

Preliminary results elsewhere have been very encouraging. At the Renström Deep project in the Skelleftea region of northern Sweden, for example, drilling has indicated a mineral resource of approximately 2 million tonnes grading 12.7% zinc, with significant values of copper, lead and precious metals. A minimum of 2.5 million tonnes of gold-copper mineralization in the Einarsson zone near the Kristineberg mine, including a well-defined core of 500,000 tonnes grading 1.5% copper with eight grams per tonne gold and nine grams per tonne silver, has also been outlined. In Spain, drilling to test the depth extension of the Los Frailes orebody intersected a horizon grading 6.1% zinc, 3.5% lead and 104 grams per tonne silver at a depth of 500 metres, thus confirming higher grade mineralization at depth.



*Anders Bülow,
President and Chief
Executive Officer*

We have also entered into a number of joint ventures in order to benefit from a variety of approaches to exploration. In particular, North Atlantic Natural Resources, in which Boliden currently holds

a 38.3% interest, raised US\$22 million in an initial public offering in June to fund a five-year exploration program in the Baltic Shield.

Westmin acquisition

Our successful takeover of Westmin Resources was initiated in 1997. This acquisition gives us additional new low-cost zinc production immediately and significant new low-cost copper production in the second half of 1998. It also gives us a

platform for growth in the Americas, one of the key objectives we identified at the time of our initial public offering.

The full effect of the acquisition will not be felt until 1999 when the Lomas Bayas property in northern Chile is in full production contributing a further 60,000 tonnes copper per year to Boliden's total copper output, with the potential to increase production to 90,000 tonnes per year.

Environmental commitment

At all our operations, environmental protection is of the utmost importance. We are proud of our performance in this area. We firmly believe that in the long run those metal producers who operate in an environmentally responsible way will be the winners within our industry. In that sense, our 75-year history of operating in Sweden has given us a competitive strength. Swedish environmental regulations came early and were strict. Thus, there is a high awareness of environmental issues at all levels in the Company. We have developed sophisticated and marketable environmental technology and skills. Capital projects such as the new precious metals plant at the Rönnskär copper-lead smelter and the expansion of our Bergsöe secondary lead smelter, both of which were completed in 1997, not only improve the operating performances of these facilities but improve their environmental performance as well.

Southeast Asia

By the end of 1997 the outlook for base metals had deteriorated compared to six months earlier, largely due to a monetary crisis in Southeast Asia. The consensus view seemed to be that these events would be limited to a single region and will not result in global

recession. The economies of Southeast Asia, which account for 11% to 12% of world consumption of copper, zinc and lead, are fundamentally strong and have the potential for continued growth. While events in Southeast Asia will result in an economic downturn in the region in the short term, currency devaluation will ultimately prove beneficial for Southeast Asian exports, which in turn should be positive for metal demand.

Looking ahead

The year 1997 was one of significant accomplishments for Boliden, made possible by the tremendous contributions of our employees. I want to personally thank them all for their efforts. In 1998, the first full year of operation for Boliden Limited, we will continue to pursue the strategy established in early 1997. With the continued support of our employees and shareholders, Boliden is taking its place among the world's leading mining companies.

Anders Bülow

President and Chief Executive Officer



“Since the decision was made to sell shares of Boliden to the public in early 1997, our growth strategy has focused on internal growth, exploration, and acquisitions. During 1997 we consistently adhered to that strategy and have achieved success in all three areas.”

Anders Bülow

President and CEO



Bringing the Los Frailes mine in Spain into full production while expanding and modernizing its mill facilities were major accomplishments during the year, but production records were also set at all four Swedish mining areas which helped improve operating income for the mining segment compared with 1996.

»»»»»» *Gunnar Axheim, Vice President, Mining Europe*

M i n i n g

*The Los Frailes
open pit zinc
mine in Spain
began production
in 1997.*

Boliden's mining operations consisted of 12 mines in six mining areas before the acquisition of Westmin Resources (see page 22). Ten of these mines are in four mining areas in Sweden: the Aitik copper mine; Boliden Area Operations (BAO) which comprises five underground mines and one open pit mine; Garpenberg which comprises two mines; and the Laisvall lead mine. Boliden Apirsa, a subsidiary company, owns and operates the Los Frailes zinc mine in Spain. The Saudi Company for Precious Metals (SCPM) in Saudi Arabia, a primary gold producer, is 50%-owned by Boliden. Each mining area operates a single mill or concentrator.

In 1997, mining accounted for 65% of the Company's operating income compared with 49% in 1996. Higher metal prices and better overall grades, with ore production records set at all four Swedish mining areas, improved operating income from the Company's mining operations to US\$84.9 million compared with US\$38.5 million in 1996.

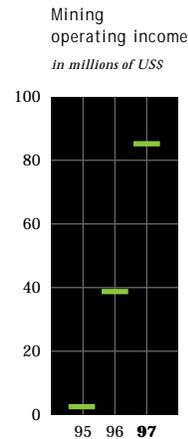
In 1997, the Company's mining operations produced 129,761 tonnes of zinc, 86,041 tonnes of copper, 99,320 tonnes of lead, 164,445 ounces of gold, and 8.1 million ounces of silver.

Apirsa

Attainment of full production at Boliden Apirsa's Los Frailes zinc mine in southern Spain was the single most important achievement in the Company's mining operations in 1997. The open pit mine began production in early 1997 and by year end reached its planned annual ore production rate of 4 million tonnes.

Los Frailes is expected to produce 125,000 tonnes of zinc in concentrate in 1998 as well as 4,700 tonnes of copper, 48,000 tonnes of lead, and 3 million ounces of silver in concentrates.

Los Frailes is adjacent to the depleted Aznalcóllar zinc mine, about 45 km west of Seville. Boliden closed the Aznalcóllar mine in late 1996 after 19 years of operation, and is using much of the existing infrastructure for the Los Frailes operation.



To process the increased mine output of the Los Frailes mine, the existing concentrator capacity was expanded to 4.0 million tonnes from 2.3 million tonnes and will be further expanded to 4.2 million tonnes by 2000. Significant modifications to the mill include the introduction of fully autogenous grinding and the installation of larger, 100-cubic-metre flotation cells.

Total capital cost of the Los Frailes mine and concentrator expansion was \$US167 million.



The Aitik mine produced a record 250,000 tonnes of concentrates.



Mill capacity at Los Frailes was increased to 4 million tonnes per year.



An underground rail haulageway connecting the Renström and Pětiknäs mines was completed in 1997.

Higher metal prices and better overall grades, with ore production records set at all four Swedish mining areas, improved operating income to US\$84.9 million compared with US\$38.5 million in 1996. In 1997 the Company's mining operations produced 129,761 tonnes of zinc, 86,041 tonnes of copper, 99,320 tonnes, of lead, 164,445 ounces of gold, and 8.1 million ounces of silver.

Aitik

Aitik, an open pit operation near the town of Gällivare north of the Arctic Circle in Sweden, is one of Europe's largest copper mines. Gold and silver are also extracted. After almost 30 years of continuous operation, Aitik produced more than 250,000 tonnes of concentrates in 1997, a record.

In 1997, work on developing the mine's 212 million tonnes of proven ore reserves were intensified. In the autumn, a new rope shovel with a bucket capacity of 80 tonnes was purchased for increased waste-rock stripping.

Boliden Area Operations

Mining operations began in the Boliden area in 1925 when the original Boliden mine opened with the richest gold ore ever found in Europe. The Boliden mine was closed in 1967, having produced 8.3 million tonnes of ore. Today, Boliden Area Operations (BAO) comprises six mines in the Västerbotten district of northern Sweden: Kristineberg, Renström, Petiknäs, Långdal, Åkulla, and Åkerberg. All of the BAO mines

are underground operations except Åkulla which is open pit.

BAO produces zinc, copper, lead, gold and silver with zinc being the most important product. The BAO concentrator established a production record in 1997 with mill throughput of 1.53 million tonnes compared with 1996's 1.47 million tonnes, which was itself a record.

All BAO mines, except Petiknäs, exceeded their production goals during the year. Although BAO mined ore grades were generally lower than reserve grade in 1997, a recovery closer to the average reserve grade was noted at the end of the year.

Major capital expenditures at BAO include development of a haulage drift on the 800-metre level connecting the Petiknäs and Renström mines at a cost of US\$18 million. An investigation of the Åkulla East gold deposit was also started. An investigation of the Renström Deep deposit, where a resource of 2 million tonnes has been outlined, is proceeding as planned.

Garpenberg

Garpenberg, in the Bergslagen district of central Sweden, consists of two underground mines: Garpenberg and Garpenberg Norra. The most important product is zinc, although copper, lead, gold and silver are also produced. Garpenberg attained a production record with mill throughput of 898,000 tonnes of ore, despite a disruption in June due to a leak in the tailings pond.

At the beginning of 1997 the Gruvsjö shaft of the Garpenberg mine was opened, and in late 1997 mining began on the 900-metre level at Garpenberg Norra. These two developments are expected to bring ore production at Garpenberg to 1 million tonnes in 1998.

Laisvall

Laisvall, in the Norrbotten district of northern Sweden, is Europe's largest underground lead mine with operations dating back to the early 1940s. Zinc and silver are also extracted.

Laisvall set a new record in 1997, producing 1.88 million tonnes of ore. It expects to produce nearly 2 million tonnes per year beginning in 1998. At the end of 1997, development began of a recently discovered zinc-rich zone near the existing mine workings.

SCPM

The Saudi Company for Precious Metals (SCPM), which mines gold at the Sukhaybarat mine in Saudi Arabia approximately 700 km north of Jeddah, is owned equally by Boliden and Ma'aden, a Saudi Arabian government company. Ore is extracted from an open pit operation and gold is produced as doré (95% gold) through both carbon in leach and heap leach processes. A decision to proceed with a pushback resulted in higher than planned grades being mined in 1997 and an estimated mine life of five years. SCPM produced 31,107 ounces of gold (Boliden's 50% interest) in 1997.



*The Sukhaybarat
gold mine in
Saudi Arabia.*



All three of our smelting facilities performed well in 1997. The Rönnskär smelter achieved record copper production, our 50%-owned Norzink zinc smelter established a zinc production record, and the Bergsöe secondary lead smelter produced a record amount of lead alloys.

>>>>>> *Anders Vikdahl, Vice President, Smelting and Refining Operations*

S m e l t i n g

Slag being poured from a converter at the Rönnskär smelter.

Boliden's smelting operations consist of three metallurgical facilities that smelt and refine a variety of products: the Rönnskär copper-lead smelter in Skelleftehamn in northern Sweden, the Boliden Bergsöe secondary lead smelter in Landskrona, Sweden, and the 50%-owned Norzink A/S zinc refinery near Odda, Norway.

In 1997, smelting and refining operations accounted for 29% of the Company's operating income compared with 39% in 1996. Higher prices, effective cost control, and high production levels all contributed to improved operating earnings of US\$38.1 million in 1997 compared with US\$30.9 million in 1996.

Rönnskär

The Rönnskär smelter and refinery outside Skelleftehamn, approximately 20 km east of the town of Skelleftea, produces cathode copper, lead, gold, silver, and zinc oxide. Rönnskär is also a large producer of sulphuric acid. Other products are selenium, nickel sulphate, and palladium concentrates.

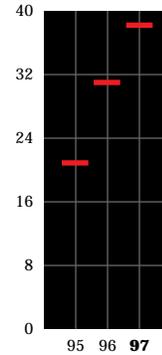
About 50% of production is based on concentrates from Boliden's own mines with purchased concentrates accounting for about 25% of smelter feed and recycled materials another 25%.

In 1997, Rönnskär achieved record copper production of 128,414 tonnes compared with 126,379 tonnes in 1996.

Two large capital projects were completed in 1997: reconstruction of the precious metals recovery plant to increase capacity, and rebuilding of a Kaldo plant to increase

Recycled metals are an important source of smelter feed.

Smelting operating income
in millions of US\$



scrap-handling capacity. Both projects will reduce emissions at Rönnskär, already considered one of the cleanest smelters in the world.

A feasibility study to increase copper production capacity to more than 220,000 tonnes per year from the current 140,000 tonnes — the Rönnskär+200 project — has proceeded well and is expected to be complete in the first half of 1998. The project is expected to reduce copper smelting costs by more than 25%.



The Rönnskär smelter on the Gulf of Bothnia.

Boliden Bergsöe

Boliden Bergsöe is a secondary lead smelter in southern Sweden which recovers lead from more than 3 million used lead-acid car batteries from Sweden, Norway, Denmark and Finland each year. In Sweden, the recovery ratio is close to 100%. Bergsöe's main products are lead and tin alloys. The plant is one of the largest and most environmentally clean secondary lead smelters in Europe.

This year a record 43,425 tonnes of lead alloys were produced, compared with 41,926 tonnes in 1996. A shaft furnace expansion, which started operation in mid-1997, has contributed to the increased production. Bergsöe also operates a plant in Bergen, Norway, for sorting building and industrial waste.



The Norzink zinc smelter on the west coast of Norway.

Norzink

The Norzink zinc smelter in Odda on the west coast of Norway is 50% owned by Boliden. Its main products are zinc, zinc alloys, aluminum fluoride and sulphuric acid. Raw materials come in the form of concentrates and zinc clinker (zinc oxide), of which approximately 50% is from Boliden's mines and the Rönnskär smelter. More than 90% of the products are exported, mainly to Sweden, Denmark, Germany and Great Britain.

In 1997, invoiced sales amounted to US\$228.2 million, compared with last year's US\$168.8 million. A zinc production record of 142,249 tonnes was set in 1997, compared with 135,052 tonnes in 1996. During 1997, outsourcing of maintenance and service was completed which helped reduce operating costs significantly.

A pre-feasibility study to expand capacity at Norzink was initiated in 1997.



Lower prices for this business area's products during the first half of the year, partially offset by stronger prices in the second half, negatively affected operating income for 1997. The outlook for 1998 is promising based on an expected pick-up in demand from the European construction industry.

»»»»»» *Thomas Cederborg, Vice President, Copper Products and Recycling*

F a b r i c a t i o n

Boliden's fabrication business includes three divisions: the brass division which consists of Boliden Gusum in Sweden, Boliden LDM in the Netherlands and Boliden MKM in the United Kingdom; the copper tubing division based in Belgium at Boliden Cuivre & Zinc; and the Recycling Division consisting of Arv. Andersson, AB with nine scrap yards in northern Sweden.

The brass division produced approximately 91,000 tonnes of brass products during the year while the copper tubing division produced about 36,500 tonnes of copper tubing. The recycling division is important for Boliden from an environmental perspective and as a source of supply.

In 1997 Fabrication accounted for 6% of operating income compared with 12% in 1996. Operating income declined to US\$8.5 million compared with US\$9.5 million in 1996 as a result of lower earnings in the brass and copper tubing divisions resulting from lower prices during the spring of 1997. Price increases during the second half of 1997 did not fully compensate for the slow start of the year.

In 1997 Arv. Andersson, AB began investigating northwest Russia as a source of scrap material to supply a planned expansion of the Rönnskär smelter's copper production.



Contracts in Russia and China signed in 1997, ongoing projects in India and Mexico, and successfully completed projects during 1997 in Kazakhstan, China and Germany indicate the extent of our success in marketing technology sales internationally. >>>>>>> *Staffan Jähkel, Vice President, Technology Sales*



Boliden Contech is an engineering and construction company in the field of non-ferrous metals mining and metallurgy. It markets and sells technology developed within Boliden for efficient and environmentally friendly industrial processes. It also undertakes project management assignments for major projects outside the non-ferrous metals industry. Offices are located in Sweden, Germany, Russia, China and Tanzania with representatives based in several other countries.

Technology is sold in the form of licences and consulting services as well as through deliveries of equipment and turn-key plants. Contech's main products are Kaldo and precious-metals technology, mercury removal and roasting technology as well as flue-gas and effluent-treatment technologies.

Key contracts signed in 1997 include the supply of Kaldo technology for treating electronic scrap in Russia and the supply of roasting technology for arsenic-containing gold concentrate in China.

Ongoing projects include the supply of licensed technology, design and supervision for a complete copper plant in India and for engineering services, equipment and supervision for a precious metals plant in Mexico. Both are progressing on schedule and within budget.

Among projects successfully completed in 1997 were a precious metals plant supplied to Balkashmys in Kazakhstan and a number of mercury removal plants in both China and Germany.

Exploration



Our exploration efforts in 1997 focused on developing existing assets. In particular, the year featured the discovery of a zinc-rich zone at the Laisvall lead mine, continued drilling on the Renström Deep project, and further delineation of the Einarsson zone at the Kristineberg polymetallic mine.

>>>>>>> *Bengt Löfkvist, Executive Vice President, Business Development and Exploration*

Business Development and Exploration

*The acquisition
of Westmin brings
exploration
opportunities
in the Americas.*

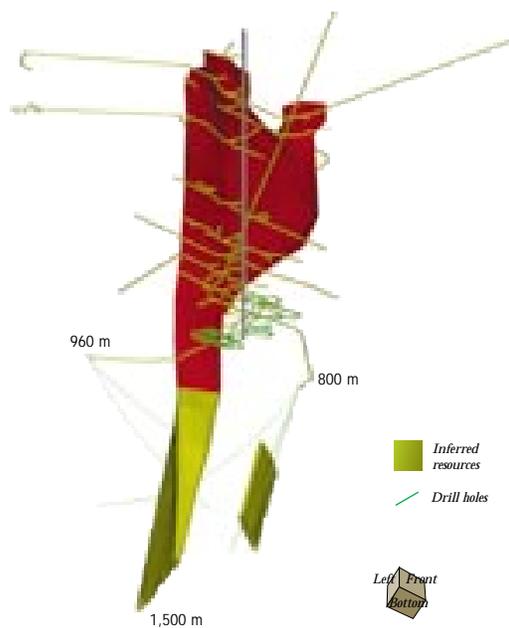
Exploration in 1997 was focused on the development of existing assets. Of 24 projects carried out, 15 were at the drilling stage.

Deep ore definition projects have been instigated in five of the Boliden-area operations to maximize returns from existing infrastructure. At the Laisvall lead mine, a zinc-rich continuation of the Nadok zone was discovered, adding 670,000 tonnes of 4% zinc and 2% lead to date, which adds considerable zinc value to the product mix. Mining of the Nadok zone began in the fourth quarter.

Exploration

At Renström Deep, an exploration drift was completed at the 800-metre level to test the deposit to a depth of 1,500 metres. The target is a geological resource of over 2 million tonnes grading 12.7% zinc, 4.5 grams per tonne gold, 270 grams per tonne silver, with lead and copper values. The Renström Deep resource was defined by drilling and Boliden's proprietary EM3 downhole geophysical equipment. During initial drilling in 1997 a new massive sulphide lens, the Quarter Zone, was discovered at the 1,000-metre level, with the discovery hole intersecting seven metres containing 19.9% zinc, 3.5% lead, 2.4 grams per tonne gold and 244 grams per tonne silver.

Renström Mine
Geological Model



Drilling on the Fortuna de Cobre prospect in Chile, which was acquired with Westmin Resources.



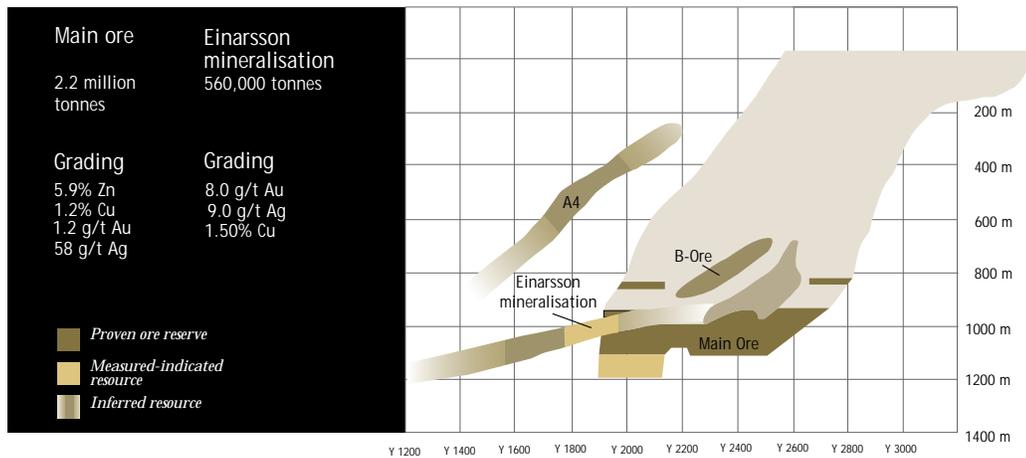
Further drilling will define the resource, which can be reached from existing infrastructure.

The Einarsson mineralization at Kristineberg mine, also in the Boliden area, has a well-defined core of approximately 500,000 tonnes of mineral resource grading 1.5% copper and eight grams per tonne gold plus silver. A further 1.5 million tonnes is being tested by closely spaced drilling and the deposit is open in two directions.

In Saudi Arabia, 4 million tonnes of ore have been upgraded to proven reserves in the Sukhaybarat mine, and a feasibility study at the Bulgah deposit is nearing completion. Drilling on the Sharjah project has returned drill intersections confirming potential in the area for new Sukhaybarat-style gold mines.



Longitudinal projection



Exploration programs were carried out in Mexico, Burkina Faso, Finland, Spain and Sweden. Two significant gravity anomalies, often indicative of deep massive sulphide orebodies, were identified in the Salome concession in Spain adjacent to Boliden's Los Frailes zinc mine.

A bedrock sampling program close to the Aitik copper mine in northern Sweden returned a strong copper and gold geochemical anomaly some four kilometres long and one kilometre wide.

Worldwide exploration projects, top, and a longitudinal projection at Kristineberg.

A c q u i s i t i o n s



At the end of 1997, construction was approximately 70% complete at the Lomas Bayas copper project in Chile, left. The Myra Falls mine in Canada, below, immediately adds low cost zinc production.

The acquisition of Westmin Resources gives the Company additional low cost zinc production immediately from Myra Falls and the potential for new low cost copper production from Lomas Bayas in the second half of 1998. It also provides the Company with a platform for growth in the Americas.

W e s t m i n R e s o u r c e s

On December 1, 1997, the Company offered to purchase all of the common shares of Westmin Resources Limited in a take-over bid valued at US\$360 million. By February 6, 1998, when the bid expired, sufficient shares had been tendered to give the Company 95% of all Westmin common shares and the right to acquire the balance.

For Boliden, the acquisition of Westmin is important for several reasons. It gives the company operations in North America and an advanced project in South America that together can serve as a platform for growth in the western hemisphere, and make Boliden a truly global mining company. Based on 1997 production it also immediately increases Boliden's annual zinc output by approximately 65,000 tonnes

and copper output by approximately 50,000 tonnes. The greatest impact, however, is expected in mid-1998 when the Lomas Bayas copper mine in Chile comes into full production at a rate of 60,000 tonnes of refined copper per year at a life-of-mine average cash cost of about US\$0.50 per pound, with excellent potential to increase production to 90,000 tonnes per year.

Lomas Bayas is located at a relatively low altitude in northern Chile, close to infrastructure, featuring a low stripping ratio of about 0.29 waste-to-ore, good recoveries, and fast leaching with very low acid consumption. Total capital cost of the project is estimated to be approximately US\$244 million with construction approximately 70% complete at the end of 1997.



In general, all Boliden operations have performed well within applicable limits. In cases where limits have been exceeded, the relevant authorities have been continuously informed and appropriate action taken to rectify the situation. >>>>>>> *Lars-Åke Lindahl, Vice President, Environmental Affairs*

Environment



Decommissioned tailings pond in Enåsen.

Operating in Sweden, where strict environmental regulations were developed early, has added to Boliden's competitive strength. Environmental awareness is high at all levels of the Company and we have continuously invested in our environmental technology and skills.

Emissions from Boliden operations are not judged to represent any significant risk to the environment. This is the result of a continuous effort since the early 1970s during which time emissions in general have been reduced by more than 95%.

E n v i r o n m e n t

In most applications, Boliden's products are not consumed, but can be recycled and reused. Lead production at Boliden Bergsöe, for example, is already based on recovery of spent lead-acid batteries, and recycled materials provide 25% of the feed for our Rönnskär smelter's copper production.

In 1997, Boliden's board of directors approved a revised corporate environmental policy and environmental issues are included in the Company's strategic plan. Environmental audits are carried out at all major operations every second year with three mining areas audited in 1997. ISO certification of internal environmental auditors is underway and some units within Boliden are adapting their Environmental Management System to ISO 14000 standards.

Mine decommissioning is a key issue for mining companies, and Boliden has successfully carried out a number of full-scale mine closures over the past 10 years. A sign of the success of the flooding of the closed tailings pond at the now-closed Stekenjokk mine, for example, was the catch of healthy char of different ages. Our decommissioning plan for the waste rock dumps at the Aitik mine has been approved and 14 hectares have been covered to date. Elsewhere, plans have been developed and provisions are being made for the eventual closure of all our operating mines. Boliden also plays an active role in research

activities in Sweden and internationally in an effort to develop more cost-effective technical solutions.

At the Los Frailes mine in Spain, the mill expansion included a number of environmental improvements. New dewatering equipment allowing zero emissions and reduced energy consumption through new flotation equipment were both included in the new operation. A separate "Environment Package" to reduce drainage from the mine water pond and the tailings impoundment, and to rebuild the water treatment plant, was completed. Large quantities of overburden from the new pit have been used to cover waste rock. Waste rock is also being deposited in the depleted Aznalcóllar open pit.

In October, the Rönnskär copper-lead smelter began operating a new precious metals plant, reducing emissions of selenium, SO₂ and dust. In November, new gas cleaning equipment was introduced, reducing emissions of Hg and dust. During the year the fluid in the cooling system was exchanged from a halon with a very high ODP (Ozone Depletion Potential) to another product with a zero ODP. An application to deposit lead slag from Rönnskär underground in the Laisvall mine was also approved by the authorities.

During 1997 Boliden Bergsöe received new emission limits of 2 mg/m³ for dust to air which

*Covered waste
rock dumps in
Spain. The cover
prevents the
oxidation of the
waste rock and
reduces infiltration
of water.*



is very strict by international standards, but will be manageable.

During 1997 mountain cavern No. 9 for jarosite disposal at the Norzink smelter came into operation. An approval was also received for disposal of Hg-residue in specially designed sarcophagi at the bottom of the mountain cavern. Further, a US\$2.5 million investment has been approved for a plant at Norzink that will refine waste gypsum to a saleable product.

Within the production of semi-manufactured items, environmental issues have traditionally not been a concern. However, an internal process has been initiated to identify main issues such as handling and use of chemicals (solvents and oils) and waste management (increased recycling of zinc-rich filter dust at Boliden MKM, for example).

Boliden Contech successfully concluded sales of cleaning plants as well as filters for separation of mercury, and wet electrostatic precipitators increased

SO₂ – Emissions Rönnskär

	SO ₂ (tonnes)	Copper Production (thousand tonnes)
1992	4900	102
1993	4500	99
1994	3960	103
1995	3162	105
1996	3250	126
1997	3242 (prel.)	128

during the year. Plants were delivered to, among others, Germany and Italy. In addition, Contech markets processes for the recovery of metal scrap and other waste products. A typical example is the construction of a plant for processing of electronic scrap in Russia based on Kaldo technology.

In general, all operations have performed well within applicable limits and standards. In some cases limits have been exceeded, but not by a significant amount, and in all cases the relevant authorities have been promptly informed. For example, at Garpenberg a leak through the downstream dam at the tailings clarification pond was caused by internal erosion due

to old, coarse waste material under the dam. The leak was stemmed, but the incident has led to safety audits at all tailings impoundments. And at Norzink, 16 accidental discharges were registered, the most significant being two tonnes of zinc to the sea, caused by a contractor, and approximately 400 kg of SO₂ discharged into the atmosphere due to power failures. A plan to improve the situation has been implemented.

Local regulations require that most of our operations submit a detailed environmental report to the supervisory authority annually. These reports include detailed information on discharges, waste management, consumption of chemicals, water and energy. This year the reports will be presented to Swedish environmental authorities by March 31, 1998, and will be provided to the public on request.



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.)

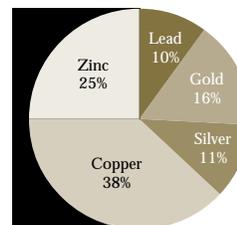
Boliden generates revenues primarily from three business segments: mining, smelting and fabrication. It also provides design and process engineering services and project management through a subsidiary, Boliden Contech AB.

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.

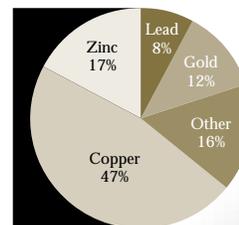
Changes in production levels fluctuate at each site as mining plans evolve, affecting ore grades. Mining plans sometimes require that higher or lower grade ores be mined for a period of time to ensure overall efficiency. In 1997 for instance, lower zinc production was due in part to temporarily lower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

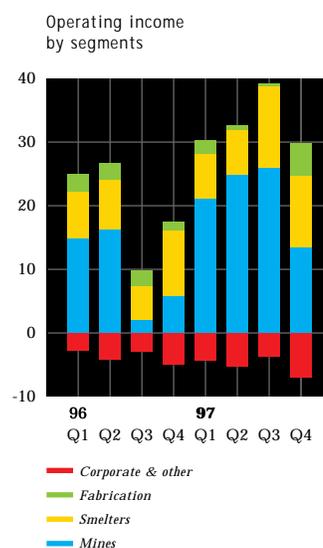
The effective tax rate decreased in 1997 to 27.8% from 40.3%. This was due to lower tax rates of certain subsidiaries and the fact that Boliden incurred operating losses at its Spanish operations in 1996 for which no tax benefit was recognized.

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.

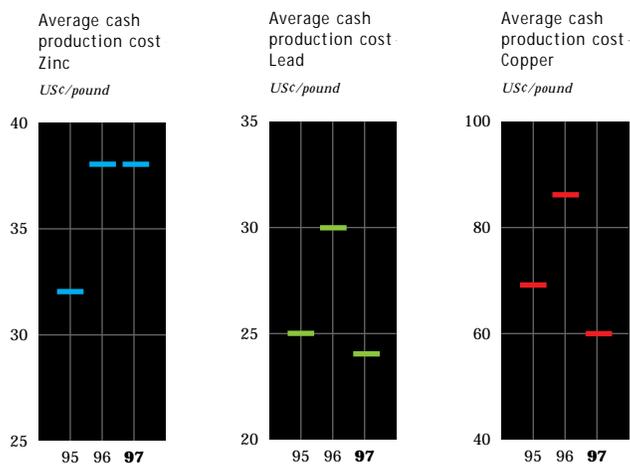


Results by Significant Segments

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 USc/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.

		1999
	Copper	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.

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.

KPMG

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
Director

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

Notes to Consolidated Financial Statements

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

Notes to Consolidated Financial Statements

(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)
Unfunded plans	3,094	4,842
	(43,677)	(46,377)
Unrecorded plan surplus	(40,583)	(41,535)
	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.

Governance

Corporate

Mandate of the Board The responsibility of the Board of Directors is to supervise the management of the business and affairs of the Company and to act with a view to the Company's best interests.

The Board oversees and reviews significant corporate plans and initiatives, including the development and implementation of the annual business plan and budget, major acquisitions and dispositions, public communications policies, senior management recruitment, assessment and succession process and, through the Audit Committee, the Company's internal control and management information systems and systems to identify and manage principal business risks.

Following the completion of the Company's initial public offering in June and July 1997, the Board of Directors held six meetings in 1997. Five meetings of the Board are scheduled for 1998.

Composition of the Board The Board of Directors is composed of seven members, six of whom are free from any interest and any business or other relationship which could materially interfere with a director's ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding.

Board Committees The Board of Directors has one committee, the Audit Committee, composed of three "unrelated" directors within the meaning of the TSE Report. Following the completion of the Company's initial public offering in June and July 1997, the Audit Committee had two meetings in 1997. Four meetings of the Audit Committee are scheduled for 1998.

The Audit Committee is responsible for overseeing the adequacy and effectiveness of internal controls over the Company's accounting and financial reporting systems, reviewing the scope and terms and the results of external audits of the Company and monitoring the actions taken by management with respect to any significant recommendations made by the Company's external auditor. The committee reviews and approves the Company's quarterly financial statements and also reviews the Company's annual financial statements before they are submitted to the Board of Directors. The committee maintains direct communications with the Company's external auditor and the Company's senior officers responsible for accounting and financial matters.

Independence of Chair from Management Frederick H. Telmer, who is the Chair of the Board of Directors, is not an executive officer of the Company.

Decisions Requiring Board Approval In addition to those matters which must by law be approved by the Board of Directors, the Board oversees and reviews significant corporate plans and initiatives, including the annual business plan and budget, major acquisitions and dispositions and other significant matters of corporate strategy or policy.

Shareholder Feedback The Board of Directors considers that management should speak for the Company in its communications with shareholders and the investment community.

The Company conducts an active shareholder and investor relations program under the direction of the Company's Vice President, Investor Relations. The program involves receiving and responding to shareholder inquiries, briefing analysts and fund managers with respect to reported financial results and other announcements by the Company, as well as meeting with individual investors and other stakeholders. The Board reviews the Company's major communications with shareholders and the public.

Expectations of Management The Board of Directors believes that management is responsible for the development of long-term strategies for the Company and that the role of the Board is to review, question, validate and ultimately approve the strategies proposed by management. The Board's expectations of management are developed and communicated during the annual strategic planning and budgeting process and also during regular Board and committee meetings, where members of senior management review the Company's operations with the Board and advise the Board on strategic, operational and financial matters affecting the Company.

Data Supplementary

Ore Reserves at
1 January 1998

Mineral Resources at
1 January 1998

1997 Operating Cash Costs,
Net of By-products

Mining Areas

Development

Smelters

	Average grades						Average grades							
	Proven and probable	Zinc	Copper	Lead	Gold	Silver	Measured and indicated	Zinc	Copper	Lead	Gold	Silver		
		tonnes 000	%	%	%	gram/ tonne		gram/ tonne	tonnes 000	%	%	%		
BAO ¹	7,400	4.8	0.9	0.7	2.1	81	2,100†	2.4	1.4	0.2	5	45	US\$ per pound of zinc	0.31
Garpenberg ¹	6,000	4.2	0.1	2.0	0.2	128	3,600†	3.1		1.3		120	US\$ per pound of zinc	0.47
Laisvall	8,600	0.7		4.8		9	3,350†	1.2		2.0			US\$ per pound of lead	0.24
Aitik	212,000		0.4		0.2	3	800,000†		0.3		0.2	2	US\$ per pound of copper	0.59
Los Frailes	44,600	3.8	0.3	2.2		60	30,000†	3.6	0.3	2.2		60	development	
SCPM ²	2,900				1.7		31,000†				0.9		US\$ per ounce of gold	162
Myra Falls	8,058	7.5	1.6		1.4	33.5	11,051*	8.51	1.79	0.49	1.81	46.4	US\$ per pound of zinc	0.43
Lomas Bayas							479,100*		0.332					
Heap Leach	146,518		0.510											
ROM Leach	172,783		0.211											
Rönnskär														
Bergsöe														
Norzink (100%)														

¹ Boliden Area Operations and Garpenberg also have 1,100,000 tonnes each in sill pillars with grades similar to ore reserve grades. These quantities are of measured and indicated quality.

² Represents 100% of the ore reserves and mineral resources at SCPM. Boliden owns 50% of SCPM.

* Includes ore reserves. † Does not include ore reserves.

Ore reserves and mineral resources

Boliden bases its definitions of ore reserves and mineral resources on two sets of standards. 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. The following is an outline of those definitions.

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 resources.

Ore reserves are categorized into one of the following two categories:

- **proven:** material for which tonnage is computed from dimensions revealed in outcrops or trenches or under-

ground 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

Recovery Rates					Milled 1997	Percentage of Contained Metal Contributed by Mining Area					Production for Major Products, Smelting and Refining (tonnes), 1997								
Zinc	Copper	Lead	Gold	Silver	000 tonnes	Zinc	Copper	Lead	Gold	Silver	Copper	Lead	Zinc clinker	Sulphuric acid	Zinc	Selenium	Aluminum fluoride	Tin	
82.9	84.9	29.6	65.7	66.0	1,534	35	14	2	46	25									
89.8	62.6	77.1	71.6	75.9	898	27	1	15	5	36									
69.2		88.7		85.2	1,879	5		70		6									
	89.0		50.0	75.0	17,014		84		30	25									
73.5	26.1	45.6			1,518	33	1	13		8									
			86.9		1,256				19										
	91.0	86.7	40	67	1,256														
											128,414	42,449	41,400	229,769		25.8			
												43,425							1,457
															142,249				27,084

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.

A **mineral resource** is 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 of 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.

Mineral resources have not yet been evaluated for technical or economic viability.

Directors

Board of

Carl Erik Ameln of Lidingö, Sweden, is President of Luossavaara-Kiirunavaara AB, a Swedish iron ore producer.



Alex G. Balogh of Oakville, Canada, is a Corporate Director.



Robert K. McDermott of Toronto, Canada, is a Partner at McMillan Binch, a Canadian law firm.



Kjell Nilsson of Trelleborg, Sweden, is President and Chief Executive Officer of Trelleborg AB, a Swedish manufacturing and distribution company.



Lars Olof Nilsson of Saltsjöbaden, Sweden, is Senior Vice President and Group Treasurer of Trelleborg AB, a Swedish manufacturing and distribution company.



Robert R. Stone of Vancouver, Canada, is a Corporate Director and Consultant.



Frederick H. Telmer of Burlington, Canada, is a Corporate Director and Chairman of the Board.



Officers

Anders Bülow,
President and Chief Executive Officer

Bengt Löfkvist,
*Executive Vice President,
Business Development and Exploration*

Kenneth G. Stowe,
*Senior Vice President,
Business Development and Exploration*

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

Gunnar Axheim,
*Vice President,
Mining Europe*

James Borland,
Vice President, Investor Relations

Thomas Cederborg,
*Vice President,
Copper Products and Recycling*

Anders Haker,
Treasurer and Controller

Staffan Jähkel,
Vice President, Technology Sales

Lars-Åke Lindahl,
Vice President, Environmental Affairs

Ebbe Pehrsson,
*Vice President,
Mining Americas*

Anders Vikdahl,
*Vice President,
Smelting and Refining Operations*

Karl-Axel Waplan,
Vice President, Marketing and Sales

Locations

Boliden Corporate, Subsidiary and Associate Company Offices

Corporate Office

Boliden Limited

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181 Bay Street, Box 848
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M5J 2T3
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Fax 416 364 5484

Mining

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Sweden
Tel 910 77 40 00
Fax 910 77 41 10

Boliden Apirsa, S.L.

Carretera de Gerena s/n
E-418 70 Aznalcóllar (Sevilla)
Spain
Tel 34 5 413 30 06
Fax 34 5 413 30 20

Westmin Resources Limited

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Vancouver, British Columbia
V7X 1C4
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Tel 604 681 2253
Fax 604 681 0357

Saudi Company for Precious Metals Ltd.

P.O. Box 12948
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Saudi Arabia
Tel 966 2 667 51 04
Fax 966 2 660 25 61

Smelting

Boliden Mineral AB

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Tel 46 910 773 000
Fax 46 910 773 215

Boliden Bergsöe AB

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Tel 46 418 572 00
Fax 46 418 572 05

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Fax 47 53 64 33 77

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Fax 46 8 34 80 97

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NL-5150 AA Drunen
Netherlands
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Fax 31 416 37 86 55

Boliden Cuivre & Zinc (Liège) SA

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Tel 32 43 49 98 98
Fax 32 43 49 98 99

Boliden MKM Ltd.

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WS9 8DN
Walsall, West Midlands
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Fax 44 1922 534 84

Boliden Gusum AB

610 40 Gusum
Sweden
Tel 46 123 541 00
Fax 46 123 201 25

Arv. Andersson, AB

Svedjevägen 6
931 36 Skellefteå
Sweden
Tel 46 910 170 70
Fax 46 910 184 85

Information

Shareholder

Stock exchange listings

Toronto Stock Exchange

Montreal Exchange

Ticker symbols

BOL (common shares)

BOL.IR (instalment receipts)

Transfer agent

Montreal Trust Company

Corporate Services

151 Front Street West,

Toronto, Ontario M5J 2N1

Auditors

KPMG

Toronto, Ontario

Dividend policy

The Company does not currently declare a dividend.

Earnings are directed toward profitable opportunities within its business areas. The Board of Directors continuously reviews the Company's dividend policy.

Annual meeting

The annual shareholders' meeting will be held

May 11, 1998, at the Metropolitan Toronto

Convention Centre, Room 201 BD,

255 Front Street West, Toronto, Canada,

at 2 p.m.

Shareholder inquiries

For information regarding share certificates,

stock transfers, etc., please contact:

Montreal Trust Company

Telephone (416) 981-6933

Fax (416) 981-6800

General inquiries

Investor Relations

Telephone (416) 364-2727

Fax (416) 364-5484

E-mail info@boliden.ca

Internet

Information about Boliden is available on the internet at <http://www.boliden.ca>

Glossary

Technical

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

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 adsorbed 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 concentrates and gold doré.

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

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

floatation: 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.

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.

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 (ROM) occurs on uncrushed ore dumped by haulage trucks on sloping impermeable pads.

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

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.

ounce: troy ounce.

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

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.

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.

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

METRIC/IMPERIAL CONVERSION TABLE

The imperial equivalents of the metric units of measurement used in this report are as follows:

Metric Unit	Imperial Equivalent
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

Our strategy is built on three elements:

internal growth, exploration, and

acquisitions. During 1997 we achieved

success in all three areas. In 1998 we

will continue to pursue that strategy

with the objective of creating a

first-tier, international mining and

smelting company.



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