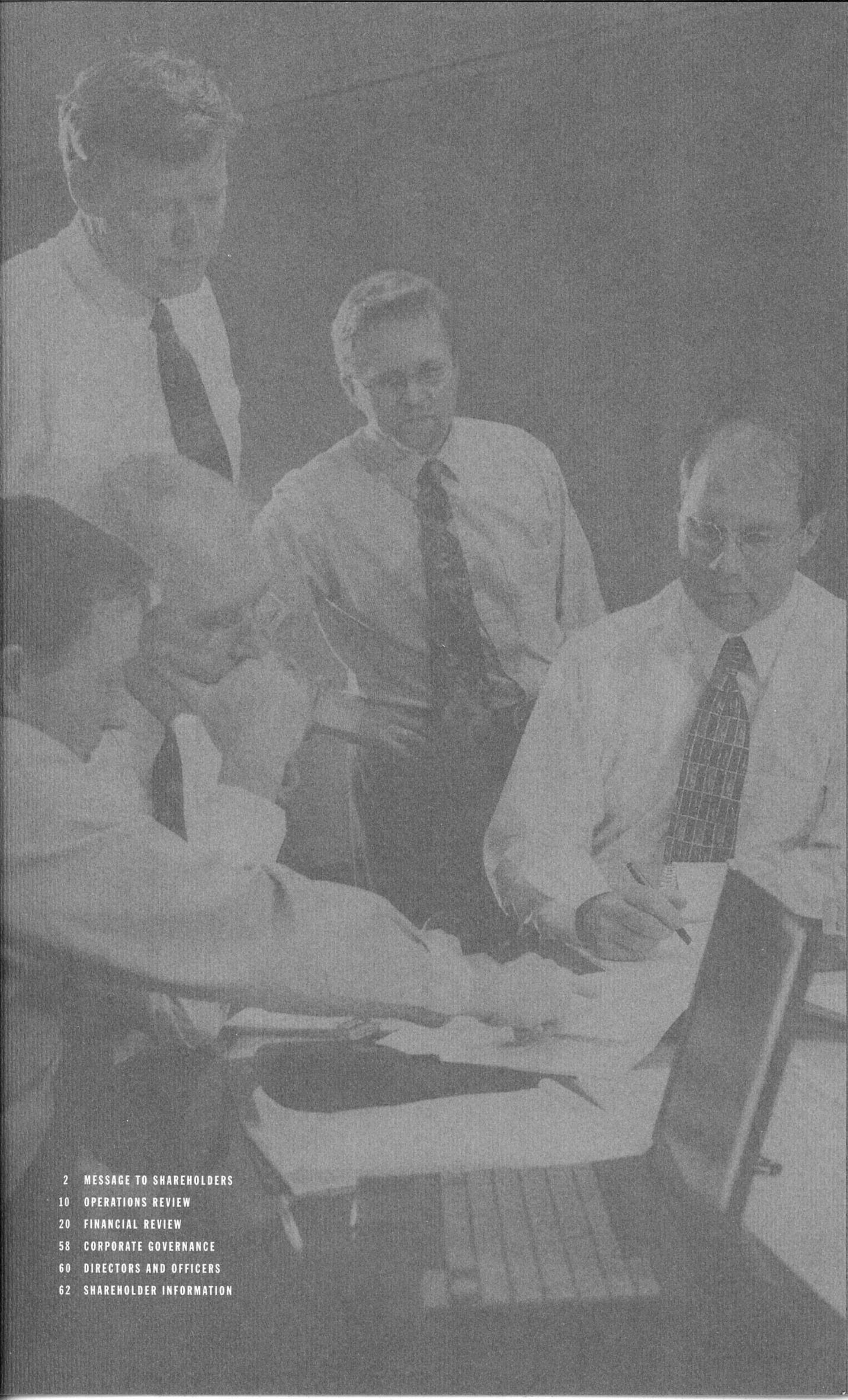
IN 1998 WE FACED CHALLENGES AND OPPORTUNITIES...

boliden

1998 ANNUAL REPORT



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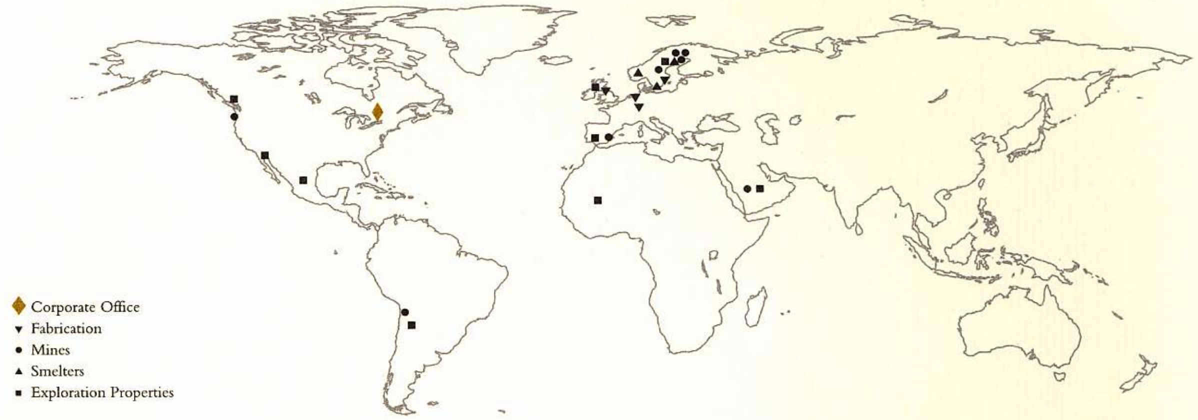
BOLIDEN

At a Glance

1999 marks Boliden's 75th Year in Operation

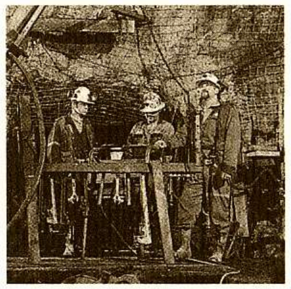
Founded in 1924, Boliden Limited is today an integrated mining and smelting company with operations on four continents. The Company and its subsidiaries (Boliden) are engaged in the mining, processing and sale of metals and mineral products, with a primary focus on zinc and copper. Boliden has mining and milling operations in Canada, Chile, Saudi Arabia, Spain and Sweden, and smelting and refining operations in Norway and Sweden. Boliden 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. In 1997, Boliden established its head office in Toronto, and was incorporated as a Canadian company. The Company's common shares are listed on the Toronto and Montreal stock exchanges under the symbol BOL.



	PROFILES		HIGHLIGHTS OF THE YEAR	FINANCIAL PERFORMANCE

Mining

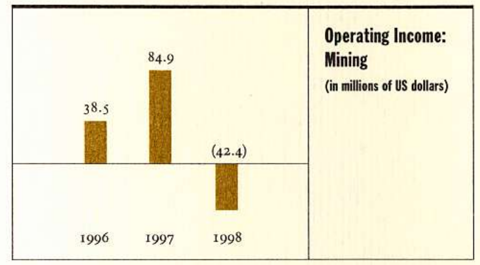
Profiles: Boliden produces zinc, copper, gold, lead and silver from 14 mines organized into eight mining areas. Its mining and milling operations are located in Canada, Chile, Saudi Arabia, Spain, and Sweden. Mining accounted for about 26% of Boliden's revenues in 1998.



Highlights of the Year:

- Tailings dam failure at Los Frailes on April 25 was cleaned up by late November; permitting for start-up expected in first quarter of 1999.
- Commercial start-up of Lomas Bayas on September 1.
- Encouraging drill results at Simon zone of Renström mine, Marshall zone of Myra Falls operations and Einarsson zone of Kristineberg mine.
- Temporary suspension of activities at Myra Falls to address challenging ground conditions; start-up scheduled for April 1, 1999.

Financial Performance:



Mining operating income sharply impacted by weak commodity prices. 1998 operating income excludes $42.5 million provisions for Los Frailes.

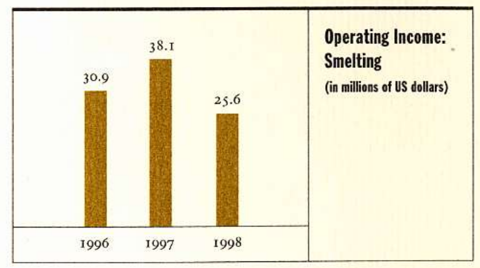
Smelting

Profiles: Boliden's smelting operations consist of the Rönnskär copper, lead and precious metals metallurgical complex and the Bergsöe secondary lead smelter, both located in Sweden, and the 50%-owned Norzink zinc smelter in Norway. Smelting accounted for about 50% of Boliden's revenues in 1998.

Highlights of the Year:

- Two-week scheduled maintenance shutdowns at Rönnskär and Norzink; operating income reduced by $12 million as a result.
- Increased annual production at all smelters, after taking into account planned maintenance shutdowns.
- Rönnskär +200 expansion commenced in July; completion scheduled for mid-2000 at a cost of $245 million.

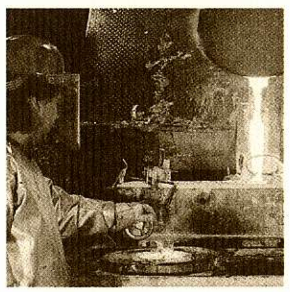
Financial Performance:



Smelting operating income down as a result of the planned maintenance shutdowns at Rönnskär and Norzink.

Fabrication

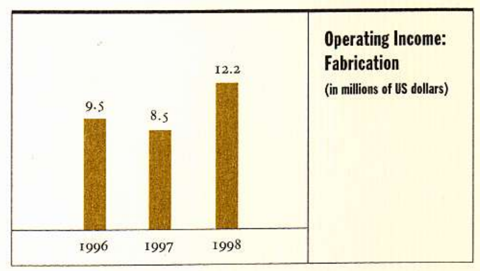
Profiles: Boliden produces copper tubing in Belgium and Sweden, and brass products in Sweden, the Netherlands and the United Kingdom. Fabrication accounted for about 24% of Boliden's revenues in 1998.



Highlights of the Year:

- Operating income increased by 45% on healthy European demand and higher product margins.
- Strong European economies provide encouragement for continuing healthy performance in 1999.

Financial Performance:



Fabrication contributed $12.2 million to total operating income in 1998.

...AND APPLIED OUR STRENGTHS.

Nineteen ninety-eight was an exceptionally active year for Boliden. In what was a difficult year for most mining companies as a result of dramatically weakened commodity prices, we also addressed a number of challenges and seized opportunities, while maintaining our focus on enhancing the performance and value of our existing operations.

MESSAGE TO SHAREHOLDERS

Our primary objective since we became a publicly listed Canadian company has been to grow Boliden into a first-tier, international mining and smelting company. Much of what we have initiated and accomplished over the past year has supported this objective, including:

- completing our acquisition of Westmin Resources Limited;
- bringing the Lomas Bayas copper project in Chile into production on time and within budget;
- initiating feasibility studies at both the Fortuna de Cobré project and the Lomas East deposit in Chile;
- commencing the expansion of the Rönnskär smelter in Sweden; and
- increasing reserves at the Aitik and Lomas Bayas mines and resources at most other operations through focused mine-site efforts.

In what was already a challenging year as a result of weak base metal prices, Boliden also responded to and addressed a number of crucial operational issues, notably:

- the failure of the tailings dam at the Los Frailes mine in Spain;
- difficult ground conditions at the Myra Falls mine, which resulted in a temporary suspension of operations; and
- closure of the Gibraltar mine, primarily due to continued low copper prices.

As is evident from these events, 1998 has been a particularly busy year for the Company. It was a year in which we addressed challenges head-on and seized upon opportunities. We are confident that our initiatives and activities have positioned Boliden for enhanced operating performance, particularly when zinc and copper prices improve.

Market Review

Weak base metal markets were a dominant feature of 1998. Yet, the inherent value of these commodities has not diminished. Boliden's principal metals – zinc and copper – are indispensable commodities that support worldwide industries and infrastructure development.

"Our objective is to focus on enhancing the performance and value of our operations within the context of the current economic environment and outlook for commodity prices. Our aim is to position Boliden for superior shareholder returns once commodity prices improve."

Anders Bülow
President and Chief Executive Officer

The average London Metals Exchange (LME) price for zinc in 1998 was US$0.46 per pound compared with US$0.60 per pound in 1997 (five-year LME average of US$0.49). The causes of today's low zinc prices are difficult to pinpoint. Clearly there is weakened demand in certain Asian economies, yet global zinc inventories continued to decline during the year, falling to approximately 330,000 tonnes (LME inventory levels) or approximately six to seven weeks consumption at the end of 1998. Since 1992, whenever zinc inventories were around these levels, prices have averaged in the range of US$0.50 to US$0.75 per pound.

The average LME price for copper in 1998 was US$0.75 per pound, compared to US$1.03 per pound in 1997 (five-year LME average of US$1.04). Copper is currently trading at a 12-year low in current dollars, and less than a 50-year low in real dollars. The decline in the price of copper is a result of the combined effects of overcapacity and decreased regional consumption, particularly in Asia. Primarily as a result of the continued weakness in copper prices, Boliden closed its Gibraltar copper mine in British Columbia.

At today's price levels, we believe there is significant room for improvement for both metals, with zinc showing stronger near-term potential.

Financial Review

Based on revenues of US$1.05 billion, Boliden reported a net loss in 1998 of US$75.7 million, or US$0.71 per share. By comparison, in 1997, the Company had revenues of US$1.20 billion and net earnings of US$81.8 million, or US$0.82 per share. Lower metal prices and the US$42.5 million in special provisions taken by the Company for the Los Frailes tailings dam failure were the two primary reasons for the sharp decline in earnings during the year. The scheduled two-week maintenance shutdowns of the Rönnskär and Norzink smelters, which occur every three years, also impacted earnings. Cash flow from operations (before changes in non-cash operating working capital) for 1998 was US$2.7 million, or US$0.03 per share, compared with US$170.0 million, or US$1.71 per share in 1997.

Westmin Acquisition and Integration

The acquisition of Westmin Resources Limited (Westmin) was a critical step towards achieving Boliden's immediate and long-term growth objectives. Westmin's Myra Falls operation in British Columbia immediately enhanced both our production and reserves of zinc and copper. In Chile, Westmin's Lomas Bayas project immediately added to our copper reserves and enhanced our copper production significantly towards the end of the year. Also in Chile, the Fortuna de Cobré project provides substantial additional copper resources. With Lomas Bayas now in production, Boliden has operations on four continents, establishing the Company as a truly global, integrated mining, smelting and refining base metals producer.

The Westmin acquisition is our platform for growth in the Americas. In order to maximize this opportunity, we needed to successfully integrate Westmin and Boliden. We believe that the combination of the two companies' cultures, expertise and resources creates a stronger company. Bringing these two companies together was one of our primary objectives in 1998 and we believe we made excellent progress.

Lomas Bayas

The Lomas Bayas copper project in Chile began commercial production on September 1, 1998. During 1999, the project is expected to reach full production of 5,000 tonnes of copper cathode per month, or 60,000 tonnes per year. There is potential to increase production by 50% to 90,000 tonnes per year by developing the adjoining Lomas East deposit. This scenario will be given further consideration during the year as metallurgical testing at Lomas East is completed. With estimated cash operating costs of under US$0.50 per pound of copper in the project's early years and estimated life-of-mine cash operating costs of US$0.54 per pound of copper, Lomas Bayas is a low-cost producer and a competitive operation, even in the current depressed copper price environment.

Fortuna de Cobré

At the Fortuna de Cobré deposit, located just three kilometres from Lomas Bayas, we have identified an in-pit mineral resource of approximately 848 million tonnes grading 0.24% copper. Although it is lower grade than Lomas Bayas, Fortuna de Cobré contains significant amounts of water-soluble copper, which has the potential to significantly reduce operating costs. A feasibility study was initiated to determine the optimum size and method of expansion of combined operations at Lomas Bayas and Fortuna de Cobré. Given the current copper price and capital market environment, we have decided to postpone completion of the study, except for ongoing metallurgical testing, until the outlook for commodity and capital markets improves. Once the decision to proceed has been made, we expect that it will take no longer than nine months to complete the feasibility study. If Fortuna de Cobré is developed, we have an excellent opportunity to leverage our infrastructure development and metallurgical experience from Lomas Bayas.

Myra Falls

In December, we temporarily suspended production at the Myra Falls operation to address the increasingly challenging ground conditions within the Battle and Gap zones of the mine. An action plan is currently being implemented to carry out stope and access route rehabilitation and development. When this work is completed, we expect to achieve improved operating results and better working conditions for our employees. The mine is scheduled to be back in operation by April 1, 1999 and is expected to move towards full production during the second quarter of 1999.

Rönnskär Expansion

The planned expansion of the Rönnskär smelter and refinery by 100,000 tonnes of copper cathode per year by mid-2000 will bring Rönnskär's design capacity to 240,000 tonnes of copper cathode per year and is expected to reduce costs by approximately 25% to 30%. The estimated cost of the expansion is US$245 million, with a payback period of approximately six and a half years. Rönnskär is one of Boliden's core assets and is one of only three facilities in the world that recycles high margin electronic scrap. Its expansion will reinforce Boliden's competitive strengths and offer an attractive rate of return.

Los Frailes

In Spain, the Los Frailes zinc mine owned by our subsidiary, Boliden Apirsa SL (Apirsa), reached its design capacity in the fourth quarter of 1997. Los Frailes has the capacity to process four million tonnes of ore, producing about 125,000 tonnes of zinc and three million ounces of silver per year. Operations proceeded according to plan in the first quarter of 1998. However, on April 25, 1998, a failure in the tailings dam at the mine resulted in the release of tailings and tailings water into the nearby Agrio and Guadiamar river channels and surrounding areas. Operations were immediately suspended.

Apirsa promptly assigned specific responsibilities to employees, and independent environmental consultants and engineers, to minimize the consequences of the spill. Local Spanish authorities acted swiftly in erecting barricades to divert the flow of contaminated water in the Guadiamar River away from Doñana National Park, 45 kilometres downstream from the mine. These efforts were successful and the Park was not harmed. Our findings indicate that about 80% of the tailings were deposited within 10 kilometres of the mine. As of late November, substantially all of the discharged materials have been collected and transported for safe and approved storage in the depleted Aznalcóllar open pit located beside the Los Frailes mine.

An investigation into the cause of the tailings dam failure commissioned by Apirsa determined that the failure was caused by a shift in the geological formation 10 to 15 metres below the base of the dam. The stability of the tailings dam had been studied by independent consultants as recently as 1996, and had been inspected and monitored regularly since that time. No signs of instability were detected prior to the failure.

As of May 1, 1998, only five days after the spill, water-sampling studies indicated a return to near normal pH levels in the affected waterways. We are optimistic that the long-term effects of the spill will not compromise the region's ecosystem. In addition, a study completed by a panel of international waste, soil and environmental scientists and engineers indicates that a large portion of the affected area will be suitable for its former uses, principally agriculture.

Apirsa intends to restart production at the Los Frailes mine as soon as it receives the necessary permits from the Spanish governmental authorities.

I would like to acknowledge the various Spanish governmental agencies and authorities, Boliden employees and numerous independent consultants for their tireless efforts aimed at minimizing the damage from the spill.

Environment, Health and Safety

Environmental, health and safety issues are of paramount importance for Boliden. This year, we have published a comprehensive review of our environmental, health and safety policies, performance and objectives in a separate special report to ensure that all of our stakeholders are aware of Boliden's achievements in these areas.

Exploration and Development

As a result of the current depressed base metals market, our short-term focus has shifted away from wide-ranging field exploration activities towards proving additional resources adjacent to our existing mines and infrastructure. We have had encouraging results over the past year. We have identified strong indications of additional mineralization at our Kristineberg and Garpenberg mines in Sweden and are poised to begin defining further resources adjacent to our Kristineberg, Garpenberg and Renström mines in Sweden and Myra Falls operations in British Columbia.

Our business plan for future exploration and development sets out measurable goals and objectives. We intend to:

- establish a 10-year consolidated proven reserve life over the next five years, primarily adjacent to our currently operating mines;
- carry out one new feasibility study and two new pre-feasibility studies every 12 months; and
- continuously review acquisition opportunities and, when appropriate, undertake strategic acquisitions where strong operational synergies are achievable.

Finance

On January 25, 1999, the Company announced a Cdn$223 million convertible preferred share rights offering to its shareholders. Terms of the offering are fully disclosed in the Company's prospectus dated February 23, 1999. Proceeds from the offering will be used to repay existing indebtedness and ultimately to finance the Rönnskär expansion. Trelleborg AB, which indirectly owns 42.9% of our common shares, has agreed to subscribe for its pro-rata portion of the rights offering (Cdn$95.5 million) and has agreed not to sell or otherwise dispose of its investment for a minimum of 180 days from the closing of the offering.

Trelleborg AB

Following an extensive review of its operations, Trelleborg AB announced in January 1999 that it no longer considered Boliden to be a core asset. As a result, at its annual meeting on April 22, 1999, Trelleborg intends to seek approval to dividend its Boliden common shares to its shareholders. The company intends to seek a secondary listing for its common shares on the Stockholm Stock Exchange to provide a market for its new shareholders. Boliden had previously been listed on the Stockholm Stock Exchange from 1952 until 1988, when Trelleborg completed its acquisition of Boliden.

Looking Ahead

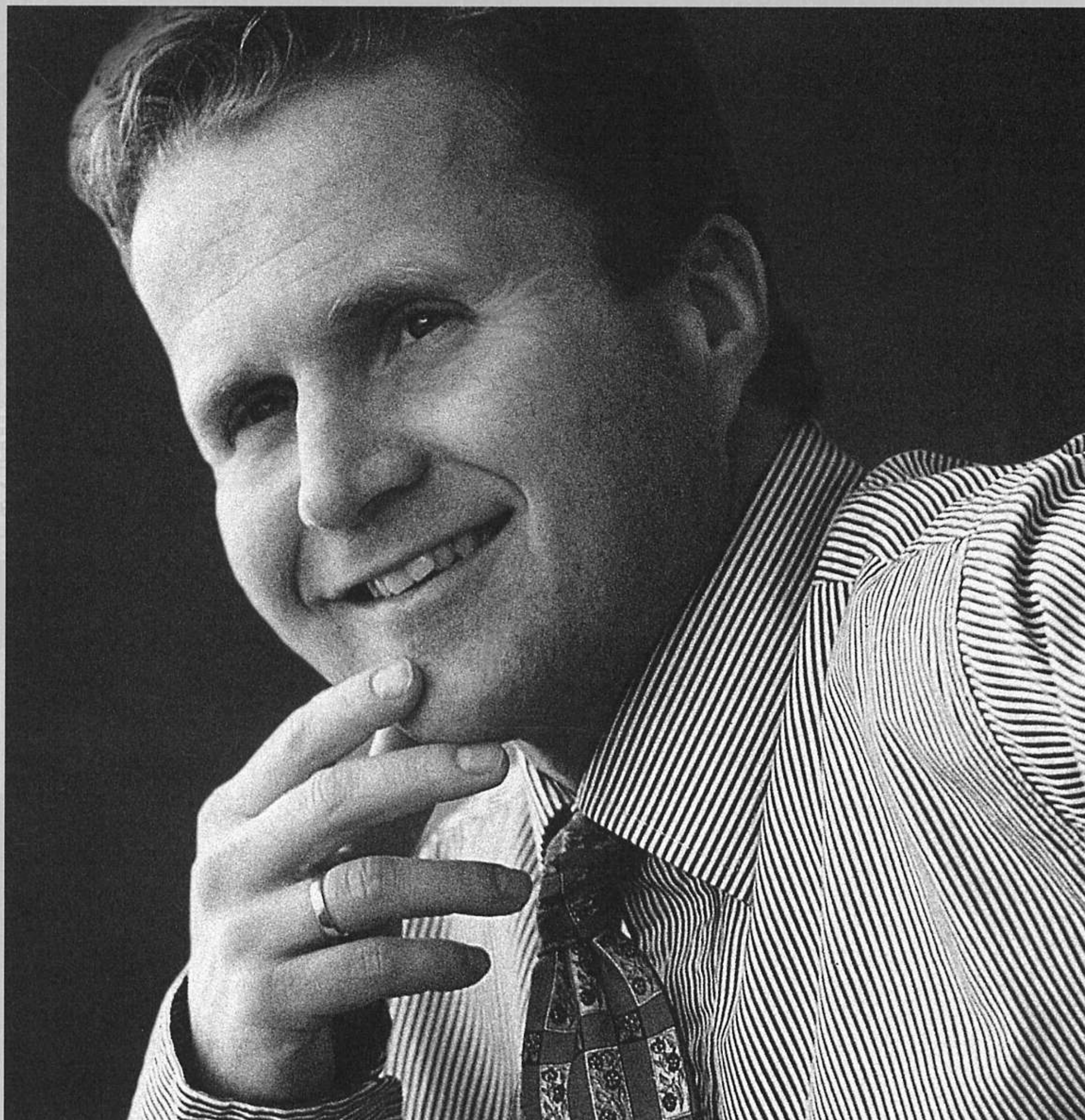
The current depressed base metals market has led us to devote more attention to our core assets: Rönnskär, Lomas Bayas and Boliden Area Operations. In the near term, the majority of our reduced capital expenditures will be directed at these assets. Any investment in these or other assets must offer an internal rate of return in excess of 15%, as exemplified by the Rönnskär expansion. In line with our increased focus on core operations, we are also considering strategic divestitures to streamline our operations and improve our balance sheet.

As is the case with many investors, we are uncertain as to when Asia and other key regions of the world economy will rebound. In the interim, our objective is to focus on enhancing the performance and value of our operations within the context of the current economic environment and outlook for commodity prices. Our aim is to position Boliden for superior shareholder returns once commodity prices improve.

In closing, I would like to thank all Boliden employees for their tremendous contributions during the year. I would also like to thank our shareholders for their continued support in what has been an exceptionally challenging year for the Company. We intend to continue to manage Boliden with the goal of lowering our costs and reducing our expenditures, while maximizing the return from our existing assets. In the near term, we will strive to reduce our debt level and to ensure the continued financial strength of the Company. Once commodity prices improve and our balance sheet is sufficiently strong, we will again investigate growth opportunities that offer strong synergies and complementary strengths.

ANDERS BÜLOW

President and Chief Executive Officer



"The acquisition of Westmin Resources strengthened Boliden considerably, providing the Company with significantly enhanced reserves, an excellent platform for growth in the Americas and a true global presence."

Jan Petter Traaholt
Senior Vice President, Finance and Administration and Chief Financial Officer

WE INTEGRATED

Integration is the key to a successful acquisition. It must be well managed so that we benefit from the expertise and resources of each company, and realize cost savings.

The acquisition of Westmin Resources Limited strengthened Boliden considerably, providing the Company with an immediate increase in production, significantly enhanced reserves, an excellent platform for growth in the Americas and a true global presence. Through the integration process, Boliden has realized cost savings, and benefited from sharing expertise and resources.

Boliden strengthened its management ranks with the appointment of former Westmin executive, Ken Stowe, as Senior Vice President, Mining Operations. In the field, former Garpenberg mine manager, Kjell Larsson, has been transferred to the position of mine manager at Myra Falls, where he is applying his expertise in heading up the project to carry out stope and access route rehabilitation and development at the mine. We have also gained valuable experience with solvent extraction-electrowinning technology. This process was used at Westmin's Gibraltar mine, and is now a crucial component of the cost competitiveness of the Lomas Bayas mine.

Boliden's financial strength provided the means to refinance Westmin's outstanding debt on more favourable terms. The Company was able to refinance Westmin's US$120 million in 11% senior secured notes and Cdn$68.7 million of Class 'B' preferred shares with a US$230 million term loan facility. The refinancing was negotiated with an international banking syndicate at a small margin above LIBOR.

This overview of the Myra Falls Operations (MFO) shows the mine headframe, administration offices and 1.4-metre conveyor system. MFO will resume production in April 1999, upon completion of a three-month underground rehabilitation and development project.

WE PRODUCED

Lomas Bayas positions Boliden in the ranks of the world's low-cost copper producers, while providing a platform for future development in the Americas.

The Lomas Bayas copper mine began commercial production on September 1, 1998, on time and on budget. The mine has a design production capacity of 60,000 tonnes of LME grade copper cathode per year. In the first four months of commercial operation to the end of 1998, the mine operated at approximately 70% capacity due to high levels of chlorides and nitrates in the ore. These levels had not been considered in the original design and development of the project. Since production began, we have corrected the chloride problem and are currently addressing the nitrate situation. We expect to have the mine at full capacity by the end of 1999.

Lomas Bayas is a low-cost copper mine. Estimated early year cash operating costs are below US$0.50 per pound of copper, and estimated life-of-mine cash operating costs are US$0.54 per pound of copper. As a core asset, Lomas Bayas has assisted Boliden in joining the ranks of the world's low-cost copper producers. It also represents Boliden's platform for future development in Chile. There is additional potential to increase production to 90,000 tonnes per year by exploiting the adjoining Lomas East deposit. This scenario will be given further consideration once metallurgical testing is completed later in 1999 and commodity and capital markets improve.

Since production began on September 1, 1998, the Lomas Bayas SX-EW mine is expected to reach design capacity of 60,000 tonnes per annum by the end of 1999.

"As a core asset, Lomas Bayas has enabled Boliden to join the ranks of the world's low-cost copper producers. It also represents Boliden's platform to future development in Chile. There is additional potential to increase production to 90,000 tonnes per year by exploiting the adjoining Lomas East deposit."

Kenneth Stowe
Senior Vice President, Mining Operations

"The Rönnskär expansion project is an example of our focus on our core assets. With an internal rate of return in excess of 15%, this investment will provide a superior return to Boliden shareholders."

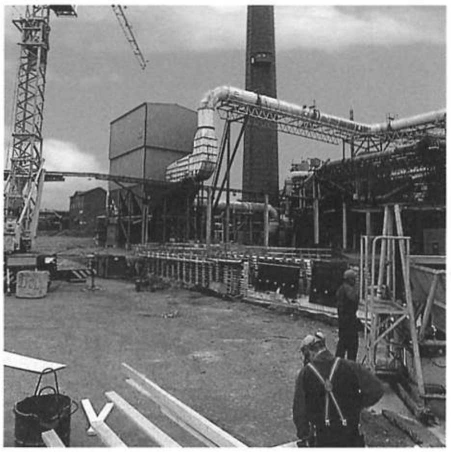
Thomas Cederborg
Senior Vice President, Smelting Operations

WE INVESTED

Boliden is spending US$245 million to expand the Rönnskär smelter and refinery. By substantially increasing the smelter's production capacity, upgrading its technical components and lowering its operating costs, Boliden is reinforcing Rönnskär's status as a world class metallurgical complex.

In July 1998, Boliden began construction at the Rönnskär metallurgical complex to upgrade and expand its facilities and increase its production capacity. The expansion is in line with our objective of maximizing the return from our existing assets. Given the current commodity price environment, we have determined that our core assets are to be the focus of capital expenditures and that investments we make must offer an internal rate of return in excess of 15%. Our goal is to position Boliden for superior shareholder returns once commodity prices improve.

The expansion will increase Rönnskär's design capacity by 71% to 240,000 tonnes of copper cathode per year and is expected to reduce operating costs by between 25% and 30%. Major items in the expansion include improvements to the harbour to accommodate increased traffic for incoming and outgoing materials, a new flash furnace, three new and larger converters, a new anode casting plant and an extension of the tankhouse and sulphuric acid plant. The expansion is expected to be completed in the second half of 2000, with full production from the expanded smelter and refinery scheduled to be reached by 2001. The Rönnskär expansion also involves technical upgrades aimed at enhancing the smelter's overall efficiency and capacity to treat electronic scrap. The end result of the expansion project will be a modern, world class smelting and refining facility that is capable of generating stronger financial returns.



The Rönnskär expansion project remained on schedule and budget despite record-low winter temperatures in northern Sweden. Once construction is completed, Rönnskär's designed capacity will increase by 71% to 240,000 tonnes of copper cathode per year.

WE RESPONDED

From the moment we became aware of the tailings dam failure at the Los Frailes mine, the principal focus of senior management, mine site employees and specialized company-wide resources was to minimize the consequences of the spill.

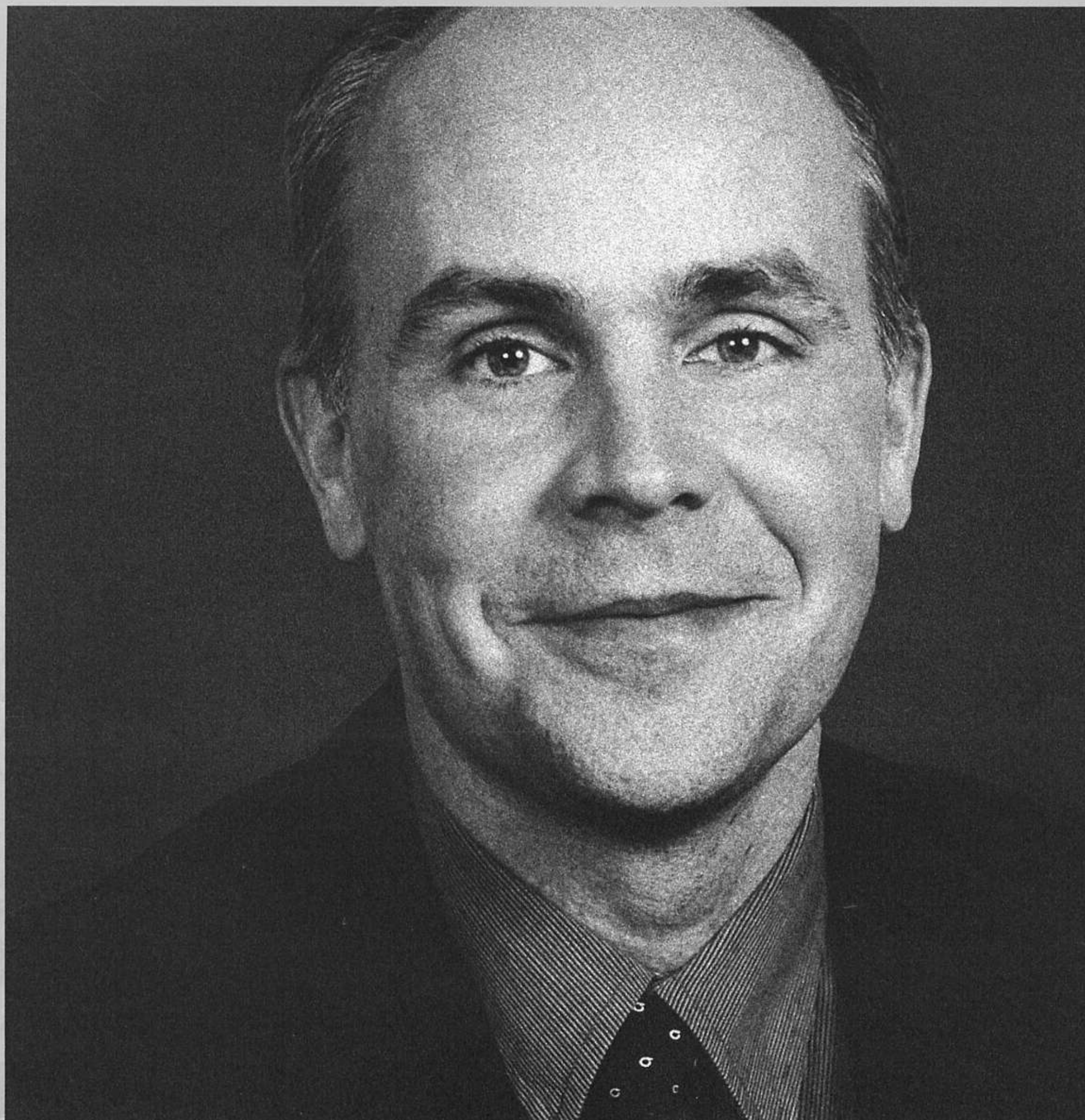
To minimize the consequences of the Los Frailes tailings dam failure, our subsidiary, Boliden Apirsa SL, implemented a prioritized plan focused on five key activities:

- cleaning up the discharged materials;
- establishing an alternative site for both the discharged materials and future tailings disposal;
- investigating the cause of the failure;
- monitoring the quality of the cleanup efforts; and
- determining mine restart scenarios.

The results of these efforts are a testament to the undivided attention and thoroughness we applied in dealing with this incident. Essentially all the discharged tailings have been collected and transported for safe and approved storage in the depleted Aznalcóllar open pit. Throughout the cleanup process, Apirsa and third-party experts conducted rigorous testing of metal transport and groundwater, and continually monitored the surrounding aquatic, terrestrial and agricultural ecosystems to ensure the quality of the cleanup.

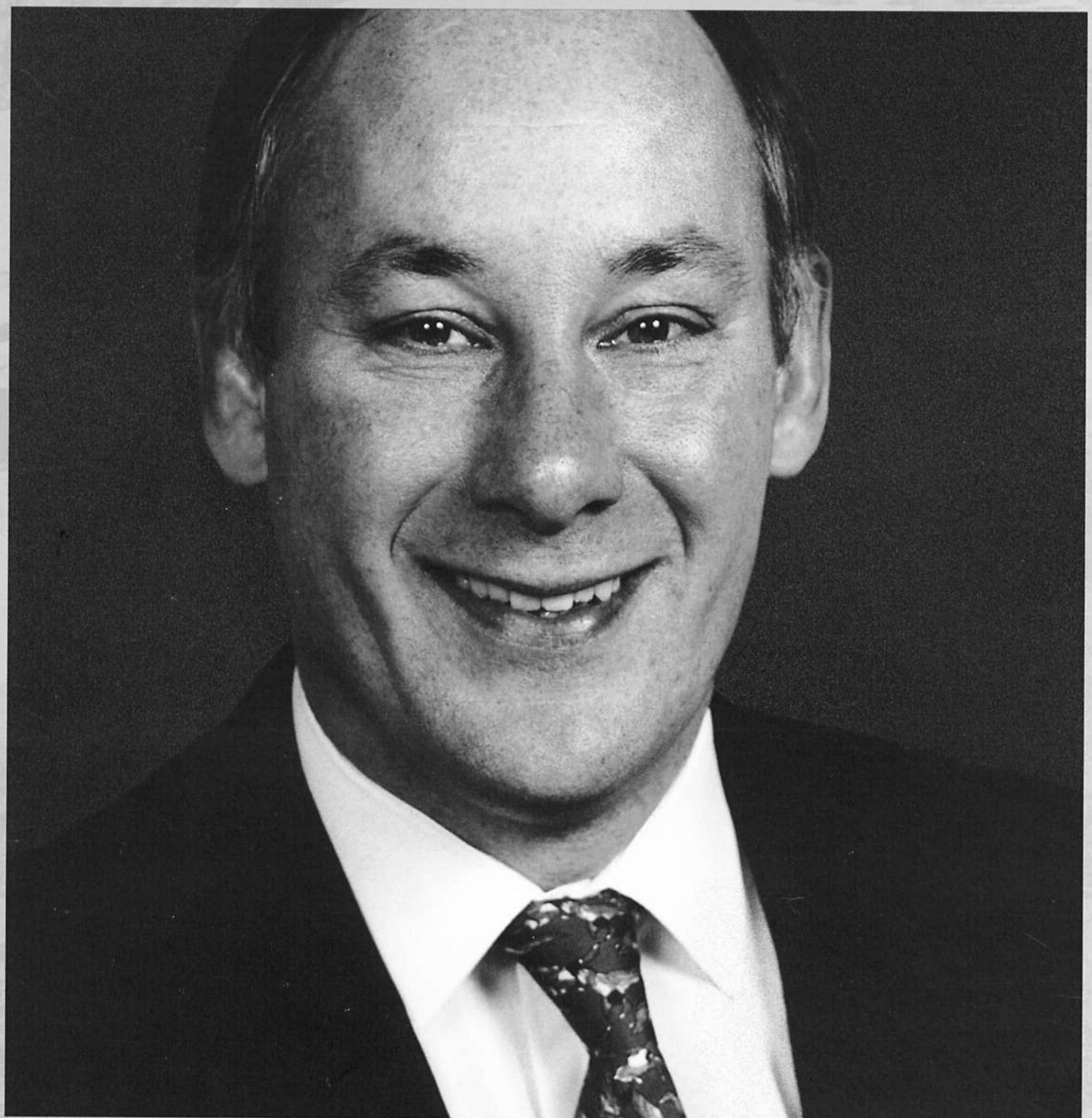
According to a study conducted by EPTISA, the failure of the tailings dam resulted from a slippage in the geologic formation beneath the dam. A later study, conducted by Principia EQE, found that neither the original dam construction project by INTECSA in 1977, nor the independent dam stability study by GEOCISA in 1996, provided an adequate assessment of the subsoil characteristics that affected the ultimate stability of the dam. At the time of this report, Apirsa was awaiting permits to use the depleted Aznalcóllar open pit as a future tailings disposal site in order to restart operations. A comprehensive review of the Los Frailes incident is included in Boliden's 1998 Environmental, Health & Safety Report.

Tailings were removed and placed in the depleted Aznalcóllar open pit for safe, government-approved storage. Third-party experts have opined on the high quality of the cleanup effort. It is their belief that most of the affected area can be returned to its former use.



"To minimize the consequences of the Los Frailes tailings dam failure, our subsidiary implemented a prioritized plan focused on five key activities. We believe the results of these efforts are a testament to the undivided attention and thoroughness we applied in dealing with this major responsibility."

Lars-Åke Lindahl
Vice President, Environmental Affairs



"Our recent exploration success demonstrates our ability to cost-effectively develop a longer reserve life."

Bill Fisher
Vice President, Exploration

WE IDENTIFIED

Boliden's exploration focus has shifted towards identifying and proving additional resources adjacent to its existing mines and infrastructure. Recent positive results illustrate the strong potential of this plan.

Highlights of Boliden's exploration success during the year include:

- drilling at depth at the Renström mine encountered additional high-grade mineralization within the Simon zone, including a 29.7 metre intersection grading 20.3% zinc, 0.8% copper, 3.4% lead, 4.9 g/t gold and 288 g/t silver. The zone remains open along strike and dip. The first 135 metres of a 650-metre underground development program was completed in 1998 to gain access to the Simon zone. This work will continue in 1999. A 3,500-metre drill program will commence in the second quarter of 1999 to further define the zone and prove up geological resources.
- underground drilling in the Marshall zone at the Myra Falls operations continues to yield encouraging results including 23 metres of massive sulphides grading 11.3% zinc, 1.4% copper, 3.6 g/t gold and 264.3 g/t silver. A 25,000-metre drill program is planned in 1999 to further define the zone to the north and west.
- the high-grade Einarsson gold/copper zone was discovered at the Kristineberg mine and a number of polymetallic targets were intersected at the Garpenberg mine. In 1999, resource definition work will include 550 metres of development and 10,000 metres of drilling at Kristineberg and about 27,000 metres of drilling at Garpenberg.
- at the Fortuna de Cobré exploration project adjacent to the Lomas Bayas mine, we have identified an in-pit mineral resource of approximately 848 million tonnes grading 0.24% copper. Completion of a feasibility study awaits better commodity prices and capital market conditions.

Boliden Limited's exploration activities are primarily focused on identifying and proving additional resources adjacent to existing mines and infrastructure.

1998
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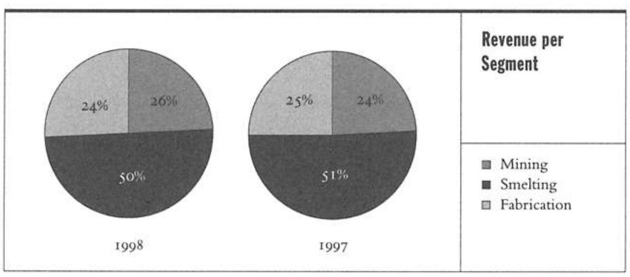
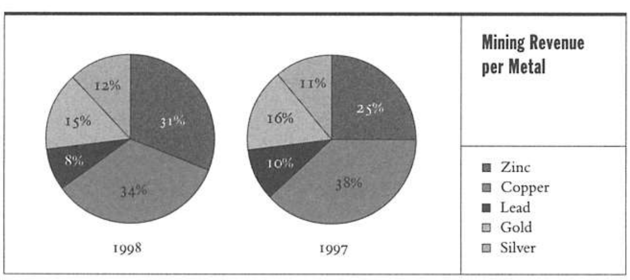
FINANCIAL HIGHLIGHTS

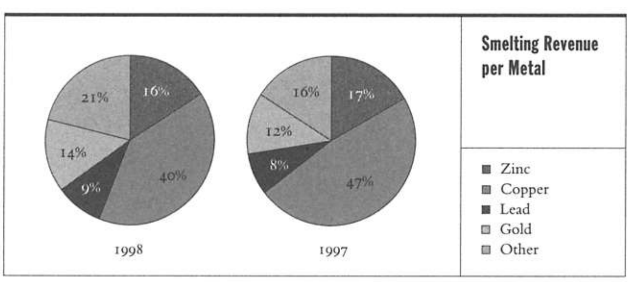
(Years ended December 31)

(in thousands of United States dollars, except per share data)	*1998*	*1997*	*1996*
Revenues	$ 1,053,637	$ 1,201,985	$ 1,262,718
Operating income (loss)	(68,715)	111,721	64,385
Net earnings (loss) for the year	(75,686)	81,804	38,347
Earnings (loss) per share	(0.71)	0.82*	0.38*
Cash provided by operating activities before changes in non-cash operating working capital	2,734	169,958	120,672
Capital expenditures	(235,663)	(149,629)	(118,262)
Cash and temporary investments	75,096	65,336	29,563
Total assets	1,843,515	1,034,357	1,020,909
Long-term debt including current portion	728,121	54,050	64,550
Shareholders' equity	653,076	679,562	625,282
Weighted average shares outstanding during the year	106,086	99,640	

**Based on weighted average shares outstanding during 1997.*







MANAGEMENT'S DISCUSSION AND ANALYSIS

(in United States dollars unless otherwise indicated)

Metals Market Overview

Markets for Boliden's primary metals – zinc and copper – were soft in 1998. Copper prices declined to 12-year lows (and inflation-adjusted levels not seen since 1932) and zinc prices were the lowest in four years.

The continued deep recession in many important Asian economies, as well as ongoing difficulties in Russia and deepening concern about the economic health of a number of developing nations such as Brazil, resulted in reduced demand for metals which, when coupled with continued strong supply, led to lower metal prices. While economies in Europe and North America generally performed well, the levels of demand in these regions were not great enough to absorb the supply of metals.

ZINC

Prices declined through 1998 as falling demand in weak Asian markets more than offset generally healthy levels of consumption in Europe and the United States. Production cutbacks and problems at some mines led to tightness in zinc markets by year-end and resulted in a decline in zinc inventories on the London Metals Exchange (LME) to levels not seen since 1992. These inventory levels and the current outlook for zinc demand provide optimism for price increases in 1999.

COPPER

Difficult conditions prevailed in the copper market in 1998. Despite about 400,000 tonnes (annualized) in production cutbacks due to mine closures during the year, copper inventories on the LME began to build up over the last half of 1998. These inventory levels and the current outlook for copper demand do not provide optimism for sustained price increases in the near future.

LME METAL PRICES/
CHANGES IN INVENTORIES

	1998			*1997*	*1998*	*1998*
Metal	*High*	*Low*	*Average*	*Average*	*Year-end*[1]	*Inventories*[2]
Zinc *($/lb)*	0.52	0.42	0.46	0.60	0.44	↓35%
Copper *($/lb)*	0.85	0.65	0.75	1.03	0.67	↑75%
Lead *($/lb)*	0.28	0.22	0.24	0.28	0.23	↓ 3%
Gold *($/oz)*	315	273	294	330	291	
Silver *($/oz)*	7.81	4.69	5.54	4.90	4.88	

Source: LME daily cash prices.

1 *Average price realized in December 1998.*

2 *Relative increase or decline in LME inventories over the course of 1998.*

Consolidated Results of Operations

REVENUES

Boliden generates revenues primarily from three operating segments: mining, smelting and fabrication. In 1998, consolidated revenues from operations declined 12.3% to $1,054 million. Eliminating the effect of the Westmin acquisition (consolidated from January 1, 1998), revenues declined 18.2% to $983 million. Lower metal prices were responsible for this decline. Including Westmin, copper production increased 67% in 1998, zinc 38%, lead 3%, gold 5% and silver 2%.

Revenues from smelting operations declined primarily as a result of lower zinc and copper prices and the scheduled two-week maintenance shutdowns at the Rönnskär and Norzink smelters, which occur every three years. Revenues from fabrication also declined primarily as a result of lower copper prices.

EARNINGS

The Company's net loss of $75.7 million in 1998 reflected lower metal prices throughout the year and special provisions totalling $42.5 million for the cleanup of the Los Frailes tailings dam failure in Spain. In addition, the scheduled two-week maintenance shutdowns at the Company's two largest smelters reduced operating income by about $12 million. Operating income, before the special provisions, declined to a loss of $26.2 million compared to income of $111.7 million in 1997.

SEGMENTED OPERATING INCOME

(millions of dollars)	*1998*	*1997*
Mining	(42.4)	84.9
Smelting	25.6	38.1
Fabrication	12.2	8.5
Corporate and other	(21.7)	(19.8)
	(26.2)	111.7
Provision for Los Frailes	(42.5)	–
Total*	(68.7)	111.7

**May not add due to rounding.*

Cash provided by operating activities, before changes in non-cash operating working capital, totalled $2.7 million in 1998, compared to $170.0 million in 1997.

EXPENSES

Depreciation, depletion and amortization rose 45% to $99.0 million, primarily as a result of the Westmin acquisition. Selling, general and administrative expenses rose 29% to $70.2 million, again primarily due to the Westmin acquisition. Exploration, research and development expenses increased 18% to $24.3 million. A number of exploration programs were cancelled, suspended or curtailed toward the end of the year as part of a program to reduce expenditures.

Although the Company's financial statements are reported in US dollars, most of its costs are in Swedish, Canadian, Norwegian and Spanish currencies. As a result, changes in the exchange rates for these currencies relative to the US dollar have an impact on costs. In 1998, all of these currencies declined relative to the US dollar. These declines had a positive impact on the Company's costs when expressed in US dollars.

AVERAGE EXCHANGE RATES

Currency (per US$1.00)	*1998*	*1997*
SEK	7.95	7.64
CAD	1.48	1.38
NOK	7.55	7.07
ESP	149	146

Interest on long-term debt rose to $21.7 million from $4.1 million, primarily as a result of debt assumed as part of the Westmin acquisition. Total debt outstanding at December 31, 1998 was $785.1 million, compared to $59.9 million a year earlier.

Income tax expense in 1998 was $1.7 million compared to $31.5 million in 1997 due to lower operating earnings during the year.

Mining

CONSOLIDATED FINANCIAL REVIEW

Boliden's mining operations showed an operating loss of $84.9 million in 1998 compared to operating income of $84.9 million in 1997. The reversal was due to lower metal prices throughout the year and the special provisions totalling $42.5 million related to the tailings dam failure at Los Frailes.

CONTAINED PRIMARY METAL PRODUCTION

Metal	*1998*	*1997*	*Increase*
Zinc *(tonnes)*	178,778	129,761	38%
Copper *(tonnes)*	143,516	86,041	67%
Lead *(tonnes)*	102,535	99,320	3%
Gold* *(ounces)*	173,125	164,445	5%
Silver *(thousand ounces)*	8,248	8,084	2%

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

Production at Los Frailes was suspended following the failure of the tailings dam on April 25, 1998, and has not yet resumed. On September 1, Lomas Bayas in Chile began commercial production. By year-end, the mine was producing at a rate of about 3,500 tonnes of copper cathode per month. At Myra Falls in British Columbia, production was suspended on December 19 to address deteriorating ground conditions within the Battle and Gap zones. The mine is scheduled to resume operations by April 1, 1999.

Total capital expenditures rose 55% to $174.5 million in 1998. Capital expenditures for Lomas Bayas totalled $103.1 million – the Company's largest single capital project during the year. Capital expenditures at the Swedish mines totalled $46.9 million.

Depreciation and depletion doubled to $70.1 million, primarily due to the Westmin acquisition and the commencement of commercial production at Lomas Bayas in September.

SWEDISH OPERATIONS

Boliden Area Operations

Boliden Area Operations (BAO) includes five underground mines, an open pit mine and a single mill. Zinc is the most important product. A cave-in at the Petiknäs mine in the fourth quarter of 1997 reduced production at the mine and affected overall BAO mill head grades in the first and second quarters of 1998. The mine returned to full production at the end of the second quarter. A record volume of ore and slag was milled during 1998, resulting in increased output of zinc, silver and lead. Copper and gold production declined marginally. Throughput is expected to reach similar levels in 1999, and zinc and silver head grades are expected to improve.

Drilling at depth at the Renström mine in 1998 proved up two million tonnes of inferred mineral resources and, in the process, encountered additional high grade base metal mineralization, which has since been named the Simon zone. The first 135 metres of a 650-metre underground development program was completed in 1998 to gain access to the Simon zone. A 3,500-metre drill program is scheduled to commence in the second quarter of 1999 to test the strike and dip extensions of the Simon zone and prove up geological resources.

Garpenberg

Garpenberg includes two underground mines and a mill which produces lead, zinc, silver and copper concentrates. In 1997, a new shaft was opened at the Garpenberg mine and mining began at the 900-metre level at the Garpenberg Norra mine. Improved ore grades and higher volumes of ore milled resulted in record levels of of all metals in 1998. Higher throughput is expected in 1999.

The exploration drilling program at Garpenberg encountered encouraging mineralization surrounding both mines. The current 1999 exploration program includes about 27,000 metres of drilling.

Aitik

Aitik is an open pit mine and mill located north of the Arctic Circle. Aitik copper concentrates are transported to the Rönnskär smelter. Record amounts of ore were milled in 1998 at grades which averaged slightly below plan for the year. The 1999 mine plan calls for slightly lower head grades of copper and gold and similar throughput levels to 1998. Grades are expected to exceed 1998 levels in 2000.

Laisvall

Laisvall is an underground mine and mill. It is Europe's largest lead mine, producing zinc and silver as by-products. Milled production set a record of 1.96 million tonnes in 1998 and ore grades improved slightly. Further increases in production are planned for 1999 with a higher proportion of zinc by-product expected.

CANADIAN OPERATIONS

Myra Falls

Myra Falls, located in British Columbia, consists of an underground mine and a mill producing zinc, copper, gold and silver. The operations were part of the Westmin acquisition. Production declined in 1998 due to lower volumes of ore milled, although average head grades increased for all metals. Reduced production was the result of poor stope recoveries attributable to challenging ground conditions within the Battle and Gap zones of the mine. In August, a task force began studying a long-term solution to the problem. In December, production was suspended to allow for the implementation of a comprehensive program of ground support techniques which have been successfully used in other Boliden mines. Work is progressing well and Myra Falls is expected to resume production by April 1, 1999. The estimated cost of these measures is $9.8 million, of which $6.6 million will be capitalized. The ground support improvements should allow for increased zinc production from the high grade Battle and Gap zones.

Exploration during the year focused primarily on the Marshall zone. Several underground drill holes encountered encouraging high-grade polymetallic massive sulphide intersections. The current 1999 program includes 150 metres of underground development and 25,000 metres of drilling to test the extension of the Marshall zone to the north and west.

Gibraltar

Gibraltar is an open pit copper mine and mill with an accompanying solvent extraction and electrowinning (SX-EW) circuit located in central British Columbia. The operations were part of the Westmin acquisition. In March 1998, Boliden announced that mining would be suspended due to ongoing capital requirements at the mine and high operating costs in the weak copper price environment. Waste stripping was discontinued and operations focused on mining readily available ore. An attempt by a management/employee group to secure funds to keep the mine operating was unsuccessful. Closure of the mine was substantially complete by the end of February 1999. Total mine production during 1998 was about equal to 1997 levels.

SOUTH AMERICAN OPERATIONS

Lomas Bayas

Lomas Bayas is an open pit copper mine and SX-EW plant located in northern Chile, 145 kilometres northeast of the major port of Antofagasta at 1,500 metres elevation. The project produced its first copper cathode in July and began commercial production on September 1. By year-end, the mine was producing at a rate of about 70% of design capacity, or 3,500 tonnes of copper cathode per month.

Lomas Bayas has experienced difficulty in reaching design capacity of 5,000 tonnes per month because higher-than-anticipated levels of chlorides and nitrates in the ore are affecting processing by SX-EW techniques. Boliden has solved the chloride problem and has an action plan to address the high nitrate levels. It is expected that design capacity will be reached by year-end 1999 without an increase in the budgeted capital cost of the project. The estimated life-of-mine operating cash cost of the project is $0.54 per pound of copper.

OTHER

Los Frailes

Los Frailes is an open pit zinc mine and mill located near Seville in southern Spain. Los Frailes achieved its operating rate of four million tonnes per year of ore in the first quarter of 1998. Grades were as planned. On April 25, 1998, mining operations were halted after the tailings dam failed, releasing approximately seven million cubic metres of tailings water and tailings into the surrounding countryside. The Spanish government and Boliden Apirsa S.L., the subsidiary of Boliden which owns the mine, assumed joint responsibility for the cleanup. By year-end, virtually all of the discharged tailings had been collected and deposited in the nearby depleted Aznalcóllar open pit. Revegetation of affected areas was also complete.

In the second quarter of 1998, the Company took a special provision of $34 million, net of insurance proceeds, to cover Apirsa's loss from the dam failure. A further provision of $8.5 million was taken in the fourth quarter to reflect additional expenses of the cleanup. The carrying value of the Company's investment in Los Frailes is about $165 million.

Apirsa has received permits to recommence in-pit mining and is awaiting similar approvals for its milling operations, including the use of the depleted Aznalcóllar open pit as a future tailings disposal site. According to reports commissioned by Apirsa, errors in the calculations made both during the original 1977 design and construction of the tailings dam and during the 1996 dam stability study (in both cases by independent third parties), created a situation which resulted in an approximate 60-metre lateral displacement, or failure, of a portion of the geological formation about 15 metres below the base of the dam. This displacement, or failure, caused an opening in the tailings dam wall resulting in the release of tailings and tailings water. Legal proceedings to determine and allocate liability for the damages, including those sustained by Apirsa, are ongoing.

SCPM

SCPM was formed in 1989 to mine and process, using conventional and heap leach technology, the Sukhaybarat gold deposit 330 kilometres east of Medina in Saudi Arabia. Boliden owns 50% of SCPM with the Saudi government owning the balance. In July 1998, Boliden announced that it was seeking a buyer for its interest in SCPM, as part of its intention to focus on its core metals business. Cash operating costs rose to $250 an ounce from $162 in 1997 as ore grades declined. Despite falling gold prices and a 29% reduction in production, SCPM remained profitable on an operating and net basis. Both throughput and ore grades are expected to increase slightly in 1999.

Smelting

CONSOLIDATED FINANCIAL REVIEW

Operating income declined 33%, or $12.5 million, to $25.6 million in 1998. The scheduled two-week maintenance shutdowns of the Rönnskär copper smelter and the Norzink zinc smelter in the second quarter reduced operating income by about $12 million. These shutdowns occur every three years. Despite the shutdowns, production of copper and zinc at the smelters was down only marginally. Production of lead (primarily from the Bergsöe secondary lead smelter), gold and silver increased slightly compared to 1997. Taking into account the two-week shutdowns, annualized copper and zinc production would have increased marginally.

Total capital expenditures rose 56% to $49.4 million in 1998. Capital expenditures at Rönnskär totalled $44.9 million of these expenditures. Depreciation and depletion decreased 9% to $21.1 million.

SMELTER PRODUCTION

Smelter Feed/Production	*1998*	*1997*
Zinc clinker *(tonnes)*	37,337	41,400
Zinc *(tonnes)*	137,925	142,249
Copper feed *(tonnes)*	441,150	444,301
Copper cathode *(tonnes)*	125,355	128,414
Lead* *(tonnes)*	87,262	85,874
Gold *(kilos)*	9,283	8,425
Silver *(kilos)*	286,542	278,797

**Includes lead and lead alloys.*

RÖNNSKÄR

Rönnskär metallurgical complex in northern Sweden includes a copper, lead and precious metals smelter and refinery with its own port facilities. On June 29, 1998, Boliden announced approval for the expansion of the copper smelter to 240,000 tonnes of copper cathode per year from 140,000 tonnes. It is expected that the expansion will be complete in the second half of 2000 at a cost of $245 million. In addition to increasing production, the expansion project is expected to reduce copper smelting costs by between 25% and 30% a year.

NORZINK

Norzink zinc smelter and refinery in southern Norway is a 50–50 joint venture between Boliden and Rio Tinto Plc. The facility has the capacity to produce about 140,000 tonnes of refined zinc and 28,000 tonnes of aluminum fluoride powder per year.

BERGSÖE

Bergsöe secondary lead smelter in southern Sweden recycles substantially all of the spent lead-acid batteries in Scandinavia. Production of lead and alloys increased as a result of a shaft furnace expansion completed in mid-1997.

OTHER OPERATIONS

Fabrication

The fabrication business area produces copper tubing and brass products for sale throughout Europe and includes a recycling division. The brass division has three plants – in Sweden, the Netherlands and the United Kingdom, and the copper division has two plants – in Belgium and Sweden. The recycling division operates nine scrap yards in northern Sweden.

In 1998, operating income rose 45% to $12.2 million as the building and construction industry in Europe maintained a high level of activity, resulting in strong order flow and higher average prices for all units. Low copper and steel scrap prices put pressure on the financial performance of the recycling division.

Contech

Contech engineering and construction company sells and licenses technology developed by Boliden. It also provides consulting services and undertakes project management assignments outside the non-ferrous metals industry. Offices are located in Sweden, Germany, Russia, China and Tanzania.

Operating income was $1.1 million in 1998. Contech is a major engineering contractor in the Rönnskär expansion project. Operating income from this unit is included in "Corporate and other" in the financial statements.

Liquidity and Financial Resources

Working capital at December 31, 1998 was $81.7 million compared to $185.6 million a year earlier. The decline was due primarily to a decrease in accounts receivable, and increases in accounts payable and current debt. The ratio of current assets to current liabilities was 1.24:1 at year-end, compared to 1.75:1 at December 31, 1997.

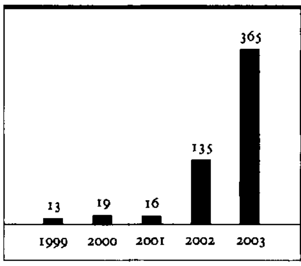
Cash provided by operating activities (before changes in non-cash operating working capital) was $2.7 million, or $0.03 per share, in 1998, compared with $170.0 million, or $1.71 per share, in the previous year. The decline was due primarily to the net loss of $75.7 million incurred by the Company in 1998 versus net earnings of $81.8 million in 1997, a negative variance of $157.5 million, primarily as a result of lower metal prices and the $42.5 million provisions for Los Frailes. Non-cash operating working capital decreased $15.9 million, after increasing by $37.9 million in 1997, due to reduced accounts receivable and higher accounts payable.

In 1998, Boliden invested $530.2 million in its business, including the Westmin acquisition. Of the $235.6 million in project-related capital expenditures, $103.1 million was spent at Lomas Bayas and $44.9 million on Rönnskär. Capital expenditures are expected to decline in 1999 to about $150 million, of which the Rönnskär expansion will account for about $90 million.

Indebtedness and Capital Resources

Boliden had total debt outstanding at December 31, 1998, including amounts due within one year, of $785.1 million compared to $59.9 million a year earlier. Included in long-term debt was $47.9 million of accrued pension liabilities. Under Swedish law, a company which meets certain credit criteria is not required to fund its pension obligations. Instead, it 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 accrues on this debt and is recorded as interest expense.

The increase in long-term debt during 1998 was primarily the result of the Westmin acquisition, as well as expenses related to the completion of the Lomas Bayas project and the commencement of the Rönnskär expansion. The total cost of the Westmin acquisition was $360.7 million, including $311.4 million in cash and $49.3 million in Boliden common shares. Boliden assumed Westmin long-term debt of $285.2 million on the Westmin acquisition, $191.3 million of which was refinanced on more favourable terms.



Five-Year Long-Term Debt Repayment Schedule (millions of dollars)

In January 1999, the Company entered into a bridge facility of $150 million that can be used to refinance the Lomas Bayas project facility.

On January 25, 1999, the Company announced a Cdn$223 million convertible preferred share rights offering to its shareholders. Shareholders receive one right for every common share of the Company held by them. Rightsholders are entitled to purchase one preferred share at a subscription price of Cdn$25 for every 12 rights held by them. The offering is expected to be completed by the end of March 1999. If all rights are exercised, the offering will raise about $146 million. Trelleborg AB, which indirectly owns 42.9% of the Company's common shares, has agreed to subscribe to its share (about $62.5 million) of the offering (Trelleborg subscription commitment). Proceeds will be used initially to repay existing indebtedness and ultimately to finance the Rönnskär expansion.

Risks and Uncertainties

METAL PRICES AND CURRENCY FLUCTUATIONS

Boliden's earnings and cash flows are sensitive to a number of factors over which the Company has little or no control. In particular, metal prices and currency fluctuations can have a material effect on results. The following table shows the annual impact on Boliden's operating income of a 10% change in metal prices excluding the impact of forward hedging contracts. Calculations are based on 1999 planned production levels and average 1998 prices.

EARNINGS SENSITIVITY

	Operating Income		
Metal (+/– 10% change in price)	*Mining*	*Smelters*	*Total*
(millions of dollars)			
Copper	20.4	1.4	21.9
Zinc	12.7	2.5	15.2
Lead	4.5	1.3	5.8
Gold	0.4	0.1	0.5
Silver	4.6	–	4.6

HEDGING POLICIES

Boliden uses hedging instruments such as forward contracts, futures, options, swaps and other financial instruments to manage its exposure to fluctuations in metal prices, exchange rates and interest rates. The Company publishes its financial statements in US dollars and has significant investments in operations in Sweden, Norway, Spain, Canada and Chile. Boliden's total position under hedging instruments at December 31, 1998 is summarized in note 14 to the financial statements. The Company does not consider the credit risk associated with its hedging instruments to be significant.

CREDIT RISK

Boliden sells its metals to a limited number of high-quality customers. All of the Company'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.

THE LOS FRAILES SITUATION

The Los Frailes tailings dam failure has created risks which may or may not become material in 1999. Specifically, they include possible liability in connection with the tailings dam failure; uncertainty about the resumption of mining and milling at Los Frailes; and the possibility of a writedown in the carrying value of the Company's investment in Los Frailes. At this time, it is difficult to determine likely developments concerning Los Frailes or the extent of the impact to the Company's results and balance sheet, if any, should the shutdown of mining and milling at Los Frailes become protracted or permanent. Currently, management expects operations to resume in the second quarter of 1999, after the Company is granted the necessary operating licenses and permits.

AVAILABLE CASH

Boliden has planned capital expenditures for 1999 totalling about $150 million. At December 31, 1998, the Company had available cash of $75 million and unused committed credit facilities of about $60 million. At current metal prices, cash provided by operating activities in 1999 is expected to be comparable to 1998. The convertible preferred share rights offering is expected to raise a minimum of $62.5 million (the Trelleborg subscription commitment) and a maximum of $146 million before the end of March. The Company is also actively pursuing the disposition of non-core assets.

Assuming the successful completion of the convertible preferred share rights offering (even at the $62.5 million minimum), no significant further deterioration in metal prices and the successful resumption of operations at Myra Falls, management expects that Boliden will have sufficient available cash to fund its operations and planned capital expenditures through 1999. Additional cash will be available if the Company is able to sell non-core assets during 1999.

GEARING RATIO

The Company is required to maintain a Gearing Ratio (as defined in the lending agreements) equal to or less than 1.25:1 under its credit facilities. At December 31, 1998, the Gearing Ratio was 1.05:1. After giving effect to the preferred share rights offering, the Gearing Ratio at December 31, 1998 would have been between 0.69:1 and 0.88:1.

Assuming the successful completion of the convertible preferred share rights offering (even at the $62.5 million minimum), no significant further deterioration in metal prices and no writedowns of the carrying value of the Company's investment in Los Frailes or other assets, management expects that it will be able to satisfy the Gearing Ratio requirement during 1999.

Year 2000

In 1996, Boliden began a comprehensive analysis of the steps necessary to make its computer systems Year 2000 compliant. A program was initiated, with costs expensed as they were incurred. As of year-end 1998, about $5 million had been spent and expensed, including $3 million in 1998. It is not expected that Year 2000 compliance costs in 1999 will be material.

Each of Boliden's operations has a Year 2000 action plan in place, which includes completing an inventory of existing systems (including imbedded systems in operational equipment), assessing all systems to determine whether they are Year 2000 compliant, prioritizing critical systems, developing conversion or replacement strategies for systems that are not Year 2000 compliant, and developing plans for system remediation and testing of any system changes or upgrades. As of December 31, 1998, implementation of Boliden's Year 2000 action plan was about 80% complete. Boliden expects that implementation will be complete before year-end 1999.

Boliden has contacted third-party vendors and suppliers to determine the extent to which they have addressed Year 2000 compliance issues. As Boliden has no ability to directly influence the actions of third parties, Boliden believes that the greatest potential risk to its operations in connection with Year 2000 compliance is the state of readiness of critical third-party suppliers, particularly water and electricity suppliers to certain of its operations.

The inherent uncertainty associated with the Year 2000 problem makes it impossible for Boliden to reach a definitive conclusion as to the actual impact, if any, of the Year 2000 problem on its operations and financial results. As a result, Boliden's efforts with respect to Year 2000 compliance are ongoing, and its overall action plan and specific contingency plans will be updated, where necessary, as new information becomes available.

Outlook

The Company's financial performance in 1999 will depend primarily on metal prices. While there have been some improvements in zinc prices during the first quarter of 1999, no clear trends are evident nor is there consensus among industry observers as to the general direction of metal markets. The outlook is reasonably positive for both the Smelting and the Fabrication business segments of the Company.

Management faces five particularly important challenges, each of which will have an effect on the financial performance of Boliden in 1999:

- resumption of operations at Los Frailes;
- resumption of operations at Myra Falls;
- continuation of the on-time and on-budget expansion of Rönnskär;
- achievement of design capacity production levels at Lomas Bayas; and
- continued good operating performance of the Swedish mines.

The Company has embarked on a program to reduce its expenditures and operating costs at all operations during 1999, excluding expenditures for the Rönnskär expansion.

Management will continue to monitor the Company's financial situation closely, including keeping tight controls on discretionary expenditures.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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, Finance and Administration, and Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Boliden Limited as at December 31, 1998 and 1997 and the consolidated statements of earnings and cash flows for each of the years in the three-year period ended December 31, 1998. 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, 1998 and 1997 and the results of its operations and the changes in its financial position for the three years ended December 31, 1998 in accordance with generally accepted accounting principles in Canada.

KPMG LLP

CHARTERED ACCOUNTANTS
Toronto, Canada
March 9, 1999

CONSOLIDATED BALANCE SHEETS

December 31, 1998 and 1997

(in thousands of United States dollars)	*1998*	*1997*
Assets		
CURRENT ASSETS:		
Cash and short-term investments	$ 75,096	$ 65,336
Accounts and metals settlements receivable	166,957	200,676
Inventories (note 4)	176,761	168,070
	418,814	434,082
Capital assets (note 5)	1,387,692	571,985
Deferred expenses and other assets	37,009	28,290
	$ 1,843,515	$ 1,034,357
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES:		
Bank indebtedness	$ –	$ 5,862
Accounts payable and accrued charges	256,476	220,184
Income and other taxes payable	1,251	7,154
Deferred revenue	9,478	14,417
Debt, including current portion of long-term debt (note 7)	69,888	833
	337,093	248,450
Long-term debt (note 7)	715,171	53,217
Deferred income taxes (note 8)	38,954	1,622
Deferred revenue	–	9,870
Provision for reclamation costs	79,701	31,579
Other long-term liabilities	19,520	10,057
	1,190,439	354,795
Shareholders' equity (note 10)	653,076	679,562
Commitments and contingencies (note 11)	–	–
	$ 1,843,515	$ 1,034,357

See accompanying notes to consolidated financial statements.

On behalf of the Board:

R R Stone

ROBERT R. STONE
Director

FREDERICK H. TELMER
Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31, 1998, 1997 and 1996

(in thousands of United States dollars)	*1998*	*1997*	*1996*
Revenues	$ 1,053,637	$ 1,201,985	$ 1,262,718
Operating expenses:			
Cost of sales of metals and other products	886,420	947,007	1,044,649
Depreciation, depletion and amortization	98,955	68,240	82,195
Selling, general and administrative	70,214	54,509	51,097
Exploration, research and development	24,263	20,508	20,392
Provision for Los Frailes incident	42,500	–	–
	1,122,352	1,090,264	1,198,333
Operating income (loss)	(68,715)	111,721	64,385
Interest on long-term debt	(21,670)	(4,099)	(4,349)
Interest and other income (note 12)	16,379	5,671	4,227
	(5,291)	1,572	(122)
Earnings (loss) before income taxes	(74,006)	113,293	64,263
Provision for income taxes (note 8)	1,680	31,489	25,916
Net earnings (loss)	$ (75,686)	$ 81,804	$ 38,347
Earnings (loss) per share (note 2(K))	$ (0.71)	$ 0.82	$ 0.38

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 1998, 1997 and 1996

(in thousands of United States dollars)	*1998*	*1997*	*1996*
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES:			
Net earnings (loss)	$ (75,686)	$ 81,804	$ 38,347
Items not affecting cash:			
Depreciation, depletion and amortization	98,955	68,240	82,195
Deferred income taxes	(6,103)	20,296	130
Other	(14,432)	(382)	–
	2,734	169,958	120,672
Net change in non-cash operating working capital	15,856	(37,895)	23,603
Cash provided by operating activities	18,590	132,063	144,275
FINANCING ACTIVITIES:			
Additions to (repayments of) debt	668,586	(2,810)	(4,689)
Shares issued on acquisition of Westmin Resources Limited	49,269	–	–
Repayment of 11% senior secured notes	(144,692)	–	–
Redemption of preferred shares in subsidiaries	(46,594)	–	–
Capital advances (repayment) from parent	–	29,434	(13,004)
Cash received from Trelleborg AB	–	35,789	–
Cash provided by (used in) financing activities	526,569	62,413	(17,693)
INVESTING ACTIVITIES:			
Capital expenditures	(235,663)	(149,629)	(118,262)
Proceeds on asset dispositions	1,368	2,381	–
Net assets acquired on acquisition of Westmin Resources Limited, net of cash acquired	(295,905)	(13,644)	–
Cash used in investing activities	(530,200)	(160,892)	(118,262)
Effect of exchange rate changes on cash balances in foreign currencies	663	(251)	(46)
Increase in cash and short-term investments	15,622	33,333	8,274
Cash and short-term investments, net of bank indebtedness, beginning of year	59,474	26,141	17,867
Cash and short-term investments, net of bank indebtedness, end of year	$ 75,096	$ 59,474	$ 26,141

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Years ended December 31, 1998, 1997 and 1996)
(Tabular amounts in thousands of United States dollars)

1. General and Basis of Presentation:

These consolidated financial statements include the accounts of Boliden Limited and its consolidated subsidiaries and joint ventures (collectively, the "Company").

Boliden Limited was incorporated under the Canada Business Corporations Act on April 18, 1997 and acquired the mining and metals businesses of Trelleborg AB and its subsidiaries (collectively, "Trelleborg") concurrent with the closing of the initial public offering by way of secondary offering by Trelleborg of common shares of the Company which closed on June 17, 1997.

The accompanying consolidated financial statements for periods prior to the closing date of the secondary offering have been prepared from the historical financial records of Trelleborg, 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 secondary offering, these financial statements reflect certain allocated costs which management believes are reasonable:

(a) certain corporate overhead expenses incurred by Trelleborg (note 13);
(b) 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
(c) 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 date of the secondary 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 below:

(A) BASIS OF CONSOLIDATION:

These financial statements consolidate the financial statements of all controlled companies and 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 of the rates of exchange 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 forward and option contracts to hedge the effect of price changes on a portion of the metals it sells. Gains and losses on these contracts are reported in revenues 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 metals 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 estimated useful lives and the lives of the producing mines to which they relate. Smelting and other plant and equipment are depreciated on a straight-line basis over their estimated useful lives.

Mine development costs incurred to maintain the current production of operating mines are included in operating costs. Mine development costs incurred to expand the capacity of operating mines, to develop new ore bodies 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.

Financing costs, including interest, are capitalized when they arise from indebtedness incurred to finance the development, construction or expansion of significant mineral properties and facilities.

When events or changes in circumstances indicate that the carrying amount of a capital asset will 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 capital assets described above.

(H) INCOME TAXES:

The Company accounts for income taxes under the asset and liability method. Under this method, 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.

(I) ENVIRONMENTAL AND RECLAMATION COSTS:

Ongoing environmental and reclamation 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(K) EARNINGS (LOSS) PER SHARE:

For 1998, loss per share is calculated based on 106,085,764, being the weighted average number of shares outstanding during the year. For 1997 and 1996, earnings per share is calculated based on 99,640,315 shares outstanding, being the number of shares issued by the Company to acquire the mining and metals businesses of Trelleborg (note 1).

3. Acquisition of Westmin Resources Limited:

On February 9, 1998, the Company completed the acquisition of Westmin Resources Limited ("Westmin"). The total cost of the acquisition, including expenses, was approximately $360 million and has been accounted for by the purchase method effective January 1, 1998. The purchase cost has been allocated to the assets and liabilities acquired as follows:

Current assets	$ 76,014
Non-current assets	22,752
Capital assets	699,825
	798,591
Current liabilities	43,973
Provision for reclamation costs	63,665
Deferred taxes	43,484
Long-term debt	285,169
Other long-term liabilities	1,600
Total purchase cost	$ 360,700
CONSIDERATION:	
Common shares	$ 49,269
Cash	311,431
	$ 360,700

4. Inventories:

Inventories consist of the following:

	1998	*1997*
In process	$ 70,132	$ 69,584
Finished products	48,659	56,502
Materials and supplies	57,970	41,984
	$ 176,761	$ 168,070

5. Capital Assets:

1998	*Cost*	*Accumulated Depreciation*	*Net Book Value*
MINING INTERESTS:			
Property acquisition and deferred mine costs	$ 773,377	$ (138,583)	$ 634,794
Plant and equipment	811,024	(297,362)	513,662
Construction in progress	5,054	–	5,054
	1,589,455	(435,945)	1,153,510
Smelters	490,878	(317,944)	172,934
Other property, plant and equipment	116,877	(61,323)	55,554
Other construction in progress	5,694	–	5,694
	613,449	(379,267)	234,182
	$ 2,202,904	$ (815,212)	$ 1,387,692

1997	*Cost*	*Accumulated Depreciation*	*Net Book Value*
MINING INTERESTS:			
Property acquisition and deferred mine costs	$ 278,263	$ (124,662)	$ 153,601
Plant 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
Other construction in progress	6,098	–	6,098
	563,068	(362,093)	200,975
	$ 1,312,213	$ (740,228)	$ 571,985

Interest on debt capitalized during 1998 amounted to $17.4 million (1997 – nil).

6. Joint Ventures:

A portion of the Company's activities is 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 financial results of these joint ventures is summarized as follows:

	1998	*1997*
Working capital	$ 24,234	$ 31,300
Non-current assets	44,281	43,532
Non-current liabilities	(7,355)	(9,738)
Net assets	$ 61,160	$ 65,094

	1998	*1997*	*1996*
Revenues	$ 104,258	$ 128,544	$ 100,427
Expenses	99,022	116,603	90,304
Net earnings	$ 5,236	$ 11,941	$ 10,123
Cash provided by operating activities	$ 7,057	$ 13,027	$ 14,163
Cash used in financing activities	$ (11,022)	$ (412)	$ (4,188)
Cash used in investing activities	$ (4,250)	$ (1,598)	$ (3,475)

7. Long-Term Debt:

Long-term debt consists of the following:

	1998	*1997*
$300 million revolving credit facility (A)	$ 273,161	$ –
$230 million term loan facility (B)	230,000	–
$140 million Lomas Bayas facility (C)	140,000	–
SEK 250 million medium-term bonds (D)	31,017	–
Other (note 9)	53,943	54,050
Total long-term debt	728,121	54,050
Less: amounts maturing within one year	12,950	833
	$ 715,171	$ 53,217

(A) $300 MILLION REVOLVING CREDIT FACILITY:

Pursuant to a revolving credit agreement with an international banking syndicate the Company may borrow up to $300 million, reduced by $60 million in June 2002 and every six months thereafter. Under the agreement, the Company may borrow and repay amounts at any time and from time to time up to the credit limit, at a LIBOR based interest rate. Any amounts outstanding under the facility are repayable in full on June 26, 2004. The Company pays a standby fee on the unused portion of the credit facility.

(B) $230 MILLION TERM LOAN FACILITY:

Pursuant to a credit agreement with an international banking syndicate the Company may borrow up to $230 million. Under the agreement, the Company may borrow and repay amounts at any time and from time to time up to the credit limit at a LIBOR based interest rate. Any amounts outstanding under the facility are repayable in full on July 7, 2003. The Company pays a standby fee on the unused portion of the credit facility.

(C) $140 MILLION LOMAS BAYAS FACILITY:

The Company is party to a secured loan agreement with an international banking syndicate for $140 million used to finance a portion of the cost of the Lomas Bayas Project at a LIBOR based interest rate.

The loan is repayable in 16 semi-annual installments beginning on June 30, 1999, ranging from $5.6 million to $13.3 million.

Repayment of 50% of excess cash flow from Lomas Bayas is mandatory on each principal repayment date. This will increase to 100% if the Lomas Bayas Project fails to maintain certain financial ratios specified in the loan agreement. Lomas Bayas is required to hedge its interest and copper price exposure and to maintain insurance.

The Company has entered into interest rate swaps which fix the interest rate at 8.95% for approximately 75% of the outstanding loan balance.

(D) SWEDISH KRONER ("SEK") 250 MILLION MEDIUM-TERM BONDS:

The Company issued bonds in the aggregate amount of SEK 250 million (approximately US$31 million at December 31, 1998) at a STIBOR (Stockholm IBOR) based interest rate. The bonds mature on September 3, 2006.

(E) $35 MILLION REVOLVING CREDIT FACILITY:

The Company has a credit agreement with a Canadian bank pursuant to which it may borrow up to $35 million in Canadian or US dollars at floating interest rates. Amounts outstanding under the credit facility are repayable in December 1999. The Company pays a standby fee on the unused portion of the credit facility. The loan was fully utilized after year-end.

(F) GEARING RATIO:

Under the terms of the Company's borrowing facilities under (A), (B), (D) and (E) above, the Company is required to maintain a Gearing Ratio (as defined in the lending agreements) equal to or less than 1.25:1. At December 31, 1998, the Company's Gearing Ratio was 1.05:1. The Company's ability to continue to satisfy the Gearing Ratio requirement will depend, among other things, on the extent to which Rights (see note 16) are exercised, the prices of the metals produced by the Company (principally zinc and copper) and whether the Company is required to write down the carrying value of its investment in any of its material assets, including the Los Frailes mine.

(G) PRINCIPAL PAYMENTS ON LONG-TERM DEBT:

Principal payments on long-term debt for the next five years are as follows:

1999	$ 12,950
2000	19,418
2001	15,670
2002	135,400
2003	365,400
Thereafter	179,283
	$ 728,121

8. Income Taxes:

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

	1998	1997	1996
Current	$ 7,783	$ 11,193	$ 25,786
Deferred (recovery)	(6,103)	20,296	130
Total income taxes	$ 1,680	$ 31,489	$ 25,916

(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 applicable Swedish (being the principal country in which the Company operates) tax rates of 28% is reconciled as follows:

	1998	1997	1996
Income taxes computed using the Company's tax rates	$ (20,722)	$ 31,722	$ 17,993
ADJUST FOR:			
Income of foreign subsidiaries taxed at higher (lower) effective tax rates	(9,188)	(5,434)	98
Losses of subsidiaries not tax benefited	27,730	1,360	5,712
Non-deductible items	2,012	2,073	2,113
Prior year taxes	1,848	1,768	–
Income tax provision	$ 1,680	$ 31,489	$ 25,916

(C) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1998 and 1997 are as follows:

	1998	1997
DEFERRED TAX ASSETS:		
Capital assets, principally due to provisions taken for accounting purposes	$ 18,326	$ 31,078
Net operating loss carryforwards	75,505	26,886
Financial instruments, principally due to deferred revenue for financial reporting purposes	1,254	1,602
Provisions and other allowances	16,151	2,772
Total gross deferred tax assets	111,236	62,338
Less valuation allowance	(72,001)	(31,845)
Net deferred tax assets	$ 39,235	$ 30,493

	1998	1997
DEFERRED TAX LIABILITIES:		
Excess depreciation taken for income tax over accounting purposes	$ 77,667	$ 31,496
Other	522	619
Total gross deferred tax liabilities	$ 78,189	$ 32,115
Net deferred tax liability	$ 38,954	$ 1,622

(D) At December 31, 1998, the Company and subsidiaries included in these consolidated financial statements have $102 million of available tax loss carryforwards which expire between the years 2001 and 2008, and $175.6 million of available tax loss carryforwards with no expiry date. Tax losses arising from intercompany transactions have not been recognized in these consolidated financial statements.

9. Retirement Plans:

The Company maintains defined benefit plans providing pension, death and termination benefits for certain salaried and hourly employees principally in Sweden, Norway, Canada 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 Company's obligation, net of unamortized experience gains and losses, under the Swedish unfunded defined benefit plans of $47.9 million (1997 – $47.7 million) is included in long-term debt. The Norwegian and United Kingdom defined benefit plans are funded plans.

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

	1998	1997
FUNDED PLANS:		
Plan assets, at market value	$ 79,010	$ 71,415
Projected benefit obligations	(77,305)	(68,321)
	1,705	3,094
Unfunded plans – projected benefit obligations	$ (43,998)	$ (43,677)

Discount rates used in determining the projected benefit obligations for 1998 range from 6% to 7%.

10. Shareholders' Equity:

(A) SHAREHOLDERS' EQUITY IS COMPRISED OF THE FOLLOWING:

	1998	1997
Common shares	$ 641,918	$ 592,649
Retained earnings (deficit)	(31,283)	44,403
Foreign currency translation account	42,441	42,510
Shareholders' equity	$ 653,076	$ 679,562

During 1997, the Company was incorporated and acquired, concurrent with the closing of its initial public offering on June 17, 1997, the mining and metals businesses of Trelleborg (note 1), in exchange for 99,640,315 common shares of the Company. Accordingly, effective June 30, 1997, the balance of capital employed has been reclassified to common shares and retained earnings have been accumulated from June 30, 1997. The balance of retained earnings at December 31, 1998 represents earnings from July 1, 1997 through to December 31, 1998.

	Capital Employed	Common Shares Number	Common Shares Amount	Retained Earnings
Balance, January 1, 1996	$ 490,762	–	$ –	$ –
Net earnings	38,347	–	–	–
Repayments to parent	(13,004)	–	–	–
Transfer of tax deductions from affiliated companies	14,754	–	–	–
Balance, December 31, 1996	530,859	–	–	–
Net earnings, January 1, 1997 to June 30, 1997	37,401	–	–	–
Advances 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
Shares issued on acquisition of Westmin	–	7,376,290	49,269	–
Net loss	–	–	–	(75,686)
Balance, December 31, 1998	$ –	107,016,605	$ 641,918	$ (31,283)

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

As at December 31, 1998, no preferred shares and 107,016,605 common shares were issued and outstanding.

(B) SHARE OPTIONS:

As at December 31, 1998, 2,884,105 options to acquire common shares were outstanding at exercise prices ranging from Cdn$5.10 to Cdn$17.93 of which 865,000 options were held by directors and senior officers of the Company under the Company's stock option plan and 2,019,105 options were held by former holders of options to acquire common shares of Westmin Resources Limited under the Company's Westmin run-off stock option plan. As at December 31, 1998, none of the outstanding options had been exercised.

11. Commitments and Contingencies:

(A) LOS FRAILES INCIDENT:

On April 25, 1998, the tailings dam at the Los Frailes mine owned by the Company's subsidiary, Boliden Apirsa SL ("Apirsa"), failed, resulting in the release of tailings and tailings water into the local environment, and the temporary closure of the mine. The Company has taken a provision of $42.5 million to cover Apirsa's estimated loss, net of insurance proceeds, from the tailings dam failure. The provision has been established based upon current estimates of costs, allocation of liability and insurance proceeds. There can be no assurance that the Company will not be required to further increase the provision.

Apirsa has applied for the licences and permits required to resume mining and milling operations at Los Frailes. Subject to receipt of these licences and permits, and satisfactory assurances that it will receive the balance of the subsidies owing to it by the Spanish government in connection with the development of the mine, Apirsa will recommence mining and begin development of a revised long-term operating plan. The estimated mine life, without significant additional capital expenditures, is approximately two and one-half years. Assuming the recommencement of mining, a decision to invest the necessary capital to continue mining beyond the next two and one-half years is dependent upon the commodity price outlook, the development of a satisfactory revised long-term plan and a better definition of the potential liability for damages caused by the tailings dam failure.

The carrying value of the Company's investment in Los Frailes is approximately $165 million. After consideration of the factors associated with the future operations at Los Frailes as they presently exist, the Company has decided that it would not be appropriate to write down the carrying value of its investment in the Los Frailes mine.

The decision not to write down the carrying value of the Company's investment in the Los Frailes mine is based on the assumption that Apirsa will recommence mining and develop and implement a satisfactory revised long-term operating plan at Los Frailes and that commodity prices will be consistent with the long-term commodity price assumptions used by the Company (zinc – $0.57 per pound, copper – $1.00 per pound and lead – $0.28 per pound). There can be no assurance, however, that these assumptions are correct. If these assumptions change, the Company may be required to write off all or part of the carrying value of its investment in the Los Frailes mine, either during 1999 or thereafter.

It is possible that officers of Apirsa will have criminal charges laid against them in connection with the tailings dam failure and be convicted and fined and that they will be held liable, in whole or in part, for the damages suffered by third parties as a result of the failure, including the costs incurred by the Spanish governmental authorities in cleaning up a portion of the area affected by the tailings dam failure. It is also possible that Apirsa will have administrative charges laid against it in connection with the failure and be convicted and fined. It is also possible that Apirsa will be held liable, in whole or in part, for the damages suffered by third parties as a result of the failure, including the costs incurred by the Spanish governmental authorities in cleaning up a portion of the area affected by the tailings dam failure, either on the basis of strict liability or because a court concludes that Apirsa was negligent in some way or is vicariously responsible for any liabilities of its officers.

There is a risk that one or more third parties who suffered damages as a result of the failure could commence an action against the Company and one or more of its subsidiaries as direct or indirect shareholders of Apirsa alleging that they are not entitled to the limited liability protection provided to shareholders under Spanish corporate law based on the theory of "piercing the corporate veil" or similar legal theory. There is also a risk that such third parties could be successful in such an action and that the Company and one or more of its subsidiaries could be held responsible for any liabilities of Apirsa.

(B) LITIGATION:

On December 7, 1998, a statement of claim was filed in a class action commenced in the Supreme Court of British Columbia on behalf of all persons who acquired common shares of the Company pursuant to the Company's initial public offering (note 1). The statement of claim alleges that the prospectus used by the Company in connection with the initial public offering (the "Prospectus") contained misrepresentations with respect to the construction, maintenance and structural integrity of, and seepage from, the tailings dam at the Los Frailes mine and that investors relied on the misrepresentations and suffered damages as a result. The claim is for unspecified amounts of general, special and punitive and exemplary damages.

The action is at a preliminary stage and no examinations for discovery have been conducted. Legal counsel to the Company has advised that it is too early to form an assessment of the potential exposure, if any, of the Company to liability for the claims made against it in the action. If damages were awarded, the Company intends to rely upon an indemnity provided to it by Trelleborg at the time of the initial public offering.

In the underwriting agreement entered into between Trelleborg, the Company and Nesbitt Burns and the other underwriters of the initial public offering (collectively, the "Underwriters"), Trelleborg and the Company jointly and severally agreed to protect and indemnify the Underwriters from and against all losses (including reasonable legal fees and disbursements) suffered by them and arising directly or indirectly by reason of any information or statement contained in the Prospectus being or being alleged to be a misrepresentation.

Pursuant to an indemnity entered into by Trelleborg at the time of the initial public offering, Trelleborg agreed to indemnify the Company from and against all losses including reasonable legal fees and disbursements suffered by it and arising directly or indirectly out of any claim made against it arising out of the initial public offering.

The Company believes that Trelleborg AB currently has the financial capacity to satisfy its obligations under its indemnity in favour of the Company. There can be no assurance, however, that this will be the case if damages are awarded in the future against the Company.

(C) ENVIRONMENTAL AND RECLAMATION:

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.

(D) UNCERTAINTY DUE TO THE YEAR 2000 ISSUE:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000 and, if not addressed, may have an impact on operations and financial reporting ranging from minor errors to significant systems failures which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

(E) RÖNNSKÄR EXPANSION:

During 1998 the Company began an expansion of the copper cathode capacity of its Rönnskär smelter and refinery, expected to be completed by 2001.

At December 31, 1998, the Company had contractual commitments for a portion of the cost of the project, in the amount of approximately $90 million.

12. Interest and Other Income:

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

	1998	1997	1996
Realized foreign exchange gain on debt	$ 12,700	$ –	$ –
Interest income	6,280	2,525	1,197
Interest income on balance due from Trelleborg	–	638	2,644
Other financial items	–	335	412
Interest expense	(3,242)	(50)	(1,069)
Gain on sale of capital assets	1,732	382	–
Gain (loss) on commodity and other contract trading activities	(1,091)	1,841	1,043
Total interest and other income	$ 16,379	$ 5,671	$ 4,227

13. Related Party Transactions:

Prior to June 17, 1997, certain expenses incurred by Trelleborg on behalf of, and attributable to, the Company were allocated to the Company based on the fair value of the services performed. Allocated costs of $629,000 in 1997 (1996 – $2,506,000) include management, accounting and other general corporate costs.

The Company has an agreement with Trelleborg Metech, Inc. ("Metech"), pursuant to which 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 1998 was $25.8 million (1997 – $27.4 million).

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

14. Financial Instruments:

(A) FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

The carrying values of cash and short-term investments, accounts and metals settlements receivable, accounts payable and accrued charges and short-term obligations approximate their fair values due to their short-term maturities.

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 the term of investments. 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.

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, 1998, the deferred gain relating to such amounts totalled $5.6 million (1997 – $12.9 million), all of which will be recognized in 1999.

At December 31, 1998, the Company's principal currency hedge positions were as follows:

Maturing in	*1999*		*2000*		*2001*	
	$ Million	*Rate*	*$ Million*	*Rate*	*$ Million*	*Rate*
SWEDISH KRONOR:						
Forward sales	138	7.65	225	7.83	366	7.76
Put options bought	241	7.53	135	7.53	–	–
Call options sold	241	8.07	135	8.25	–	–
NORWEGIAN KRONER:						
Forward sales	43	6.93	44	7.46	15	7.72
SPANISH PESETAS:						
Forward sales	52	146	67	148	12	146
Put options bought	40	140	22	140	–	–
Call options sold	40	152	22	156	–	–
CANADIAN DOLLARS:						
Forward sales	48	1.40	64	1.50	–	–
Put options bought	30	1.42	15	1.42	–	–
Call options sold	30	1.47	15	1.45	–	–

The fair value of these currency contracts at December 31, 1998 was an unrealized loss of $21.1 million (1997 – $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 instruments. As at December 31, 1998, the deferred gain relating to such instruments was $3.9 million (1997 – $11.4 million), all of which will be recognized in 1999.

As at December 31, 1998, the Company's principal commodity hedge positions were as follows:

Maturing in	*1999*		*2000*	
	Quantity	*Average Price*	*Quantity*	*Average Price*
SILVER:				
Forward sales	5,400,000 *oz*	$ 5.84 *per oz*	900,000 *oz*	$ 5.68 *per oz*
GOLD:				
Forward sales	8,038 *oz*	$ 468 *per oz*	–	$ –
COPPER:				
Forward sales	13,800 *tonnes*	$ 0.93 *per lb*	–	$ –

The fair value of these commodity contracts at December 31, 1998 was $14.5 million (1997 – $5.2 million).

(D) INTEREST RATE EXPOSURE MANAGEMENT:

The Company manages its exposure to changes in interest rates through periodically entering into interest rate swaps. The fair value of interest rate swaps at December 31, 1998 was an unrealized loss of $4.3 million.

15. Segmented Data:

The Company operates principally in three operating segments: mining, smelting and fabrication of copper and brass products:

	Mining	*Smelting*	*Fabrication*	*Corporate and Other*	*Consolidation Adjustments*	*Total*
YEAR ENDED DECEMBER 31, 1998:						
Revenues	$ 333,462	$ 628,124	$ 303,549	$ 22,212	$ (233,710)	$1,053,637
Operating income (loss)	(84,876)	25,624	12,234	(21,697)	–	(68,715)
Depreciation, depletion and amortization	70,097	21,145	7,535	178	–	98,955
Capital employed	1,093,796	193,834	109,054	3,357	–	1,400,041
Capital expenditures	174,546	49,420	11,421	276	–	235,663
YEAR ENDED DECEMBER 31, 1997:						
Revenues	348,240	728,170	360,777	31,091	(266,293)	1,201,985
Operating income (loss)	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 employed	371,965	170,540	123,552	31,937	–	697,994
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 (loss)	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 employed	332,985	188,510	122,233	39,597	–	683,325
Capital expenditures	91,374	19,845	4,317	2,726	–	118,262

The Company defines capital employed as capital assets and working capital excluding cash and certain interest bearing receivables and liabilities. Intersegment revenues principally represent sales from the Company's operating mines to its smelters.

The carrying values of the Company's capital assets, by country in which the operation is located, are as follows:

	1998	*1997*
CAPITAL ASSETS:		
Chile	$ 619,362	$ –
Sweden	394,690	361,358
Spain	157,022	136,397
Canada	140,456	280
Norway	24,622	25,585
United Kingdom	16,751	17,194
Belgium	15,558	11,073
Saudi Arabia	10,481	12,339
Netherlands	8,442	7,430
Other	308	329
	$ 1,387,692	$ 571,985

The Company's revenues are derived from sales originating in the following countries:

	1998	*1997*	*1996*
REVENUES:			
Sweden	$ 559,204	$ 746,320	$ 801,025
Norway	98,274	114,683	88,901
United Kingdom	94,492	110,994	112,537
Netherlands	61,943	68,018	54,645
Canada	45,641	–	–
Spain	39,139	15,047	46,372
Germany	32,276	37,566	38,793
Belgium	32,157	40,101	41,202
Denmark	28,948	31,365	34,473
Chile	24,569	–	–
France	20,861	20,229	22,076
Saudi Arabia	8,625	11,739	16,033
Finland	7,508	5,923	6,661
	$ 1,053,637	$ 1,201,985	$ 1,262,718

Revenues from one customer of the smelting segment represent approximately 15% (1997 – 18%, 1996 – 17%) of the Company's total revenues.

16. Subsequent Event:

The Company has received a receipt for a short form prospectus dated February 23, 1999 relating to a rights offering of 8,918,050 5% cumulative convertible redeemable preferred shares. The rights expire on March 29, 1999. If all the rights are exercised, the Company will realize net proceeds of Cdn$223 million, before transaction costs. Trelleborg has agreed to exercise the rights issued to it pursuant to the rights offering and to subscribe for Cdn$95.5 million of preferred shares.

The following table sets forth the unaudited pro forma consolidated shareholders' equity of the Company as at December 31, 1998, adjusted to reflect the issuance of preferred shares pursuant to the rights offering; (i) assuming only the rights issued to Trelleborg are exercised, and (ii) assuming all the rights issued are exercised:

As of December 31, 1998 after giving effect to:	*Preferred Shares Issuable to Trelleborg*	*Preferred Shares Issuable if all Rights Exercised*
Preferred shares	$ 62,494	$ 145,753
Common shares	641,918	641,918
Foreign currency translation account	42,441	42,441
Retained deficit	(31,283)	(31,283)
Total shareholders' equity	$ 715,570	$ 798,829

SUPPLEMENTARY DATA

Operating Data

MINING OPERATIONS (*Scandinavia*)	Ore Reserves at January 1, 1999 Proven & Probable (000s *tonnes*)	Zinc (%)	Copper (%)	Lead (%)	Gold (*g/t*)	Silver (*g/t*)	Mineral Resources at January 1, 1999 Measured & Indicated[1] (000s *tonnes*)	Zinc (%)	Copper (%)	Lead (%)	Gold (*g/t*)	Silver (*g/t*)
Boliden Area	6,900	4.3	0.9	0.6	2.5	75	1,440	3.0	1.5	0.3	4.1	58
Garpenberg	5,700	4.1	0.1	2.0	0.2	119	4,125	3.1	–	1.2	–	117
Laisvall	6,800	0.8	–	4.6	–	11	3,350	1.2	–	2.0	–	9
Aitik	228,000	–	0.37	–	0.2	3	873,000	–	0.27	–	0.2	2
Subtotal												

MINING OPERATIONS (*Americas & Other*)	Ore Reserves at January 1, 1999 Proven & Probable (000s *tonnes*)	Zinc (%)	Copper (%)	Lead (%)	Gold (*g/t*)	Silver (*g/t*)	Mineral Resources at January 1, 1999 Measured & Indicated[1] (000s *tonnes*)	Zinc (%)	Copper (%)	Lead (%)	Gold (*g/t*)	Silver (*g/t*)
Los Frailes	43,000	3.7	0.3	2.1	–	58	30,000	3.6	0.3	2.2	–	60
SCPM[3]	2,770	–	–	–	1.8	–	38,500	–	–	–	1.1	–
Myra Falls	6,785	7.7	1.5	0.4	1.4	35	5,300	7.7	1.6	0.7	2	56
Lomas Bayas												
HL	196,500	–	0.46	–	–	–	370,500	–	0.24	–	–	–
ROM	238,000	–	0.21	–	–	–	–	–	–	–	–	–
Fortuna de Cobré	–	–	–	–	–	–	491,000	–	0.26	–	–	–
Gibraltar	–	–	–	–	–	–	–	–	–	–	–	–
Subtotal												
Total												

SMELTING OPERATIONS	Metal from Sources (000s *tonnes*) Copper	Lead	Zinc	Zinc Clinker	Metal Produced (000s *tonnes/kilograms*) Copper	Lead	Zinc	Zinc Clinker	Silver*	Gold*	Sulphur Products	Capital Expenditures (*US$ millions*)
Rönnskär	441.2	55.6	–	–	125.4	40.6	–	37.3	286.5	9.3	294.2	44.9
Bergsöe	–	118.5	–	–	–	46.7	–	–	–	–	–	0.7
Norzink	–	–	208.1	37.4	–	–	137.9	–	–	–	186.5	3.9
Total	441.2	174.1	208.1	37.4	125.4	87.3	137.9	37.3	286.5	9.3	480.7	49.5

* *Gold and silver values are expressed in ounces, or kilograms.*
1 *Does not include reserves.*
2 *Net of by-product credits.*
3 *Represents 100% of the ore reserves and mineral resources at SCPM. Boliden owns 50% of SCPM.*

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 underground workings or drill holes and for which the grade is computed from the results of adequate sampling, and for which the sites for inspection, sampling and measurement are so spaced and the geological character so well defined that the size, shape and mineral content are established, and for which the computed tonnage and grade are judged to be accurate within stated limits.

Probable: Material for which tonnage and grade are computed partly from specific measurements, samples or production data, and partly from projection for a reasonable distance on geological evidence, and for which sites available for inspection, measurement and sampling are too widely or otherwise inappropriately spaced to outline the material completely or to establish its grade throughout.

	Mill Throughput		Head Grades					Contained Primary Metal Production					Cash Production Costs[2]	Capital Expenditures
	1998	1997	Zinc	Copper	Lead	Gold	Silver	Zinc	Copper	Lead	Gold*	Silver*		
	(000s tonnes)		(%)	(%)	(%)	(g/t)	(g/t)	(000s tonnes/ounces)					(US$/lb/oz)	(US$ millions)
	1,639	1,534	3.7	0.8	0.5	1.9	58.0	50.5	11.0	3.3	70.1	2,061.7	0.33	18.2
	956	898	4.4	0.1	2.2	0.4	136.0	37.0	0.8	16.6	10.8	3170.4	0.37	6.1
	1,955	1,879	0.6	–	4.2	–	9.7	8.3	–	72.3	–	506.8	0.24	1.8
	17,931	17,014	–	0.4	–	0.2	3.7	–	61.8	–	48.6	1,546.7	0.65	20.8
	22,481	21,325						95.8	73.6	92.2	129.5	7,285.6		46.9

	Mill Throughput		Head Grades					Contained Primary Metal Production					Cash Production Costs[2]	Capital Expenditures
	1998	1997	Zinc	Copper	Lead	Gold	Silver	Zinc	Copper	Lead	Gold*	Silver*		
	(000s tonnes)		(%)	(%)	(%)	(g/t)	(g/t)	(000s tonnes/ounces)					(US$/lb/oz)	(US$ millions)
	1,100	1,518	3.9	0.3	1.9	–	51.0	31.2	1.1	10.3	–	461.4	–	16.6
	1,500	1,256	–	–	–	1.4	–	–	–	–	44.1	–	250	0.3
	1,047	1,257	5.5	1.7	–	1.6	22.9	51.8	15.5	–	21.6	502.0	0.42	7.6
													0.53	103.1
	2,648	–	–	0.8	–	–	–	–	19.3	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	12,394	13,029	–	0.3	–	–	–	–	33.9	–	–	–	0.69	–
	18,689	17,060						83.0	69.8	10.3	65.7	963.4		127.6
	41,170	38,385						178.8	143.4	102.5	195.2	8,249.0		174.5

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.

GLOSSARY

BY-PRODUCT CREDITS
All revenues received from by-product metals. By-product revenues are received in United States dollars.

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.

CONCENTRATOR OR MILL
A plant where ore is ground and undergoes physical or chemical treatment to extract and produce a concentrate of the valuable minerals.

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
An underground tunnel driven alongside an ore deposit from a shaft or ramp to gain access to the deposit.

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

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

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 building, 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.

SHAFT
A vertical or steeply inclined passageway to an underground mine used for moving personnel, equipment, supplies and material, including ore and waste.

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

1 gram = 0.03215 troy ounces
1 hectare = 2.4711 acres
1 kilogram = 2.20462 pounds
1 kilometre = 0.62139 miles
1 metre = 3.2808 feet
1 tonne = 1.1023 short tons

CORPORATE GOVERNANCE

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, internal control and management information systems and systems to identify and manage principal business risks.

The board held six meetings in 1998. Five meetings of the board are scheduled for 1999.

COMPOSITION OF THE BOARD

The board of directors is composed of seven members, five 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.

SIGNIFICANT SHAREHOLDER

Trelleborg AB, which owns indirectly 45,859,444 common shares of the Company, representing approximately 42.9% of the outstanding voting securities of the Company, is not a significant shareholder, (i.e., a shareholder with the ability to exercise a majority of the votes for the election of the board of directors).

BOARD COMMITTEES

The board of directors has one committee, the Audit Committee, consisting of three directors, all 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. The Audit Committee had five meetings in 1998. Five meetings of the Audit Committee are scheduled for 1999.

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 also reviews the Company's quarterly and 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 FROM MANAGEMENT

Mr. 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 in the context of shareholder and investor and public relations programs reviewed and approved by the board.

The Company conducts an active shareholder and investor relations program, under the direction of the Company's Vice President, Investor and Public 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, including financial results releases and the annual report and management information circular.

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 and advise the board on the Company's progress and on strategic, operational and financial matters affecting the Company.

DIRECTORS AND OFFICERS

Directors

CARL AMELN
of Lindingö, Sweden,
is President of
Luossavaara-Kiirunavaara

ALEX BALOGH
of Oakville, Ontario,
is a Corporate Director

ANDERS BÜLOW*
of Mississauga, Ontario,
is President and Chief
Executive Officer
of Boliden Limited

ROBERT MCDERMOTT
of Toronto, Ontario,
is a Partner
at McMillan Binch

LARS OLOF NILSSON
of Saltsjöbaden,
Sweden, is Senior
Vice President and
Group Treasurer of
Trelleborg AB

ROBERT STONE
of Vancouver, British
Columbia, is a Corporate
Director and Consultant

FREDERICK TELMER
of Burlington, Ontario,
is a Corporate Director

Officers

FREDERICK TELMER
Chair of the Board
of Directors

ANDERS BÜLOW
President and
Chief Executive Officer

THOMAS CEDERBORG
Senior Vice President,
Smelting Operations

KENNETH STOWE
Senior Vice President,
Mining Operations

JAN PETTER TRAAHOLT
Senior Vice President,
Finance and Administration
and Chief Financial Officer

THOMAS ATKINS
Vice President,
Investor and Public Relations

WILLIAM FISHER
Vice President,
Exploration

ANDERS HAKER
Treasurer and Controller

STAFFAN JÄHKEL
Vice President,
Technology Sales

BENGT-OLOF JOHANSSON
Vice President,
Fabrication

LARS-ÅKE LINDAHL
Vice President,
Environmental Affairs

ROBERT McDERMOTT
Secretary

KARL-AXEL WAPLAN
Vice President,
Marketing and Sales

* Mr. Bülow was appointed to the board of directors on March 9, 1999 to replace Kjell Nilsson. Mr. Nilsson resigned from the board of directors on February 1, 1999 following his resignation as President and Chief Executive Officer of Trelleborg AB.

OPERATING LOCATIONS

Corporate

BOLIDEN LIMITED
181 Bay Street, P.O. Box 848
Bay Wellington Tower
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Legal Department
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SAUDI COMPANY FOR PRECIOUS METALS LTD.
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Smelting

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SHAREHOLDER INFORMATION

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Montreal Exchange

TICKER SYMBOL

BOL

TRANSFER AGENT

Montreal Trust Company
Corporate Services
151 Front Street West
Toronto, Ontario
M5J 2N1

AUDITORS

KPMG LLP
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 reviews the Company's dividend policy on an ongoing basis.

ANNUAL MEETING

The annual shareholders' meeting will be held May 10, 1999, at the Design Exchange, 234 Bay Street, Toronto-Dominion Centre, Toronto, Canada, at 10 a.m.

SHAREHOLDER INQUIRIES

For information regarding share certificates, stock transfers, etc., please contact:
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