financial review

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.

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, 1999 and 1998 and the consolidated statements of operations and cash flows for each of the years in the three-year period ended December 31, 1999. 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 Canadian generally accepted auditing standards. 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, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1999 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
March 6, 2000, except as to note 17 which is as of April 5, 2000

consolidated balance sheets

(In thousands of U.S. dollars) December 31, 1999 and 1998	1999	1998
Assets		
Current assets:		
Cash and short-term investments	$ 66,463	$ 75,096
Accounts and metals settlements receivable	183,022	166,957
Inventories (note 3)	184,591	176,761
	434,076	418,814
Capital assets (note 4)	1,366,499	1,387,692
Future income tax assets (note 7)	39,218	–
Deferred expenses and other assets	37,110	37,009
	$ 1,876,903	$ 1,843,515
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued charges	$ 276,863	$ 256,476
Income and other taxes payable	–	1,251
Deferred revenue	3,300	9,478
Debt, including current portion of long-term debt (note 6)	89,481	69,888
	369,644	337,093
Long-term debt (note 6)	723,985	715,171
Future income tax liabilities (note 7)	47,662	38,954
Deferred revenue	13,200	–
Provision for reclamation costs	51,145	79,701
Other long-term liabilities	18,130	19,520
Shareholders' equity (note 9)	653,137	653,076
Commitments and contingencies (notes 6 and 10)		
Subsequent events (note 17)		
	$ 1,876,903	$ 1,843,515

See accompanying notes to consolidated financial statements.

On behalf of the board:

Robert R. Stone

Director

Frederick W. Telmer

Director

consolidated statements of operations

(In thousands of U.S. dollars except per common share amounts) Years ended December 31, 1999, 1998 and 1997	1999	1998	1997
Revenue	$ 1,031,004	$ 1,053,637	$ 1,201,985
Operating expenses:			
Cost of sales of metals and other products	884,718	886,420	947,007
Depreciation, depletion and amortization	117,671	98,955	68,240
Selling, general and administrative	71,587	70,214	54,509
Exploration, research and development	16,459	24,263	20,508
Provision for Los Frailes incident	–	42,500	–
	1,090,435	1,122,352	1,090,264
Operating income (loss)	(59,431)	(68,715)	111,721
Interest on long-term debt	(44,591)	(21,670)	(4,099)
Interest and other income (note 11)	16,386	16,379	5,671
	(28,205)	(5,291)	1,572
Earnings (loss) before income taxes	(87,636)	(74,006)	113,293
Provision for (recovery of) income taxes (note 7)	(19,421)	1,680	31,489
Net earnings (loss)	$ (68,215)	$ (75,686)	$ 81,804
Earnings (loss) per common share (note 2(1))	$ (0.68)	$ (0.71)	$ 0.82

See accompanying notes to consolidated financial statements.

consolidated statements of cash flows

(In thousands of U.S. dollars) Years ended December 31, 1999, 1998 and 1997	1999	1998	1997
Cash Provided By (Used In):			
Operating Activities:			
Net earnings (loss)	$ (68,215)	$ (75,686)	$ 81,804
Items not affecting cash:			
Depreciation, depletion and amortization	117,671	98,955	68,240
Gain on asset dispositions	(13,557)	–	–
Future income taxes	(24,140)	(6,103)	20,296
Other	4,111	(14,432)	(382)
	15,870	2,734	169,958
Net change in non-cash operating working capital	1,051	15,856	(37,895)
Cash provided by operating activities	16,921	18,590	132,063
Financing Activities:			
Additions to (repayments of) debt	37,528	668,586	(2,810)
Convertible preferred shares issued, net of issue costs	82,925	–	–
Dividends paid on convertible preferred shares	(2,165)	–	–
Repayment of 11% senior secured notes	–	(144,692)	–
Redemption of preferred shares in subsidiaries	–	(46,594)	–
Capital advances from parent	–	–	29,434
Cash received from Trelleborg AB	–	–	35,789
Cash provided by financing activities	118,288	477,300	62,413
Investing Activities:			
Capital expenditures	(167,913)	(235,663)	(149,629)
Proceeds on asset dispositions	24,866	1,368	2,381
Other assets	(3,373)	–	–
Acquisition of Westmin Resources Limited, net of cash acquired	–	(246,636)	(13,644)
Cash used in investing activities	(146,420)	(480,931)	(160,892)
Effect of exchange rate changes on cash balances in foreign currencies	2,578	663	(251)
Increase (decrease) in cash and short-term investments	(8,633)	15,622	33,333
Cash and short-term investments, beginning of year	75,096	59,474	26,141
Cash and short-term investments, end of year	$ 66,463	$ 75,096	$ 59,474

See accompanying notes to consolidated financial statements.

(Years ended December 31, 1999, 1998 and 1997)
(Tabular amounts in thousands of U.S. 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 net assets acquired from Trelleborg are stated at carrying values based on their historic cost to Trelleborg.

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. 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 the latter 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:

Revenue is 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, interest rate swaps to hedge the effect of interest rate changes on certain of its debt 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 revenue as a component of the related transactions. From time to time, the Company has entered into futures, options and forward contracts for the purchase or sale of 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, mining costs are expensed as incurred.

Financing costs, including interest, are capitalized for projects involving 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 or resources 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, future 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.

Future tax assets and liabilities are measured using enacted or substantively 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 future 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) **Stock-based compensation plan:**
The Company has a stock-based compensation plan which is described in note 9. No compensation expense is recognized for this plan when stock options are issued to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

(k) **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 revenue and expenses during the year. Actual results could differ from those estimates.

(l) **Earnings (loss) per common share:**
For 1999, loss per common share (after giving effect to the impact of the convertible preferred shares) is calculated based on the weighted average number of common shares outstanding during the year, being 107,019,193 (1998 - 106,085,764; 1997 - 99,640,315).

The conversion of outstanding preferred shares and the exercise of common share options would have an anti-dilutive impact on loss per share in 1999 and 1998.

3. Inventories:

		1999		1998
In process	$	80,055	$	70,132
Finished products		50,173		48,659
Materials and supplies		54,363		57,970
	$	184,591	$	176,761

4. Capital Assets:

1999		Cost		Accumulated Depreciation		Net Book Value
Mining:						
Property acquisition and deferred mine costs	$	785,040	$	(166,920)	$	618,120
Buildings and equipment		761,089		(295,867)		465,222
Construction in progress		6,244		–		6,244
		1,552,373		(462,787)		1,089,586
Smelting:						
Property, plant and equipment		484,282		(294,191)		190,091
Construction in progress		39,638		–		39,638
Fabrication		106,775		(61,005)		45,770
Other property, plant and equipment		10,385		(8,971)		1,414
		641,080		(364,167)		276,913
	$	2,193,453	$	(826,954)	$	1,366,499

1998		Cost		Accumulated Depreciation		Net Book Value
Mining:						
Property acquisition and deferred mine costs	$	773,376	$	(138,583)	$	634,793
Buildings and equipment		811,024		(297,362)		513,662
Construction in progress		5,054		–		5,054
		1,589,454		(435,945)		1,153,509
Smelting :						
Property, plant and equipment		471,131		(304,668)		166,463
Construction in progress		9,222		–		9,222
Fabrication		113,825		(61,854)		51,971
Other property, plant and equipment		19,271		(12,744)		6,527
		613,449		(379,266)		234,183
	$	2,202,903	$	(815,211)	$	1,387,692

Interest on debt capitalized during 1999 amounted to $2.6 million (1998 - $17.4 million).

5. 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:

	1999	1998
Working capital	$ 21,456	$ 24,234
Non-current assets	27,178	44,281
Non-current liabilities	(2,822)	(7,355)
Net assets	$ 45,812	$ 61,160

	1999	1998	1997
Revenue	$ 101,945	$ 104,258	$ 128,544
Expenses	93,406	99,022	116,603
Net earnings	$ 8,539	$ 5,236	$ 11,941
Cash provided by operating activities	$ 12,887	$ 7,057	$ 13,027
Cash used in financing activities	$ (1,838)	$ (11,022)	$ (412)
Cash used in investing activities	$ (4,276)	$ (4,250)	$ (1,598)

In December 1999, the Company disposed of its interest in SCPM.
Net assets for 1999 do not include SCPM.

6. Long-Term Debt:

	1999	1998
$300 million revolving credit facility (a)	$ 300,000	$ 273,161
$230 million term loan facility (b)	230,000	230,000
Lomas Bayas facility (c)	127,050	140,000
SEK 250 million medium-term bonds (d)	29,343	31,017
Other (note 8)	51,942	53,943
Total long-term debt	738,335	728,121
Less amounts maturing within one year	14,350	12,950
	$ 723,985	$ 715,171

(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) Lomas Bayas facility:
The Company is party to a secured loan agreement with an international banking syndicate 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 $5,600,000 to $13,300,000.

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 kronor (“SEK”) 250 million medium-term bonds:
The Company issued bonds in the aggregate amount of SEK 250 million at a STIBOR-based (Stockholm IBOR) interest rate. The bonds mature on September 3, 2006.

(e) Gearing ratio:
Under the terms of the Company’s borrowing facilities under (a), (b) and (d) 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, 1999, the Company’s Gearing Ratio was 1.14:1. The Company’s ability to continue to satisfy the Gearing Ratio requirement will depend, among other things, on the extent to which Rights (note 17) are exercised, the prices of the metals produced by the Company (principally zinc and copper) and the willingness of the banks providing the Bridge Facility to exercise the exchange feature (note 17).

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

2000	$	14,350
2001		16,377
2002		135,400
2003		365,400
2004		78,200
Thereafter		128,608
	$	738,335

7. Income Taxes:

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

		1999		1998		1997
Current	$	**4,719**	$	7,783	$	11,193
Future (recovery)		**(24,140)**		(6,103)		20,296
Total income taxes	$	**(19,421)**	$	1,680	$	31,489

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

	1999	1998	1997
Income taxes computed using the Company's tax rates	$ (24,538)	$ (20,722)	$ 31,722
Adjust for:			
Income of foreign subsidiaries taxed at differing effective tax rates	(1,027)	(9,188)	(5,434)
Losses of subsidiaries not tax benefited	10,562	27,730	1,360
Non-deductible items	1,980	2,012	2,073
Other	(3,954)	1,848	1,768
Change in valuation allowance	(2,444)	–	–
Income tax provision	$ (19,421)	$ 1,680	$ 31,489

(c) The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at December 31, 1999 and 1998 are as follows:

	1999	1998
Future tax assets:		
Capital assets, principally due to provisions taken for accounting purposes	$ 17,249	$ 18,326
Net operating loss carryforwards	129,796	75,505
Financial instruments, principally due to deferred revenue for financial reporting purposes	–	1,254
Provisions and other allowances	1,128	16,151
Total gross future income tax assets	148,173	111,236
Less valuation allowance	87,340	72,001
Net future income tax assets	$ 60,833	$ 39,235
Future tax liabilities:		
Excess depreciation taken for income tax over accounting purposes	$ 68,751	$ 77,667
Other	526	522
Total future income tax liabilities	$ 69,277	$ 78,189
Net future tax liability	$ 8,444	$ 38,954
After taking into account the right of offset these balances are presented as:		
Net future tax asset	$ 39,218	$ –
Net future tax liability	$ 47,662	$ 38,954

(d) At December 31, 1999, the Company and subsidiaries included in these consolidated financial statements have $115 million of available gross tax loss carryforwards which expire between the years 2001 and 2010, and $270 million of available gross tax loss carryforwards with no expiry date. Tax losses arising from intercompany transactions have not been recognized in these consolidated financial statements.

8. 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 $46.5 million (1998 - $47.9 million) is included in long-term debt. The Norwegian, United Kingdom and Canadian defined benefit plans are funded plans.

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

		1999		1998
Funded plans:				
Plan assets, at market value	$	76,853	$	79,010
Projected benefit obligations		(76,309)		(77,305)
	$	544	$	1,705
Unfunded plans - projected benefit obligations	$	(43,705)	$	(43,998)

Discount rates used in determining the projected benefit obligations for 1999 range from 6% to 7%.

9. Shareholders' Equity:

(a) Shareholders' equity is comprised as follows:

		1999		1998
Common shares	$	641,963	$	641,918
Convertible preferred shares		83,875		–
Deficit		(103,159)		(31,283)
Foreign currency translation account		30,458		42,441
Shareholders' equity	$	653,137	$	653,076

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.

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

	Capital Employed	Common Shares Number	Common Shares Amount	Preferred Shares Number	Preferred Shares Amount	Retained Earnings (Deficit)
Balance, January 1, 1997	$ 530,859	–	$ –	–	$ –	$ –
Net earnings, January 1, 1997 to June 30, 1998	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)
Convertible preferred shares issued for cash, net of costs	–	–	–	5,046,958	82,965	–
Conversions	–	30,907	45	(2,720)	(45)	–
Loss for the year	–	–	–	–	–	(68,215)
Convertible preferred share dividend, including Part VI tax	–	–	–	–	–	(2,706)
Accretion on convertible preferred shares	–	–	–	–	955	(955)
Balance, December 31, 1999	$ –	107,047,512	$ 641,963	5,044,238	$ 83,875	$ (103,159)

(b) Convertible preferred shares:
In March 1999, the Company completed a convertible preferred share rights offering. A total of 5,046,958 5% cumulative convertible redeemable preferred shares, Series 1 (the "Convertible Preferred Shares") were issued for net proceeds of $82.9 million. The Convertible Preferred Shares have a face value of Cdn. $25 each.

Holders of Convertible Preferred Shares are entitled to receive, as and when declared by the board of directors of the Company, a fixed cumulative preferential cash dividend of 5% (Cdn. $1.25) per share per annum, payable quarterly. The Company may, at its option, subject to receipt of any required regulatory approvals, satisfy the dividend payable by it on any dividend payment date by delivering to holders that number of Common Shares determined by dividing the amount of the dividend by 95% of the weighted average trading price of the Company's common shares on the Toronto Stock Exchange for the 20 consecutive trading days ending five days earlier (the "Calculated Market Price").

In December 1999, the board of directors of the Company decided to postpone the payment of dividends on the Convertible Preferred Shares pending completion of the expansion of the Rönnskär smelter and refinery. At December 31, 1999, cumulative unpaid dividends and associated taxes totalled $1.4 million.

Before March 30, 2009, each Convertible Preferred Share is convertible into a fixed number of common shares. As at December 31, 1999, the Conversion Rate is 11.3636. The Conversion Rate is subject to adjustment upon the occurrence of certain events, including the issuance of rights to the holders of the outstanding common shares.

On March 30, 2009, and thereafter on the last day of June, September, December and March of each year, each Convertible Preferred Share will be convertible at the option of the holder into that number of common shares determined by dividing Cdn. $25 plus all accrued and unpaid dividends by the greater of Cdn. $0.50 and 95% of the Calculated Market Price. The Company may elect to redeem any Convertible Preferred Shares tendered for conversion on or after March 30, 2009, at an amount per share equal to Cdn. $25 plus all accrued and unpaid dividends.

On and after March 30, 2004, the Company may redeem Convertible Preferred Shares at an amount per share equal to Cdn. $25 plus all accrued and unpaid dividends (the "Redemption Amount"). The Company may, at its option, subject to receipt of any required regulatory approvals, satisfy its redemption obligations by delivering to holders that number of common shares determined by dividing the Redemption Amount by 95% of the Calculated Market Price.

(c) Share options:
A summary of the options outstanding under the Company's option plans as of December 31, 1999 and changes in the three-year period ended December 31, 1999 is presented below:

	Number	Weighted Average Exercise Price
Outstanding, December 31, 1996	–	$ –
Granted	790,000	16.00
Outstanding, December 31, 1997	790,000	16.00
Granted	239,000	9.80
Granted on acquisition of Westmin Resources Limited	2,019,111	11.52
Cancelled	(164,000)	15.65
Outstanding, December 31, 1998	2,884,111	12.37
Granted	2,075,000	1.94
Forfeited	(197,000)	5.09
Cancelled	(911,879)	10.47
Outstanding, December 31, 1999	3,850,232	$ 7.57

The following table provides additional information with respect to the Company's stock options outstanding at December 31, 1999:

Range Of Exercise Prices	Outstanding, December 31, 1999	Weighted Average Exercise Price	Weighted Average Life	Exercisable At, December 31, 1999	Weighted Average Exercise Price
$ 1.00 - $ 2.00	1,390,000	$ 1.37	9.19	–	$ –
3.00 - 4.00	575,000	3.43	9.52	425,000	3.39
5.00 - 6.00	30,000	5.10	8.83	10,000	5.10
7.00 - 8.00	12,576	7.96	1.15	12,576	7.96
8.00 - 9.00	6,288	8.75	0.17	6,288	8.75
9.00 - 10.00	26,645	9.39	2.83	26,645	9.39
10.00 - 11.00	200,418	10.35	0.90	200,418	10.35
11.00 - 12.00	197,771	11.93	6.19	87,104	11.91
12.00 - 13.00	408,799	12.35	1.75	408,793	12.35
13.00 - 14.00	332,733	13.81	1.75	332,739	13.81
14.00 - 15.00	47,214	14.28	1.54	47,214	14.28
15.00 - 16.00	618,525	16.00	7.38	245,192	15.99
17.00 - 18.00	4,263	17.83	1.33	4,263	17.83
	3,850,232	$ 7.57	6.73	1,806,232	$ 10.70

10. Commitments and Contingencies:

(a) Los Frailes incident:

Apirsa may be exposed to fines and may 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. Apirsa may have claims against third parties for damages suffered by it as a result of the failure.

(b) Litigation:

In the fourth quarter of 1998, statements of claim were filed in Ontario and British Columbia in respect of a class action commenced on behalf of persons who acquired installment receipts representing common shares of the Company pursuant to the Company's initial public offering (note 1). The statements of claim allege 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 actions are at a preliminary stage. 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) Rönnskär expansion:
During 1998, the Company began an expansion of the copper cathode capacity of its Rönnskär smelter and refinery, expected to be completed in 2000.

At December 31, 1999, the Company had contractual commitments for most of the remaining cost of the project ($117 million).

(e) Taseko Mines Limited ("Taseko"):
Under the terms of a sale agreement between the Company and Taseko, with respect to the Gibraltar mine, the Company agreed to subscribe for Cdn. $17 million of convertible debentures of Taseko. As at December 31, 1999, the Company had invested Cdn. $5 million and was committed to subscribe for the balance in 2000.

11. Interest and Other Income:

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

		1999		1998		1997
Interest income	$	**1,848**	$	6,280	$	2,525
Interest expense		**(3,029)**		(3,242)		(50)
Gain on sale of assets		**15,501**		1,732		382
Gain (loss) on commodity and other contract trading activities		**1,180**		(1,091)		1,841
Realized foreign exchange gain on debt		**3,500**		12,700		–
Other financial items		**1,497**		–		973
Royalty interest written off		**(4,111)**		–		–
Total interest and other income	$	**16,386**	$	16,379	$	5,671

12. Related Party Transactions:

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 1999 was $33.7 million (1998 - $25.8 million).

13. Financial Instruments:

(a) Fair values of financial assets and financial liabilities:
The carrying values of cash and short-term investments, accounts and metals receivable, accounts payable, accrued liabilities 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.

At December 31, 1999, the Company's principal currency hedge positions were as follows:

Maturing In	2000		2001		2002	
	$ Million	Rate	$ Million	Rate	$ Million	Rate
Swedish Kronor:						
Forward sales	226	7.83	366	7.76	378	8.05
Put options bought	135	7.53	–	–	–	–
Call options sold	135	8.24	–	–	–	–
Norwegian Kroner:						
Forward sales	44	7.46	39	7.68	20	7.90
Call options sold	–	–	4	7.80	18	7.80
Spanish Pesetas:						
Forward sales	71	148	78	151	–	–
Put options bought	22	140	–	–	–	–
Call options sold	22	156	–	–	–	–
Canadian Dollars:						
Forward sales	66	1.50	77	1.48	–	–
Put options bought	15	1.42	–	–	–	–
Call options sold	15	1.45	–	–	–	–

The fair value of these currency contracts at December 31, 1999 was an unrealized loss of $71.4 million (1998 - $21.1 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 at the original maturity terms of the instruments.

As at December 31, 1999, the Company's principal commodity hedge positions were as follows:

Maturing In	2000		2001		2002		2003	
	Quantity (000's oz)	Average Price (per oz)	Quantity (000's oz)	Average Price (per oz)	Quantity (000's oz)	Average Price (per oz)	Quantity (000's oz)	Average Price (per oz)
Silver								
Call option sold	6,000	$ 5.83	6,000	$ 5.83	9,000	$ 5.57	9,000	$ 5.58

Maturing In	2000		2001		2002		2003	
	Quantity (000 t)	Average Price (per lb)	Quantity (000 t)	Average Price (per lb)	Quantity (000 t)	Average Price (per lb)	Quantity (000 t)	Average Price (per lb)
Copper								
Put option bought	20	0.68	–	–	–	–	–	–
Call option sold	30	0.90	–	–	–	–	–	–

The fair value of these commodity contracts at December 31, 1999 was an unrealized loss of $8.5 million (1998 - unrealized gain of $14.5 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, 1999 was an unrealized gain of $0.2 million (1998 - unrealized loss of $4.3 million).

14. 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, 1999:						
Revenue	$ 353,468	$ 585,607	$ 259,347	$ 18,451	$ (185,869)	$ 1,031,004
Operating income (loss)	(73,324)	30,860	3,516	(20,483)	–	(59,431)
Depreciation, depletion and amortization	90,013	20,007	6,834	817	–	117,671
Capital employed	1,076,779	236,811	94,563	(7,755)	–	1,400,398
Capital expenditures	70,501	90,172	6,660	580	–	167,913
Year ended						
December 31, 1998: [1]						
Revenue	333,462	661,163	270,510	22,212	(233,710)	1,053,637
Operating income (loss)	(84,876)	27,404	10,454	(21,697)	–	(68,715)
Depreciation, depletion and amortization	70,097	22,067	6,613	178	–	98,955
Capital employed	1,093,796	201,699	101,189	3,357	–	1,400,041
Capital expenditures	174,546	51,172	9,669	276	–	235,663
Year ended						
December 31, 1997: [1]						
Revenue	348,240	768,551	320,396	31,091	(266,293)	1,201,985
Operating income (loss)	84,940	41,691	4,900	(19,568)	(242)	111,721
Depreciation, depletion and amortization	34,755	24,277	8,265	943	–	68,240
Capital employed	371,965	180,222	113,870	31,937	–	697,994
Capital expenditures	112,288	32,558	3,846	937	–	149,629

[1] The financial results for the years 1997 and 1998 have been restated to reflect the reclassification of Arv Andersson from Fabrication to Smelting.

The Company defines capital employed as capital assets and working capital, excluding cash and certain interest-bearing receivables and liabilities. Intersegment revenue principally represents sales from the Company's operating mines to its smelters, which are recorded at fair market value.

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

	1999	1998
Capital assets:		
Chile	$ 592,144	$ 619,362
Sweden	414,062	394,690
Spain	145,942	157,022
Canada	155,241	140,456
Norway	23,386	24,622
United Kingdom	17,154	16,751
Belgium	11,000	15,558
Saudi Arabia	–	10,481
Netherlands	7,251	8,442
Other	319	308
	$ 1,366,499	$ 1,387,692

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

	1999	1998	1997
Revenue:			
Sweden	$ 544,854	$ 559,204	$ 746,320
Norway	96,141	98,274	114,683
United Kingdom	74,505	94,492	110,994
Netherlands	53,413	61,943	68,018
Canada	36,534	45,641	–
Spain	33,702	39,139	15,047
Germany	29,340	32,276	37,566
Belgium	23,789	32,157	40,101
Denmark	26,330	28,948	31,365
Chile	75,189	24,569	–
France	19,490	20,861	20,229
Saudi Arabia	6,641	8,625	11,739
Finland	6,641	7,508	5,923
Poland	4,435	–	–
	$ 1,031,004	$ 1,053,637	$ 1,201,985

Revenue from one customer of the smelting segment represents approximately 15% (1998 - 15%; 1997 - 18%) of the Company's total revenue.

15. 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

16. Supplementary Cash Flow Information:

		1999		1998		1997
Interest paid	$	**41,424**	$	23,126	$	4
Taxes paid		**6,379**		9,960		11,193
Non-cash investments		**–**		49,269		–

17. Subsequent Events:

Bridge Facility:

On February 8, 2000, the Company entered into a credit agreement with an international banking syndicate pursuant to which it may borrow up to an aggregate of $191 million (the "Committed Amount"), $85 million of which ("Tranche A") is available until February 1, 2001 (subject to extension at the option of the lenders) and $106 million of which ("Tranche B") is available until February 8, 2002.

Under the credit agreement, if Boliden receives funds (a) under any credit agreement entered into after February 8, 2000, (b) through an issuance of debt or equity securities (including the rights offering described below) or (c) through a disposal of assets for cash proceeds (except in the ordinary course of business), then the Committed Amount will be reduced, pro rata between Tranche A and Tranche B, by an amount equal to all or part of the net funds received. The actual amount of the reduction will depend on the Company's liquidity requirements at the time, and as agreed with the lenders.

Subject to certain exceptions, the credit agreement contains a negative pledge applicable to the Company and its subsidiaries and a prohibition on the payment of dividends on the Company's common shares. The credit agreement requires the Company to maintain certain financial ratios, including specified covenants relating to (a) net debt to earnings before interest, taxes, depreciation and amortization and (b) earnings before interest, taxes, depreciation and amortization to net interest payable. The agreement also requires the Company to maintain a Gearing Ratio equal to or less than 1.25:1 (note 6).

The Company pays commitment fees on unused portions of the facility. As part of the compensation paid to the lenders, the Company issued warrants, exercisable until February 8, 2005, to purchase an aggregate of 1,000,000 common shares at an exercise price of Cdn. $4.05 per share.

The Bridge Facility contains a mechanism that may be used to ensure that the Company does not exceed the Gearing Ratio limit. If so requested by the Company, the banks may exchange all or part of their respective advances under the facility on a dollar for dollar basis for preferred shares of Boliden Rönnskär AB, the subsidiary of the Company that owns the Rönnskär smelter (the "exchange feature"). The banking syndicate may also exercise the exchange feature if an event of default occurs under the facility.

Rights Offering:

On March 30, 2000, the Company completed a rights offering to the holders of its common shares. A total of 107.1 million additional common shares were issued by the Company under the rights offering for net proceeds of $142.6 million. The issuance of additional common shares under the rights offering will result in an adjustment to the Conversion Rate in accordance with the terms of the Convertible Preferred Shares.