



**J. Paul Rollinson,**  
**Chief Executive Officer**

## LETTER TO SHAREHOLDERS

**For Kinross, 2013 was a defining year. We made tough decisions, and delivered on a strategy grounded in operational excellence, a relentless focus on margins and cash flow, and strict financial discipline.**

The team rallied and not only met, but exceeded expectations, with record production, and the launch of a new low-cost mine on time and on budget, all while reducing spending. As a result, Kinross enters 2014 with renewed strength, targeting another solid year of production and declining all-in sustaining cost, and with a strong balance sheet that affords us financial flexibility.

There is no question that 2013 was a difficult year for the gold industry. Every producer had to confront the decline in the gold price which impacted their balance sheets, their cost structures and their share price. Kinross was no exception. But these challenges also motivated us to excel, and in 2013 we were proud of what we achieved in a number of areas.

Most notably, 2013 marked an impressive year for Kinross operationally. Record production at Fort Knox and Paracatu, and another excellent year at Kupol, which included additional production from the newly opened Dvoinoye mine, helped fuel four consecutive quarters of strong performance. As a result, we surpassed our initial 2013 production guidance of 2.4-2.6 million gold equivalent ounces with record year-end output of 2.63 million gold equivalent ounces. We also beat our guidance on all-in sustaining cost and came in at the low end of guidance for cost of sales. And, we achieved one of the best safety records in the industry, with one of the lowest injury rates among our peers.

Our strong foundation of operational excellence, combined with a willingness to take early, decisive action on a number of fronts, helped us to manage the impact of a volatile gold price from a position of strength. We were among the first to maintain our 2011 gold price assumption for our 2012 year-end reserve estimate. We also applied a rigorous, fully-loaded costing methodology for estimating our mineral reserves as part of our mine plan optimization. While this reduced our total reserve estimate in 2013, it increased overall grades by approximately 17%, net of Fruta del Norte (FDN), and reinforced our focus on generating cash flow by targeting higher margin, lower cost ounces. At Kinross, our emphasis on quality over quantity is hard-wired into every stage of the mine cycle, from exploration through to processing.

This comprehensive approach – what we call the Kinross Way Forward – was first launched in the fall of 2012. It has driven savings and efficiencies in areas such as supply chain management, energy use, and overhead. In the case of our workforce, we have reduced overall headcount while at the same time investing in our technical bench strength, thereby allowing us to rely less on contractors. At Chirano, Fort Knox, and other sites, we have moved from contractors to self-perform mining, a decision aimed at saving money and building internal expertise.

## While gold price volatility is beyond our control, Kinross is keenly focused on the operating fundamentals that generate shareholder value regardless of the gold price.

By prioritizing cash flow and margins early in the year, we were ahead of the curve when the gold price fell. We then ramped up our cost reduction efforts, and closed offices in Mexico and Vancouver, reduced exploration spending, and streamlined our organization with the consolidation of our North and South America operations into a single Americas region. Headcount was reduced by approximately 1,000 people, and overhead cost was cut by approximately 12%. Thanks to these efforts, we beat our 2013 guidance on all-in sustaining cost, coming in at \$1,063 per gold ounce.

Perhaps the most compelling evidence of our commitment to reducing spending and lowering costs is our reduction in capital expenditures. When I became CEO in August 2012, our capital spend for the year was projected to be at \$2.2 billion. By the end of 2012, we'd brought it down to \$1.9 billion. We began 2013 with a forecast capital expenditure of \$1.6 billion, but were able to bring it down further to \$1.26 billion, a \$340-million reduction. This year, we are forecasting a capital spend of \$675 million – a little more than half of what we spent last year and less than one-third of what was budgeted in 2012.

In short, we have focused on the fundamentals, made tough decisions and done what we said we would do. We decided not to proceed with development of the FDN project after being unable to reach an acceptable development agreement with the Government of Ecuador. We also suspended mining at La Coipa, a high-cost operation with marginal resources. And, when a falling gold price underscored the need to preserve balance sheet strength, we suspended the dividend.

All of this hard work, aimed at maximizing margins and cash flow, has helped to reinforce our balance sheet. While gold price volatility is beyond our control, Kinross is keenly focused on the operating fundamentals that generate shareholder value regardless of the gold price. Key to that is a strong balance sheet, which allows us to make measured decisions, to be flexible, and to pursue opportunities when they arise. With \$1.15 billion in adjusted operating cash flow in 2013, \$2.3 billion in liquidity, no material debt maturities until 2016, and the issuance of \$500 million in senior notes in March 2014, I believe Kinross has those choices.

### KEY ELEMENTS OF THE WAY FORWARD:

The Way Forward drives results by focusing on the goals of lower costs, better margins, and increased cash flow. We have identified seven elements where we continue to look for opportunities.



1. Mine Plan Optimization
2. Continuous Improvement
3. Cost Management and Labour Productivity
4. Capital Efficiency
5. Supply Chain Management
6. Energy Management
7. Working Capital Management



As we enter 2014 in a position of strength, I believe Kinross offers a compelling value proposition that we hope will be recognized and rewarded by the market.

We also continue to invest in new growth opportunities. Dvoinoye is a great example of our disciplined approach to bringing new production on line. We managed the construction of our latest low-cost mine in-house, rather than tendering it out, and it was not only built on time, but also on budget. Just 95 kilometres from our Kupol operations, Dvoinoye leverages existing infrastructure and is expected to contribute production of 235,000-300,000 gold equivalent ounces a year for the next three years.

In late March 2014, we announced the results of a feasibility study for a new 38,000 tonne per day mill at Tasiast. The study showed that an expanded Tasiast operation has the potential to contribute significantly to the Company's production and cash flow while lowering our overall cost structure. The expansion is dependent on a number of factors, including the gold price, and we plan to defer a decision on whether to expand until 2015 at the earliest, as we continue to limit capital spending and conserve cash in 2014.

On the exploration side, we are working on a number of promising prospects close to our existing operations. Near La Coipa Phase 7, we have discovered new zones of oxide mineralization and drilling will continue this year, while at the Moroshka target near Kupol, infill drilling has confirmed continuity of high grades along a narrow vein just four kilometres east of the mill. A new high-grade zone of mineralization has also been discovered at Tasiast's Piment Central, which is within the existing footprint of the mine and has the potential to increase its estimated mineral resources. We are also pursuing a number of opportunities at Chirano which could expand mineral resources below three of the open pits.

We recognize having stakeholder support underpins the viability of the entire mining industry and, at Kinross, we are committed to the highest standards of corporate responsibility – particularly in areas such as safety, environmental stewardship, and community investment. Kinross had an outstanding safety record in 2013, and I am proud to say we did not suffer a single fatality. We continue to generate a positive economic impact in our host countries; in the area of influence around Tasiast, for example, unemployment has decreased significantly and the number of households living below the poverty line has declined by 66% since 2011. On the environmental front, we completed the cyanide code certification audit for Chirano, our eighth site to attain certification under the International Cyanide Management Code.

Going forward, we will continue our focus on operational discipline. Kinross is one of the world's leading gold producers with a globally diverse portfolio of mines in a range of geographies and climates, from the Arctic and the High Andes to the Brazilian tropics and the African desert. We operate both underground and open pit mines and we operate them well and responsibly. In 2014, we expect to produce 2.5-2.7 million gold

equivalent ounces and are forecasting a further decline in our all-in sustaining cost to \$950-\$1,050 per gold ounce and cost of sales of \$730-\$780 per gold equivalent ounce. At our 2014 budgeted gold price of \$1,200 per ounce, we expect to generate free cash flow this year.

By taking difficult decisions and following through on the Kinross Way Forward, we have set the Company on a new course. Kinross is a trusted operator that can be relied on to get the job done. We have instilled a new mindset based on the principles of operational excellence, quality over quantity and financial discipline. We have consistently met or beat our guidance over the past year and, as we enter 2014 in a position of strength, I believe Kinross offers a compelling value proposition that we hope will be recognized and rewarded by the market.

We could not have achieved what we have without the hard work and dedication of our employees, who have turned a commitment to operational excellence into action and tangible results. To them I say "thank you". I also want to thank our Board of Directors for their guidance, and our shareholders for their continued support. It has been a challenging year for the industry but, as we move into 2014, we are determined to continue meeting our commitments while delivering value for our shareholders.



**J. Paul Rollinson**  
Chief Executive Officer  
Kinross Gold Corporation



SENIOR LEADERSHIP TEAM

**J. PAUL  
ROLLINSON**  
Chief Executive  
Officer

**JAMES  
CROSSLAND**  
Executive  
Vice-President,  
Corporate Affairs

**TONY  
S. GIARDINI**  
Executive  
Vice-President  
and Chief Financial  
Officer

**GEOFFREY  
P. GOLD**  
Executive  
Vice-President,  
Corporate Development  
and Human Resources,  
Chief Legal Officer

**BRANT  
E. HINZE**  
President and  
Chief Operating  
Officer