J. Paul Rollinson,
Chief Executive Officer

LETTER TO SHAREHOLDERS

I am pleased to have this opportunity to share my perspective on the past year, and my vision for Kinross going forward, in my first annual letter to shareholders as CEO.

Kinross delivered strong operational results in 2012. We exceeded our annual production guidance, and met our guidance on cost of sales per ounce for the second consecutive year. We achieved record revenue, exceeding $4 billion for the first time. Our adjusted operating cash flow was approximately $1.5 billion, and our adjusted net earnings of $879 million were our highest ever. Regrettably, we recorded a non-cash impairment charge, primarily related to our Tasiast asset, which resulted in a reported net loss for the year of approximately $2.5 billion. However, this non-cash charge did not reflect our robust operational performance. We finished the year with a strong balance sheet, and with a liquidity position of approximately $3.5 billion.

I am especially proud that our employees delivered these results during a challenging and turbulent year for Kinross and the gold industry as a whole.

Like other producers, in 2012 we faced increased pressure on capital costs, operating costs, and operating margins. These and other factors contributed to an erosion of investor confidence, and a decline in share price performance for the entire sector.

When I became CEO in August 2012, we embarked on an aggressive process of change to address these challenges. Our goal is simple: to continue rebuilding investor confidence and to unlock value which recently has not been reflected in our share price.

We are initiating this change process from a position of fundamental strength. Kinross is one of the world's leading gold producers, with significant potential to create additional value and free cash flow. We operate a suite of nine mines in four regions and a diverse range of geographies – from the High Andes to the Sahara, to the Arctic, to the Equatorial jungle. We have an experienced and highly skilled global team, a safety record that ranks among the best in the industry, a strong balance sheet, a balanced portfolio of gold growth projects, and an impressive history of co-operative community relations.

I am especially proud that our employees delivered these results during a challenging and turbulent year for Kinross and the gold industry as a whole.

Our change process is designed to leverage those core strengths by establishing a few clear strategic principles to govern our decisions and behaviour as a mining business.

First, **we will maintain a strong internal focus on operational fundamentals**. Our operations are at the core of what we do, they drive our profitability and cash flow, and we need to ensure they are consistently firing on all cylinders, quarter after quarter.

Second, **we will stress margin, cash flow, and quality over quantity in our business decisions**. We can't control the price of gold, but we **can** control our mine planning process, and ask if it makes sense to mine low-margin ounces simply to maximize production. We can change our focus from quantity to quality ounces in our mine planning, production, exploration and resource strategies.

Third, **we are committed to maintaining a strong balance sheet and liquidity position**, in support of our investment grade rating.

Fourth, **we will be disciplined in building out our projects**. We will aim to reduce capital requirements and execution risk, and deliver the best long-term return from our growth projects.

These principles underpin a new approach to running our business, which internally we have branded "The Way Forward." We have developed a systematic framework to turn our principles into action at our operations, and to capture opportunities to improve margins and free cash flow. We launched this new strategy across our operations in the fall of last year, identifying specific areas of opportunity for value improvement.

We have strengthened our senior management team to better reflect this operations-focused strategy. I promoted Brant Hinze to the position of President, and expanded the roles of other key members of the management team. We also recruited Tony Giardini as our Chief Financial Officer, bringing his proven experience in the mining industry to this key role.

KEY ELEMENTS OF THE WAY FORWARD:

The Way Forward is a new way of looking at our business to drive results – focusing on the goals of lower costs, better margins, and increased cash flow. We have identified seven elements where we will be looking 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

Thanks to our strict operations focus and an outstanding second half, we delivered on our 2012 commitments at our mines. We ended 2012 by exceeding our yearly production guidance with gold equivalent output of 2.62 million ounces, and achieving the lower half of our cost of sales guidance range with an average cost of sales of $706 per gold equivalent ounce.

Our Russian and North American operations led the way with excellent performance throughout the year. Our North American mines are strong, stable open-pit and underground operations with a track record of operational excellence. At Kupol, in Russia, throughput is now averaging over 3,500 tonnes per day, exceeding its nameplate capacity of 3,000 tonnes per day, largely through continuous improvement initiatives and excellent work by our team at site.

In our South America region, we completed the installation of a fourth ball mill at Paracatu in Brazil in 2012 — the final phase of our Paracatu expansion project — and we are now beginning to see what we can do without the distractions of a lengthy construction process at site. Our Tasiast mine in the West Africa region is similarly challenged by the distractions of construction activity at site, and there is clearly room for operational improvements. One tactic of our Way Forward strategy is to transfer our best practices between regions, and we will continue to work with our teams to bring lessons learned in North America and Russia to our South America and West Africa operations.

The Way Forward principles strongly influenced our budgeting and planning process for 2013. We have stressed quality over quantity in our mine planning, and our operations have maintained a concerted focus on addressing the costs that lie within our control.

That said, we forecast that our 2013 production will be slightly less than 2012, and our costs per ounce slightly higher, due to anticipated lower grades at most of our mines, the planned suspension of mining at La Coipa in the second half, and expected increases in consumable and labour costs. Notwithstanding these cost pressures, we expect that our cost per tonne in 2013 will be similar to 2012. We forecast 2013 production of 2.4 to 2.6 million gold equivalent ounces at a cost of sales of $740 to $790 per ounce.

In the area of capital discipline, when I became CEO in August 2012, we launched a targeted initiative to find opportunities to reduce our capital expenditures. This resulted in a reduction of $200 million in our 2012 capital forecast, bringing it down to $2 billion. Our actual expenditures for the full year 2012 were $1.92 billion.

In 2013, we expect to spend about $325 million less on capital than we did in 2012. This includes reductions in all three categories of capital expenditure: sustaining, opportunity, and growth. In all of our capital decisions, we will remain focused on disciplined spending that drives margin and cash flow, consistent with our Way Forward principles.

REPORTING ALL-IN COSTS [2]

Kinross is part of the World Gold Council process that is seeking industry consensus on adopting formal guidelines for reporting all-in costs associated with gold production, to give investors more information on the full costs of producing an ounce of gold. While this process is ongoing, we are independently reporting an all-in sustaining cost in order to provide our investors with more detailed information on our cost structure. We are forecasting an all-in sustaining cost of approximately $1,100 to $1,200 per gold ounce sold on a by-product basis in 2013, compared with approximately $1,100 per gold ounce sold in 2012.

Going forward, we will continue to look for opportunities to reduce both our operating and capital costs in the seven specific areas of opportunity we have identified. Already, we are making progress in the areas of supply chain management, energy management, and reduced use of contractors, all of which are expected to deliver bottom-line savings in 2013.

Above all, we understand that our primary objective is to continue delivering on our commitments – quarter after quarter.

When we launched our Way Forward, we said we would make tough decisions to build long-term value. A good example is our mineral resource strategy. For the first time in several years, we did not increase the gold price assumptions that we use to estimate our year-end mineral reserves and resources. Instead, we made a strategic decision to use the same price assumptions as we did in 2011.

This decision was driven by the principle of quality versus quantity. While holding the line on our gold price assumptions reduced our 2012 year-end resource estimates, it specifically targeted higher margin ounces with less capital intensity, instead of high-cost, low-margin ounces. It should also be noted that, in a lower cost or higher gold price environment, most of these ounces may still be brought back into mineral resources.

Turning to our growth projects, we are exercising a highly disciplined approach to development, and are aiming to reduce capital requirements and execution risk while maximizing margins and cash flow.

Our Dvoinoye project in Russia remains on budget and on schedule. Dvoinoye will provide higher grade feed to the Kupol mill, which is expanding throughput to 4,500 tonnes per day, with the first shipment of ore expected in the second half of the year. The project is expected to increase production and extend mine life at Kupol.

SENIOR LEADERSHIP TEAM (pictured left to right)

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

LISA J. COLNETT
Senior Vice-President, Human Resources and Corporate Services

J. PAUL ROLLINSON
Chief Executive Officer

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

BRANT E. HINZE
President and Chief Operating Officer

JAMES CROSSLAND
Executive Vice-President, Corporate Affairs

We expect to complete the pre-feasibility study on our Tasiast expansion project at the end of the first quarter of 2013. We have made the strategic decision to pursue a smaller mill option at Tasiast, in the range of 30,000 tonnes per day, rather than the 60,000 tonnes per day option we had originally considered. This smaller mill option is expected to require less capital, reduce execution risk, deliver better margins and cash flow per ounce, increase the average gold grade over the first five to 10 years, and lower capital stripping and sustaining capital requirements – all of which are consistent with the core principles of our Way Forward strategy.

Our exploration program was active on 39 sites in 2012, with total drilling of approximately 614,000 metres. We saw early encouraging results from both Tasiast and Kupol. At Tasiast, most of our work focused on targets outside the eight-kilometre Tasiast mineral resource footprint. Results from several of those targets were encouraging and will be the focus of continued drilling in 2013. At Kupol, further high-grade mineralization was discovered at the Moroshka target. The geology of Moroshka is very similar to that of Kupol, although the vein at Moroshka is narrower.

The principles of responsible mining, and respect for the communities where we work, remain core to our operating philosophy.

Our annually updated Site Responsibility Plans provide a systematic and measurable framework for engaging with local communities, and ensuring that the economic and social benefits we provide are in alignment with local priorities. Globally, we achieved solid performance in 2012 in health and safety, environment, governance, and other key indicators of social responsibility, and we were again named to the Dow Jones Sustainability World Index.

To conclude, Kinross has all the necessary ingredients in place to build value: a skilled and experienced workforce; a strong safety culture; a solid mineral reserve and resource base; robust cash flow from four diverse operating regions; a strong balance sheet and liquidity position; a focused plan for reducing costs, improving margins, and increasing free cash flow; a balanced pipeline of growth projects and a disciplined plan for developing them; a focused exploration program with a track record of adding quality ounces; and a solid record of community relations and corporate responsibility.

Our overarching goal in 2013 will be to deliver on our commitments and operating results. By executing on our plan, we believe that the results will follow for our shareholders.

I thank our employees for their continued hard work and dedication, and our shareholders for their continued support.

J. Paul Rollinson
Chief Executive Officer
Kinross Gold Corporation