

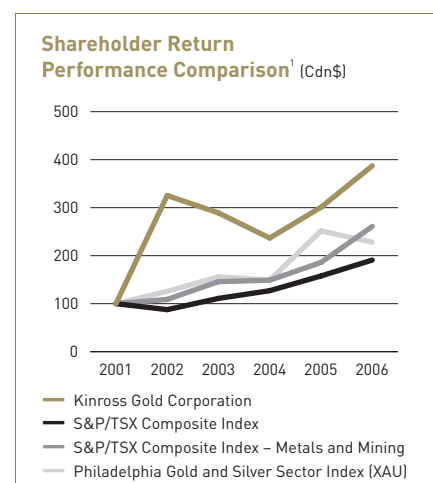
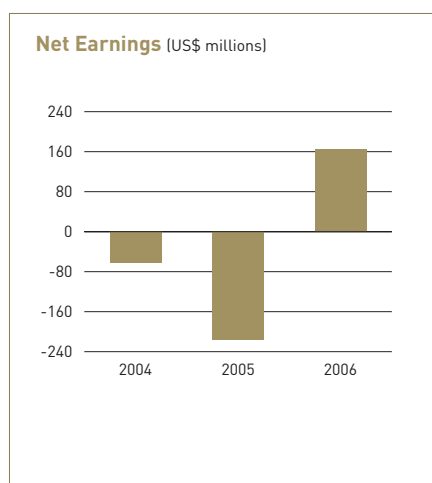
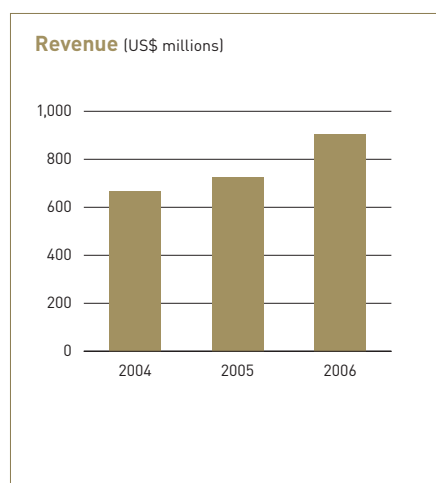
DELIVERING  
DISCIPLINED  
GROWTH

KINROSS

# Highlights

All information in this report reflects Kinross prior to completion of the Bema Gold Corporation acquisition, unless otherwise noted. Please refer to our Cautionary Statement on Forward-Looking Information on page 16 for risks and material assumptions associated with forward-looking guidance and statements made in this report.

(All dollar amounts are expressed in US\$ millions except per share and per ounce data, or as noted)	2006	2005	2004
<b>Financial</b>			
Revenue	\$ 905.6	\$ 725.5	\$ 666.8
Cash flow from operating activities	\$ 292.0	\$ 133.7	\$ 161.2
Net earnings (loss)	\$ 165.8	\$ (216.0)	\$ (63.1)
Net earnings (loss) – per share	\$ 0.47	\$ (0.63)	\$ (0.18)
Cash flow from operating activities – per share	\$ 0.83	\$ 0.39	\$ 0.47
<b>Operating</b>			
Gold equivalent ounces – produced	1,476,329	1,608,805	1,653,784
Gold equivalent ounces – sold	1,510,836	1,627,675	1,654,617
Average realized gold price per ounce	\$ 598	\$ 445	\$ 404
Cost of sales per ounce sold	\$ 319	\$ 275	\$ 243
Gold reserves – Proven and Probable (millions of ounces)	27.9	24.7	19.4



## Profile

Kinross Gold Corporation, a Canadian-based gold mining company, is the world's eighth-largest primary gold producer and has the fifth-largest gold reserve base in the industry. With nine operating mines and three major construction projects, located in the United States, Canada, Brazil, Chile and Russia, Kinross employs more than 4,500 people. Kinross maintains a strong balance sheet and a no gold hedging policy.<sup>2</sup> Kinross is focused on the strategic objective of maximizing net asset value and cash flow per share through a four-point plan built on: delivering optimal asset performance; hiring and retaining the best talent and teams; delivering on operational building blocks for the future; and driving future value. Kinross maintains listings on the Toronto Stock Exchange (symbol: K) and the New York Stock Exchange (symbol: KGC).

<sup>1</sup> Source: Toronto Stock Exchange

<sup>2</sup> As a result of the acquisition of Bema in 2007, the Company acquired a portfolio of hedge contracts for gold and silver related to the pre-existing Kupol project financing. Otherwise, Kinross is not actively engaged in hedging its exposure to prices for gold or silver.

In 2006, Kinross reached a new stage in its objective to maximize cash flow and net asset value for shareholders while delivering safe and environmentally responsible gold production. With the construction start-up at Kinross-owned projects and the completion of the acquisition of Bema Gold Corporation in early 2007, Kinross occupies a true “sweet spot” in today’s universe of gold producers.

With a market capitalization of approximately US\$8 billion and projected 2007 gold equivalent production of 1.7 million ounces,<sup>3</sup> we are a nimble competitor that is the right size to significantly benefit from the build-out of current projects as well as new discoveries or acquisitions. Our growing portfolio of high-quality assets has laid a great foundation for the future.

Over the next three years, as major projects such as the Paracatu expansion in Brazil, the Kettle River–Buckhorn property in Washington State and the Kupol gold and silver project in eastern Russia are brought on-stream, Kinross’ gold production is projected to grow by approximately 59% while the cost of sales per ounce steadily declines.

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<sup>3</sup> Includes expected production from the assets acquired through the Bema acquisition.

# Letter from the President and Chief Executive Officer

2006 was a year in which Kinross continued to deliver on commitments to all of our stakeholders. Thanks to above-plan performance in our operations and buoyed by a rising gold price, our strategy for disciplined growth is on track to build value today and in the future.

When I joined Kinross two short years ago, it was clear that the Company had abundant potential. But we had to move quickly – on two parallel tracks. First, we needed to improve performance and add management expertise at the Company's core operations and second, we had to carefully plant and nurture the seeds of future opportunity. By the end of last year, above-plan performance at our current operations and the rising gold price allowed us to reap the benefits of these efforts, as Kinross generated more net earnings in each of the second, third and fourth quarters than in any full year in the Company's history. Equally important, the landmark acquisition of Bema in early 2007, in conjunction with major development projects at our core operations, sets the stage for rising gold production, and declining costs per ounce, in the years to come.

## **A Strategy for Disciplined Growth**

Introduced in 2005, Kinross' strategy for disciplined growth is aimed at increasing net asset value and cash flow per share for its investors. We have reported on our progress towards the four key elements on page 6. These elements are as follows:

### **1. Growth From the Core**

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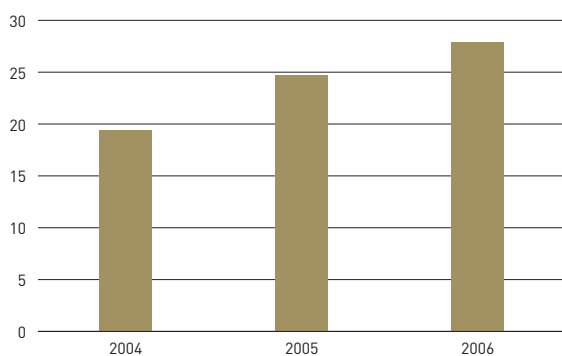
Our goal is to deliver strong cash flow from ongoing operations and capital projects at our key mines while running a safe, efficient and environmentally responsible business. In 2006, our mines produced approximately 1.5 million ounces of gold equivalent – slightly ahead of plan. Revenue reached \$905.6 million, a 25% increase over 2005 as Kinross realized \$598 per ounce of gold sold,

an increase of 34% from the previous year. Cost of sales per ounce was \$319, about 16% higher than in the previous year, primarily due to industry-wide increases in the price of labour, energy, steel and other inputs. Net earnings reached \$165.8 million compared to a loss of \$216.0 million in 2005 and cash flow from operating activities increased by more than 118% to \$292.0 million.

We also continued to grow the gold reserve base at our core operations with significant increases at seven mines. All told, Kinross' gold reserves grew by 13% in 2006, net of the year's production. During the past five years, Kinross' reserves have grown at an average compound annual growth rate of 38%. This performance did not go unnoticed by the stock market. The 29% increase in the value of Kinross' share price during 2006 – compared to a 23% rise in the price of gold – made us the top-performing major North American gold stock listed on the Toronto Stock Exchange (TSX).

We also advanced the major capital projects that will drive production growth at our core mines during the next three years. In Brazil, the \$470 million Paracatu expansion project is proceeding on time and on budget toward commercial production in 2008. Paracatu is expected to produce an average of more than 550,000 ounces of gold per year in the first five years of full operation at a cost of sales of approximately \$230 per ounce. Future mine life is currently projected at 33 years. At Round Mountain, the pre-stripping phase of the pit expansion was completed, adding more than one million ounces to reserves and extending the life of the mine by five years. At the Kettle River–Buckhorn property, construction activity continued to advance and remains on track for initial production in late 2007.

**Gold Reserves – Proven and Probable** (millions of ounces)



## 2. Best People and Best Teams

During the past year, Kinross has assembled one of the finest management teams in the industry. It is young and dynamic – with an average age of 46 – and has the experience and leadership skills we'll need to continue building a successful performance culture at Kinross. Many of these executives come from larger organizations, drawn by the prospect of helping Kinross realize its vision of becoming a highly profitable and growing global gold producer. We have also promoted a number of excellent people from within the organization. I am confident we now have the balance of talent and experience needed to take Kinross to the next stage of its development.

To better align the activities of our people with Kinross' goals and objectives, we are also taking a disciplined approach to human resource management throughout the organization. Various initiatives – from our new performance management system to succession planning to comprehensive training and compensation programs – have been designed to help Kinross attract and retain the best people in a very competitive business. These important efforts are bearing fruit as evidenced by declining turnover rates and a robust corporate culture.



Tye Burt, Lisa Zangari and Geoff Gold discussing Human Resources initiatives.

### 3. Building Blocks for the Future

We have been carefully building the organizational elements and structure required to support Kinross' operational and growth plans. These efforts include a regionally streamlined management structure aimed at optimizing operational efficiencies and empowering regional managers. We are also refining the tools Kinross needs to better plan, monitor and control production, costs and financial performance with the extension of our enterprise management systems.

Kinross has developed formal standards of excellence in environment, health and safety. In 2006, we continued to build upon our reputation as a safe and responsible operator as we were recognized with more than a dozen mining industry health, safety and environmental awards.

Although Kinross has earned a reputation for excellence in each of these areas, we know our success depends on the continuous renewal of our social licence to operate. Our responsibility as good corporate citizens extends beyond the mine sites and into the surrounding communities. We aren't about to rest on our laurels.



Cultivating seedlings at Paracatu as part of its environmental program.

### 4. New Growth Opportunities

The final element in Kinross' strategy for disciplined growth is a commitment to upgrade the Company's asset portfolio. During the past two years, we've worked hard to streamline our operations by eliminating non-core assets. This process continued in 2006 with the disposition of properties and other non-core assets such as George/Goose Lake, New Britannia, Lupin (announced in 2006 and completed in 2007), Aquarius, Blanket and various equity positions.

At the same time, we've been sharpening our focus on the most promising opportunities to increase Kinross' cash flow in the future. For example, in August 2006, we acquired Crown Resources Corporation which cleared the way for construction of the Kettle River-Buckhorn project to feed our Kettle River mill in Washington State.

The year's most significant transaction, and one that best illustrates our Four-Point Strategic Plan in action, was the announcement of the landmark acquisition of Bema on November 6, 2006. On February 27, 2007, Kinross completed this US\$3.1 billion acquisition which adds assets



Kettle River mill in Washington State, USA.

We have the financial strength to fund our project pipeline, with a strong balance sheet and substantial liquidity. And we enjoy the prospect of rising cash flow from increasing production and decreasing cash costs.

that complement our strong growth profile and strengthens our regional presence in Chile and Russia.

More specifically, the Bema acquisition increases Kinross' 2006 reported gold reserves on a pro forma basis by 63% and 2006 reported gold resources by 70%. It also increases our ownership of the Refugio mine in Chile from 50% to 100% and brings us Kupol in Russia, a world-class gold and silver project that will be coming on line in 2008. The acquisition includes a 49% interest in the Cerro Casale project in Chile, one of the world's largest undeveloped copper-gold projects. We will advance our plans for this asset through 2007. Kinross possesses a well-balanced, low-risk reserve profile in North America (17%), Brazil (37%), Chile (38%) and Russia (8%) and a projected growth in production of approximately 59% through 2009. The acquisition of Bema also brings us a first-rate operating team at Kupol and further development opportunities in Chile and Russia. Kinross now has one of the best project pipelines in the industry with a good balance of exploration, development and construction projects. What's more, we expect to have a very attractive cost profile going forward as the new projects each add to our production base at costs substantially below our current level.

#### **A Promising Outlook**

I am confident that we are building a great gold company at Kinross. The fundamentals for gold bullion remain strong thanks to rising global demand and constrained supply. In the meantime, we have a strong operating platform and excellent new projects proceeding at Paracatu, Kupol and Kettle River–Buckhorn.

Kinross is ready to make the most of these opportunities. We have a dynamic and experienced management team. We have the financial strength to fund our project pipeline, with a strong balance sheet and substantial liquidity, and we enjoy the prospect of rising cash flow from increasing production and decreasing cash costs.

In closing, I wish to thank our investors for their continuing support. I would also like to express my appreciation to our employees for the spirit and dedication that is so fundamental to our success. I am confident that we will continue to deliver on Kinross' strategy for disciplined growth.



**Tye W. Burt**  
President and  
Chief Executive Officer  
March 23, 2007

# Four-Point Strategic Plan Progress Report

Kinross continued to deliver against its Four-Point Strategic Plan in 2006 through a series of important initiatives.

	1. Growth From the Core	2. Best People and Best Teams	3. Building Blocks for the Future	4. New Growth Opportunities
Paracatu Expansion	○	●	○	○
Kettle River-Buckhorn Construction	○	●	○	○
Launch Bema Acquisition	●	●	●	○
Round Mountain Optimization	○	●	○	n/a
Fort Knox Optimization	○	○	○	○
Excellence in EH&S	●	●	●	n/a
Management and Board	●	●	●	●
Exploration Progress	●	●	●	●
Continuous Improvement	○	○	○	○
Strong Liquidity	●	n/a	●	n/a
Reserve Growth	●	●	●	●

● completed    ○ in progress



# Operations and Major Growth Initiatives

During the next three years, gold equivalent production from our existing assets is expected to grow substantially. Meanwhile, cost of sales will decline significantly. Projects nearing completion at Paracatu, Kettle River–Buckhorn and Kupol will account for most of Kinross' extraordinary growth profile.

# Operations at a Glance

## North America



### Fort Knox

#### Alaska, USA

Mining: Open pit  
 Processing: Carbon-in-pulp (CIP), gravity

#### Kinross Proportionate Share

2006 gold equivalent production (ounces)	333,383
2006 cost of sales (per ounce)	\$300
Year-end reserves – gold (ounces)	2.71 million
Ownership	100%



### Round Mountain

#### Nevada, USA

Mining: Open pit  
 Processing: Heap leach, carbon-in-leach (CIL), gravity

#### Kinross Proportionate Share

2006 gold equivalent production (ounces)	335,115
2006 cost of sales (per ounce)	\$284
Year-end reserves – gold (ounces)	1.95 million
Ownership	50%



### Porcupine Joint Venture

#### Ontario, Canada

Mining: Open pit and underground  
 Processing: CIP, gravity

#### Kinross Proportionate Share

2006 gold equivalent production (ounces)	156,735
2006 cost of sales (per ounce)	\$372
Year-end reserves – gold (ounces)	1.71 million
Ownership	49%



### Musselwhite

#### Ontario, Canada

Mining: Underground  
 Processing: CIP, gravity

#### Kinross Proportionate Share

2006 gold equivalent production (ounces)	69,834
2006 cost of sales (per ounce)	\$447
Year-end reserves – gold (ounces)	565,000
Ownership	32%

## South America



### Paracatu

#### Minas Gerais, Brazil

Mining: Open pit  
Processing: Flotation, CIL, gravity

#### Kinross Proportionate Share

2006 gold equivalent production (ounces)	174,254
2006 cost of sales (per ounce)	\$332
Year-end reserves – gold (ounces)	16.39 million
Ownership	100%



### La Coipa

#### Atacama Region, Chile

Mining: Open pit  
Processing: Merrill-Crowe

#### Kinross Proportionate Share

2006 gold equivalent production (ounces)	155,180
2006 cost of sales (per ounce)	\$309
Year-end reserves – gold (ounces)	432,000
Year-end reserves – silver (ounces)	27.78 million
Ownership	50%



### Crixas

#### Goias, Brazil

Mining: Underground  
Processing: Merrill-Crowe, gravity

#### Kinross Proportionate Share

2006 gold equivalent production (ounces)	97,009
2006 cost of sales (per ounce)	\$186
Year-end reserves – gold (ounces)	433,000
Ownership	50%



### Refugio\*

#### Atacama Region, Chile

Mining: Open pit  
Processing: Heap leach

#### Kinross Proportionate Share

2006 production (ounces)	116,868
2006 cost of sales (per ounce)	\$341
Year-end reserves – gold (ounces)	2.72 million
Ownership	50%*

\* As of February 27, 2007, Kinross owns 100% of the Refugio mine as a result of the completion of the Bema acquisition. However, operating results and reserves for the year ended December 31, 2006, above reflect only Kinross' 50% interest as of that date.

# Paracatu

## Expanding a Proven Reserve



Located near the town of Paracatu, 200 kilometres southeast of Brasilia, the Paracatu mine is a large-tonnage open pit operation which began production in 1998.

Kinross began an aggressive drilling campaign in 2005 which resulted in an 80% increase in reserves at year-end 2005, compared with year-end 2004. The Company then began looking at options for optimizing and expanding the operations to improve net asset value.

The optimization study was completed in 2006, and in August Kinross' Board of Directors approved a \$470 million expansion project to increase mill throughput to 55 million tonnes per year in the first five years from 17 million tonnes last year, which is scheduled for completion in 2008. During a five-year period beginning in 2009, the project is expected to result in average annual production of 557,000 ounces of gold at an average cost of sales of approximately \$230 per ounce.



<b>Location:</b>	Minas Gerais, Brazil
<b>Ownership:</b>	100%
<b>Mining:</b>	Open pit
<b>Processing:</b>	Flotation, CIL, gravity
<b>Completion date:</b>	2008
<b>Projected annual gold production:</b>	557,000 oz. (first 5 years)
<b>Reserves – gold:</b>	16.39 million oz.
<b>Reserve grade:</b>	0.40 g/t
<b>Estimated cost of sales:</b>	\$230 per oz. (first 5 years)

# Buckhorn

## New Life at Kettle River



Kinross acquired the Buckhorn property in Washington State through the acquisition of Crown Resources in August 2006.

The Buckhorn property is located in north-central Washington State, approximately 76 kilometres by road from Kinross' Kettle River mill. Construction began on the Buckhorn property in September 2006, and is on schedule for completion and initial production in late 2007. The Buckhorn project is expected to contribute approximately 160,000 ounces of annual average gold production for the first five years beginning in 2008.



<b>Location:</b>	Washington State, USA
<b>Ownership:</b>	100%
<b>Mining:</b>	Underground
<b>Processing:</b>	CIP
<b>Completion date:</b>	Late 2007
<b>Projected annual gold production:</b>	160,000 oz. (first 5 years)
<b>Reserves – gold:</b>	946,000 oz.
<b>Reserve grade:</b>	15.88 g/t

# Kupol

## A High-Grade, Low-Cost Gold and Silver Project



Kinross acquired a 75% interest in the Kupol project in Far Eastern Russia on February 27, 2007, through the acquisition of Bema.

The Kupol project is located in the Chukotka region of Far Eastern Russia, approximately 220 kilometres southeast of the town of Bilibino, the nearest major city. The remaining 25% interest is held by the Chukotka Government.

The Kupol project consists of a high-grade gold and silver vein which remains open along strike. Development of the high-grade Kupol orebody includes the construction of a 3,000 tonne per day mill and will employ both open pit and underground mining methods. Construction began in 2005 and production is expected to begin in late 2008. The mine is expected to output an average of 418,000 gold equivalent ounces per year for the first six and a half years of production at a cost of sales of approximately \$130 per ounce. Kupol will become one of the lowest cost gold and silver mines in the world.



<b>Location:</b>	Chukotka region, Russia
<b>Ownership:</b>	75% (less one share)
<b>Partner:</b>	Chukotka Government (25%)
<b>Mining:</b>	Open pit/underground
<b>Processing:</b>	Merrill-Crowe, gravity
<b>Completion date:</b>	Late 2008
<b>Projected annual gold equivalent production:</b>	418,000 oz. (first 6.5 years)
<b>Reserves – gold:</b>	3.34 million oz.
<b>Reserves – silver:</b>	40.67 million oz.
<b>Reserve grade – gold:</b>	16.8 g/t
<b>Reserve grade – silver:</b>	205 g/t
<b>Estimated cost of sales:</b>	\$130 per oz.

# Other Development and Exploration Projects

In 2006, Kinross increased its gold reserves by 3.2 million ounces (net of 2006 production) to 27.9 million ounces versus 24.7 million ounces at year-end 2005. This increase is attributed to increased reserves at seven of our mines. Kinross' discovery cost over the last three years has averaged under \$5.00 per reserve ounce. Overall, gold resources increased by 1.9 million ounces (or 31%) to 8.0 million ounces, primarily from the Fort Knox mine and our interest in the Porcupine Joint Venture.

## Development

At Paracatu, plant optimization and drilling on the north margin of the pit added 1.4 million ounces to reserves. Completion of the Crown acquisition, infill drilling and updates to the life of mine plan added 0.9 million ounces and drilling on the Pancho deposit added 0.7 million ounces to reserves at Refugio, based on Kinross' then 50% interest on the property.

At Refugio, we completed a major drill program and redesign on the Pancho orebody, adding 1.3 million ounces to gold resources.

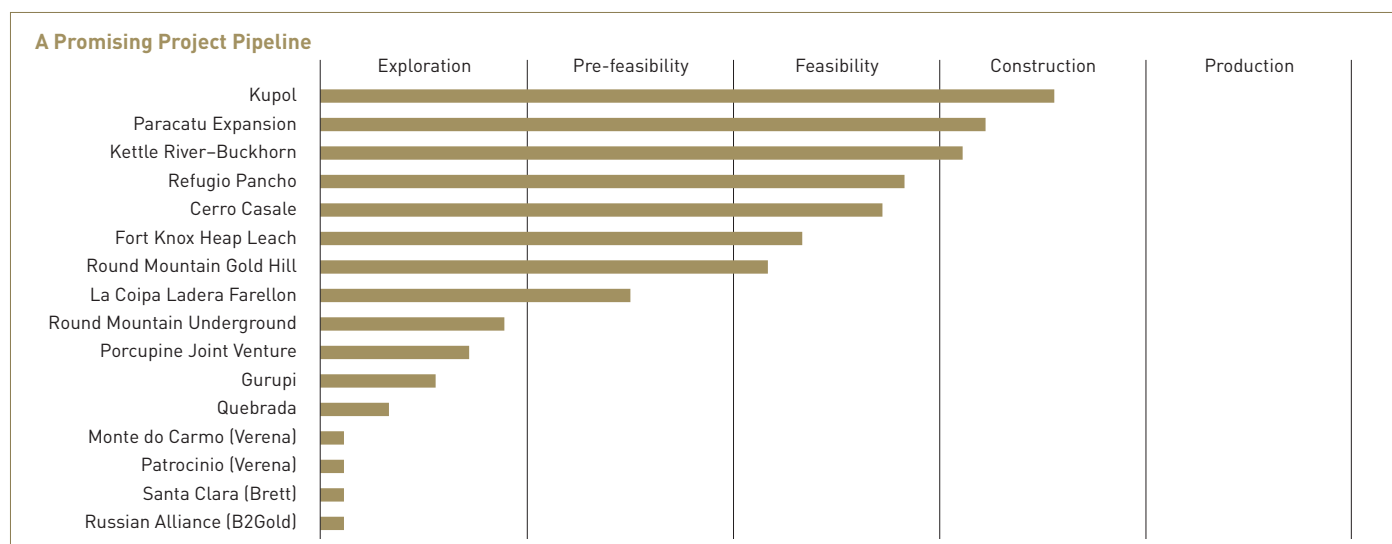
Significant new resources were posted at Fort Knox, where we continue to advance the opportunity to expand the pit, and at the Porcupine Joint Venture, where drill definition not only replaced reserves but expanded the resource base by over 1.3 million ounces to our account, primarily from the Hollinger, Brulan and Pamour projects.

## Exploration

Development of the exploration drift at the Round Mountain underground project was completed in November 2006. A drill campaign comprising approximately 13,700 metres that was begun in the third quarter of 2006 is expected to be substantially completed by the end of 2007.

The addition of Bema's Cerro Casale and Quebrada projects in Chile together with our proposed exploration joint venture with B2Gold in Russia has boosted our commanding exploration position in those two key districts. In addition, we have aggressive plans to explore and extend the mine life of Julietta in Magadan.

In the Maricunga belt of Chile, Kinross now has interests in eight separate exploration projects. In addition to our ongoing campaigns at Refugio and La Coipa, Kinross drilled economic results on two early stage projects in 2006 and is currently drilling on a third. Late in 2006, Bema completed a drill program on the Quebrada project which had already identified an inferred resource of one million ounces. At Cerro Casale, the joint venture is planning a drill campaign to collect metallurgical samples from the deposit. We are enthusiastic about the exploration potential of this project and the entire Maricunga district.



Kinross possesses one of the best project pipelines in the industry with a good balance of exploration, development and construction projects.

# Corporate Responsibility

Kinross recognizes its responsibility to conduct its activities in accordance with the highest health, safety and environmental standards. Maintaining these high standards is vital to our success and continued development. It is our goal to operate to the benefit of our shareholders and our local communities without compromising the long-term capacity of these areas to support productive post-mining uses.

## Community

The foundation of the Company's social responsibility platform is focused on the following principles:

- Positively contributing to the communities where we operate through local employment and purchasing initiatives and supporting meaningful community development initiatives and charity projects.
- Targeting our fundraising support and contribution efforts on areas which maximize our programs' effectiveness. The causes we have chosen to target are youth, health care and environmental conservation issues.
- Ensuring that Kinross acts as a "good neighbour" in every aspect of our operations.

In 2006, we supported the communities in which our operations are based through a wide range of charitable and volunteer initiatives. You can find out more about our community-based initiatives at [www.kinross.com](http://www.kinross.com).

## Health and Safety

At Kinross, the effective management of the health and safety of all of our employees, contractors and visitors to our operations is a top priority and one of the cornerstones of our success. During the past few years, our reputation as a safe and responsible operator has been recognized by a number of important health and safety awards including:

- Maricunga – Achieved Excellent distinction from Mutual de Seguridad Competitive Company certification
- Paracatu – Brazilian Safety Agency Silver Award for Health and Safety Management
- Kettle River Operation K2 Mine – Awarded the Sentinel of Safety in the Large Underground Metal Category
- Round Mountain – Awarded Best Safety Performance for a Large Open Pit Metal Mine, by the Nevada Mining Association
- Round Mountain – Placed first in the Elko Mine Rescue Olympiad – Gases and Hazardous Material competitions

## Environment

A proven commitment to effective environmental stewardship is a key element of the ongoing success of Kinross. That's why a strong environmental ethic and sound environmental management programs have been integrated with core business functions at all levels, and at all locations throughout the organization. Kinross believes that sound environmental management practices cannot be separated from good management principles.

This commitment can be seen in the comprehensive system of award-winning environmental programs that minimizes our impact on the environment. You can find more information on our environmental policies and practices – from stringent performance monitoring, to proactive engineering, to sustainable restoration – at [www.kinross.com](http://www.kinross.com).



# Corporate Governance and Board of Directors

## A Commitment to Good Corporate Governance

At Kinross, we recognize the importance of sound corporate governance in the effective management of the Company and the protection of its employees and shareholders. Accordingly, we continually monitor the corporate governance environment to ensure that our policies keep pace with both the letter and the spirit of Canadian and U.S. regulatory guidelines as well as those of the jurisdictions in which we operate, and that our approach keeps pace with evolving best practices. The Company's corporate governance practices are, in all material respects, compliant with all applicable Canadian corporate governance guidelines and requirements, including Multilateral Instrument 52-110 pertaining to audit committees. In addition, although the majority of the corporate governance listing standards of the New York Stock Exchange (the NYSE Standards) are not

applicable to the Company, Kinross' corporate governance practices are in line with NYSE Standards.

*Details of the Company's corporate governance practices, including a comparison to NYSE Standards, are available for review on our website at [www.kinross.com](http://www.kinross.com).*

## Feedback to the Board of Directors

Our shareholders may communicate comments directly to the Board of Directors by writing to the Independent Chairman, care of the Vice President, Administration and Corporate Secretary at Kinross Gold Corporation, 40 King Street West, 52nd Floor, Toronto, Ontario, M5H 3Y2. All correspondence, with the exception of solicitations for the purchase or sale of products and services and other similar types of correspondence, will be forwarded to the Independent Chairman.

## Board of Directors

### John A. Brough <sup>A, C, N, S</sup>

Mr. Brough has been President of both Torwest Inc. and Wittington Properties Limited, real estate companies, since 1998. Prior to that, from 1996 to 1998, Mr. Brough was Executive Vice President and Chief Financial Officer of iSTAR Internet, Inc. Prior thereto, from 1974 to 1996, he held a number of positions with Markborough Properties, Inc., his final position being Senior Vice President and Chief Financial Officer, which position he held from 1986 to 1996.

### Tye W. Burt

Mr. Burt was appointed President and Chief Executive Officer of Kinross in March 2005. Prior to that, Mr. Burt held the position of Vice Chairman and Executive Director of Corporate Development with Barrick Gold Corporation. Prior to joining Barrick, Mr. Burt spent 16 years in corporate finance, including serving as Chairman of Deutsche Bank Canada and Deutsche Bank Securities Canada. He also held the position of Global Managing Director of Metals and Mining for Deutsche Bank, co-led the mining group at Nesbitt Burns and led their investment banking division in Vancouver.

### John K. Carrington <sup>CG, E, S</sup>

Mr. Carrington was Vice Chairman and a director of Barrick Gold Corporation from 1999 through 2004. Prior to that Mr. Carrington was Chief Operating Officer of Barrick from 1996 until February 2004. He has also occupied the functions of President and Executive Vice President, Operations of Barrick in 1997 and 1995 respectively.

### Richard S. Hallisey <sup>CG, E, R</sup>

Mr. Hallisey is President and Director of Sullivan Holdings Limited, a position he has held full time since December 2001. From January 1999 to December 2001, Mr. Hallisey was Vice Chairman and Managing Director of National Bank Financial. Prior to his position with National Bank Financial, Mr. Hallisey was Co-founder, Vice Chairman and Director of First Marathon Securities Limited.

**John M.H. Huxley** <sup>A, C, N, R</sup>

Mr. Huxley was most recently a principal of Algonquin Management Inc., the manager of the Algonquin Power Income Fund, since 1997 to his retirement in 2006. Prior to that he was President of Algonquin Power Corporation, a builder, developer and operator of hydroelectric generating facilities in Canada and the United States.

**John A. Keyes** <sup>E, R</sup>

Mr. Keyes most recently held the position of President and Chief Operating officer of Battle Mountain Gold Company from 1999 to his retirement in 2001. Prior to that, he served as the Senior Vice President – Operations for Battle Mountain with responsibilities for operations in the United States, Canada, Bolivia, Chile and Australia.

**Catherine McLeod-Seltzer** <sup>C, N</sup>

Ms. McLeod-Seltzer is Chairman and a director of Pacific Rim Mining Corp. (Pacific Rim). She has been an officer and director of Pacific Rim since 1997. From 1994 to 1996, she was President, Chief Executive Officer and a director of Arequipa Resources Ltd., a publicly traded company which she co-founded in 1992. From 1985 to 1993, she was employed by Yorkton Securities Inc. as an institutional trader and broker, and also as Operations Manager in Santiago, Chile (1991–92).

<sup>A</sup> Audit Committee<sup>C</sup> Human Resources and Compensation Committee<sup>CG</sup> Corporate Governance Committee<sup>E</sup> Environmental, Health and Safety Committee<sup>N</sup> Nominating Committee<sup>R</sup> Risk Committee<sup>S</sup> Special Committee**George F. Michals** <sup>CG, S</sup>

Mr. Michals is President of Baymont Capital Resources Inc., an investment holding company. Mr. Michals has also served as an active member on the boards of a number of private and public companies. Prior to January 2003, Mr. Michals was also Chairman of the board of TVX Gold Inc. and from 1987 to 1990, he held the position of Executive Vice President and Chief Financial Officer of Canadian Pacific Limited.

**John E. Oliver**, Independent Chairman <sup>C, N, S</sup>

Mr. Oliver was appointed Senior Vice President, Atlantic Region, Bank of Nova Scotia in March 2004. Mr. Oliver was previously Executive Managing Director and Co-Head of Scotia Capital U.S., Bank of Nova Scotia since October 1999. From 1997 to 1999 Mr. Oliver was Senior Vice President, Corporate and Real Estate Banking of Bank of Nova Scotia and prior thereto, he was Senior Vice President of Real Estate Banking of Bank of Nova Scotia. Mr. Oliver was appointed the Independent Chairman of the Company in August 2002.

**Terence C.W. Reid** <sup>A, E</sup>

Mr. Reid retired as Vice-Chairman of CIBC Wood Gundy in 1997 after a career there spanning 31 years during which he provided investment banking services to many of Canada's leading corporations. He subsequently acted as a consultant in the electricity industry and helped develop an Internet start-up business. Between 2001 and 2003 he was president of Laketon Investment Management, a leading Canadian investment asset manager.

**Cautionary Statement on Forward-Looking Information**

All statements, other than statements of historical fact, contained or incorporated by reference in this Annual Report, including the Management Discussion & Analysis forming a part hereof, (collectively, this "Annual Report") including any information as to the future financial or operating performance of Kinross, constitute "forward-looking statements" within the meaning of certain securities laws, including the "safe harbour" provisions of the *Securities Act* (Ontario) and the *United States Private Securities Litigation Reform Act of 1995* and are based on expectations, estimates and projections as of the date of this Annual Report. Forward-looking statements include, without limitation, statements with respect to the future price of gold and silver, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production, expected capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. The words "plans," "expects," or "does not expect," "is expected," "budget," "scheduled," "estimates," "forecasts," "intends," "anticipates," or "does not anticipate," or "believes," or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will be taken," "occur" or "be achieved" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Kinross as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of Kinross, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this Annual Report as well as: (1) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, damage to equipment or otherwise; (2) permitting, development and expansion at Paracatu proceeding on a basis consistent with our current expectations; (3) permitting and development at the Kettle River–Buckhorn project proceeding on a basis consistent with Kinross' current expectations; (4) that a long-term lease replacing the short-term lease for the Kupol gold and silver project lands, and construction permits required from time to time, will be obtained from the Russian authorities on a basis consistent with our current expectations; (5) that the exchange rate between the Canadian dollar, Brazilian real, Chilean peso, Russian ruble and the U.S. dollar will be approximately consistent with current levels; (6) certain price assumptions for gold and silver; (7) prices for natural gas, fuel oil, electricity and other key supplies remaining consistent with current levels; (8) production forecasts meet expectations; and (9) the accuracy of our current mineral reserve and mineral resource estimates. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (such as diesel fuel and electricity); changes in interest rates or gold lease rates that could impact the mark-to-market value of outstanding derivative instruments and ongoing payments/receipts under any interest rate swaps and variable rate debt obligations; risks arising from holding derivative instruments (such as credit risk, market liquidity risk and mark-to-market risk); changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, Chile, Brazil, Russia or other countries in which we do or may carry on business in the future; business opportunities that may be presented to, or pursued by, us; our ability to successfully integrate acquisitions, including the acquisition of Bema Gold Corporation; operating or technical difficulties in connection with mining or development activities; employee relations; the speculative nature of gold exploration and development, including the risks of obtaining necessary licenses and permits; diminishing quantities or grades of reserves; adverse changes in our credit rating; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can affect Kinross' actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Kinross. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All of the forward-looking statements made in this Annual Report are qualified by these cautionary statements, and those in our most recent Annual Information Form and other filings with the securities regulators of Canada and the United States. These factors are not intended to represent a complete list of the factors that could affect Kinross. Kinross disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006**

This management's discussion and analysis ("MD&A") relates to the financial condition and results of operations of Kinross Gold Corporation together with its wholly owned subsidiaries as of March 23, 2007, and is intended to supplement and complement Kinross Gold Corporation's audited consolidated financial statements for the year ended December 31, 2006 and the notes thereto. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. Readers are encouraged to consult Kinross Gold Corporation's audited consolidated financial statements and corresponding notes to the financial statements which are available on the Company's website [www.kinross.com](http://www.kinross.com) and on [www.sedar.com](http://www.sedar.com). The consolidated financial statements and MD&A are presented in U.S. dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("CDN GAAP"). This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the year ended December 31, 2006, as well as our outlook.

This section contains forward-looking statements and should be read in conjunction with the risk factors described in "Risk Analysis". In certain instances, references are made to relevant notes in the consolidated financial statements for additional information.

Where we say "we", "us", "our", the "Company" or "Kinross", we mean Kinross Gold Corporation or Kinross Gold Corporation and its subsidiaries, as it may apply. Where we refer to the "industry", we mean the gold mining industry.

### **1. Description of the Business**

Kinross Gold Corporation is engaged in gold mining and related activities, including exploration and acquisition of gold-bearing properties, extraction, processing and reclamation. Kinross' gold production and exploration activities are carried out principally in the United States, Canada, Brazil, Chile and Russia. Gold is produced in the form of doré, which is shipped to refineries for final processing. Kinross also produces and sells a limited quantity of silver.

The profitability and operating cash flow of Kinross is affected by various factors, including the amount of gold and silver produced, the market prices of gold and silver, operating costs, interest rates, regulatory and environmental compliance, the level of exploration and capital expenditures, general and administrative costs, and other discretionary costs. Kinross is also exposed to fluctuations in foreign currency exchange rates and varying levels of taxation that can impact profitability and cash flow. The Company seeks to manage the risks associated with its business operations, however, many of the factors affecting these risks are beyond the Company's control.

#### ***Segment Profile***

Each of the Company's significant operating mines are considered separate segments. These are the segments that are reviewed and measured by the Chief Executive Officer as they are financially and operationally significant operations of Kinross. Other operations include those properties that no longer have significant production or are development stage properties. Properties that are shut down and are under care and maintenance or are in reclamation phase, and non-mining operations and other operations are included in corporate and other.

Operating Segments	Operator	Location	Ownership percentage		
			2006	2005	2004
Fort Knox . . . . .	Kinross	U.S.A.	100%	100%	100%
Round Mountain . . . . .	Kinross	U.S.A.	50%	50%	50%
La Coipa . . . . .	Goldcorp	Chile	50%	50%	50%
Crixás . . . . .	AngloGold Ashanti	Brazil	50%	50%	50%
Paracatu <sup>(a)</sup> . . . . .	Kinross	Brazil	100%	100%	49%
Musselwhite . . . . .	Goldcorp	Canada	32%	32%	32%
Porcupine Joint Venture . . . . .	Goldcorp	Canada	49%	49%	49%
Refugio . . . . .	Kinross	Chile	50%	50%	50%
Kettle River . . . . .	Kinross	U.S.A.	100%	100%	100%
Other operations <sup>(b)</sup> . . . . .	Kinross	Various	Various	Various	Various
Corporate and other . . . . .		Various	Various	Various	Various

(a) Acquisition of the remaining 51% interest in Paracatu was completed on December 31, 2004. Consequently, operating results for the year ending December 31, 2004 only include the Company's 49% proportionate share of Paracatu.

(b) Other operations include Gurupi and Kubaka.

### Consolidated Financial and Operating Highlights

	Years ended December 31,			Change	
	2006	2005	2004	06 vs 05	05 vs 04
	(dollars in millions, except per share amounts)				
Gold equivalent ounces <sup>(a)</sup> — produced . . . . .	1,476,329	1,608,805	1,653,784	(8%)	(3%)
Gold equivalent ounces <sup>(a)</sup> — sold . . . . .	1,510,836	1,627,675	1,654,617	(7%)	(2%)
Gold ounces — sold . . . . .	1,416,797	1,575,267	1,585,109	(10%)	(1%)
Metal sales . . . . .	\$ 905.6	\$ 725.5	\$ 666.8	25%	9%
Cost of sales (excludes accretion and reclamation expense, depreciation, depletion and amortization	\$ 481.7	\$ 448.1	\$ 402.4	7%	11%
Accretion and reclamation expenses . . . . .	\$ 33.5	\$ 56.0	\$ 21.4	(40%)	162%
Depreciation, depletion and amortization . . . . .	\$ 108.3	\$ 167.7	\$ 170.1	(35%)	(1%)
Impairment . . . . .	\$ 10.5	\$ 184.7	\$ 59.9	(94%)	208%
Operating earnings (loss) . . . . .	\$ 201.5	\$ (211.2)	\$ (67.9)	195%	(211%)
Net earnings (loss) . . . . .	\$ 165.8	\$ (216.0)	\$ (63.1)	177%	(242%)
Basic and diluted earnings (loss) per share . . . . .	\$ 0.47	\$ (0.63)	\$ (0.18)	175%	(250%)
Cash flow from operating activities . . . . .	\$ 292.0	\$ 133.7	\$ 161.2	118%	(17%)
Average realized gold price (\$/ounce) . . . . .	\$ 598	\$ 445	\$ 404	34%	10%
Cost of sales per ounce sold . . . . .	\$ 319	\$ 275	\$ 243	16%	13%

(a) Gold equivalent ounces include silver ounces produced and sold converted to gold based on the ratio of the average spot market prices for the commodities for each year. The ratios were 2006-52.28:1, 2005-60.79:1 and 2004-61.46:1.

### Consolidated Financial Performance

Kinross recorded earnings of \$165.8, or \$0.47 per share, for the twelve months ended December 31, 2006, compared with a loss of \$216.0 million, or \$0.63 per share, in 2005 and a loss of \$63.1 million, or \$0.18 per share, in 2004. Financial results for 2006 reflect higher prices for gold and silver, with the average realized gold price in 2006 of \$598 per ounce, 34% higher than that which was realized in 2005. Although quantities of gold equivalent ounces sold were down to 1,510,836 ounces from both 2005 and 2004 levels of 1,627,675 ounces and 1,654,617 ounces, respectively, operating earnings rose to \$201.5 million. This compares to losses of \$211.2 million and \$67.9 million in 2005 and 2004, respectively.

Cost of sales increased 7% even though the quantity of gold equivalent ounces sold was down 7% from 2005 level. Kinross, along with the rest of the industry, continues to experience increases in the costs for power, fuel, labour and consumables. Costs at the Company's mines located outside the United States were also higher due to the effects of the

weakening U.S. dollar. General and administrative expenses increased to \$52.1 million, from \$45.3 million in 2005 and \$36.4 million in 2004. Increases in stock-based compensation, higher costs associated with new hires and the effects of a strong Canadian dollar compared to the U.S. dollar all contributed to these cost increases. Accretion and reclamation expense decreased to \$33.5 million in 2006, from \$56.0 million in 2005, which was an increase from \$21.4 million in 2004. The reclamation expense in 2006 was significantly impacted by a charge of \$21.2 million for changes in estimates for reclamation, largely on properties no longer in production. This is in comparison to 2005 where expenses of \$46.0 million were recorded in respect of similar issues.

When compared to 2005 results, 2006 earnings improved as a result of impairment charges taken in 2005 and a higher realized gold price. Impairment charges of \$10.5 million in 2006 resulted from a write-down of long-term investments. Lower cost bases resulting from the 2005 impairment charges resulted in lower depreciation, depletion and amortization charges in 2006. 2005 results were negatively impacted by total impairment charges of \$184.7 million, which included a charge relating to the Fort Knox mine of \$141.8 million. The 2005 Fort Knox impairment resulted from a strategic review of the operation in which reserves at the True North and Gil deposits were reclassified to resources, the Company decided to withdraw from the Ryan Lode project and changes were made to the design of the mine pit.

The same impairment testing methodology was used in 2006, 2005 and 2004, using nominal prices and cost assumptions which included the impact of inflation and currency exchange rates. Gold price assumptions were based on gold price forecasts provided by an independent research firm as well as other external market data.

During 2006, cash flows from operations more than doubled to \$292.0 million from \$133.7 million in 2005. Higher gold prices were the primary driver behind the increase in cash flows in 2006 when gold prices reached a high, exceeding \$725 per ounce. Cash flow increases were partially offset by increases in operating costs, primarily for energy, fuel, labour and consumables. The 17% decrease in operating cash flow from \$161.2 million in 2004 to \$133.7 million in 2005 was the result of higher operating costs and changes in working capital requirements, partially offset by higher gold prices.

Kinross has continued to pursue a strategy of growing core assets and shedding non-core assets. In 2006, this strategy resulted in the acquisition of Crown Resources Corporation, owner of the Kettle River — Buckhorn Property in Washington State, United States, near the Company's Kettle River mill. This follows the acquisition in 2004 of the remaining 51% of the Paracatu mine in Brazil, where Kinross held a 49% ownership interest.

Non-core assets that were disposed of in 2006 included the New Britannia mine, Blanket mine, Aquarius and George/Goose Lake properties. The Company also entered into an agreement to sell Lupin, which was finalized in 2007.

Cash used on additions to property, plant and equipment was \$202.9 million in 2006, \$142.4 million in 2005 and \$169.5 million in 2004, reflecting expansion of operations at Paracatu, Round Mountain, Fort Knox, Refugio, Porcupine Joint Venture and Kettle River. Expenditures on property, plant and equipment were financed largely with cash provided by operating activities and existing cash balances. Cash and cash equivalents increased to \$154.1 million at December 31, 2006, up from \$97.6 million at December 31, 2005 and \$47.9 million at December 31, 2004. During 2006, long-term debt decreased to \$89.9 million at December 31, 2006 from the December 31, 2005 balance of \$159.3 million.

## **Reserves**

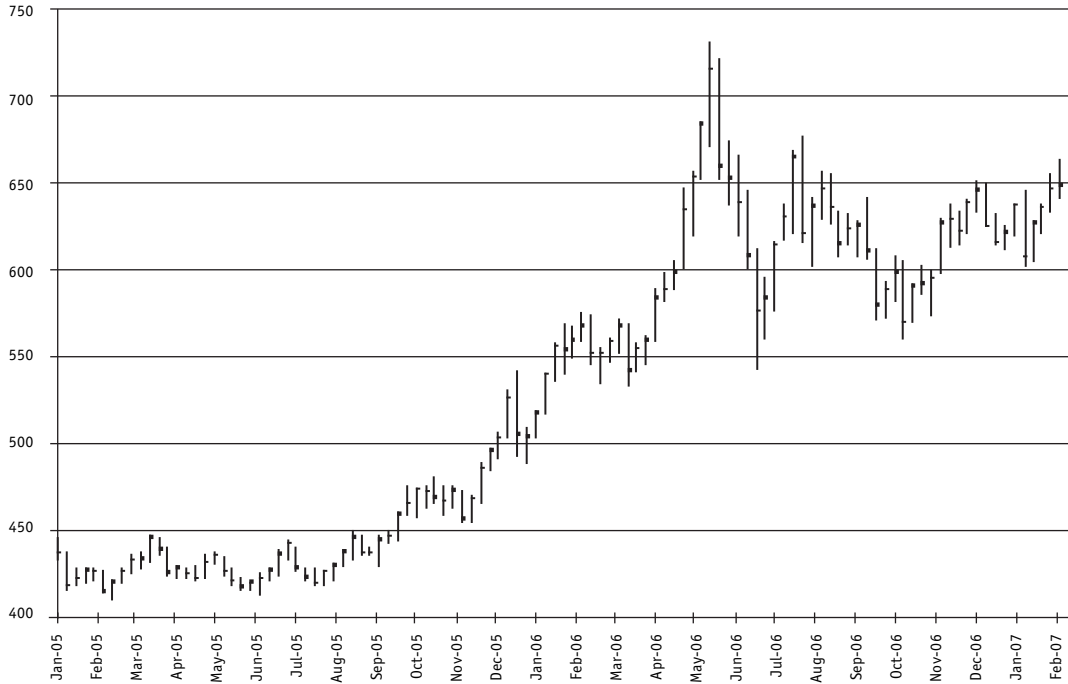
Kinross' Proven and Probable Reserves increased to 27.9 million ounces of gold, compared with 24.7 million at the end of 2005. This 13% increase is net of 1.6 million contained gold ounces depleted through mining. The reserve additions of 4.8 million ounces were the result of successful exploration efforts at Refugio, engineering design changes at Paracatu and Fort Knox, and the addition of the Buckhorn Property at Kettle River. A higher gold price assumption also had a positive impact on the reserve calculations. Reserves at December 31, 2006, were estimated based on gold price of \$475 per ounce, versus \$400 per ounce at December 31, 2005.<sup>(1)</sup>

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(1) For details concerning mineral reserve and mineral resource estimates refer to the Mineral Reserves and Mineral Resources tables and notes in the Company's Annual Information Form.

## 2. Impact of Key Economic Trends

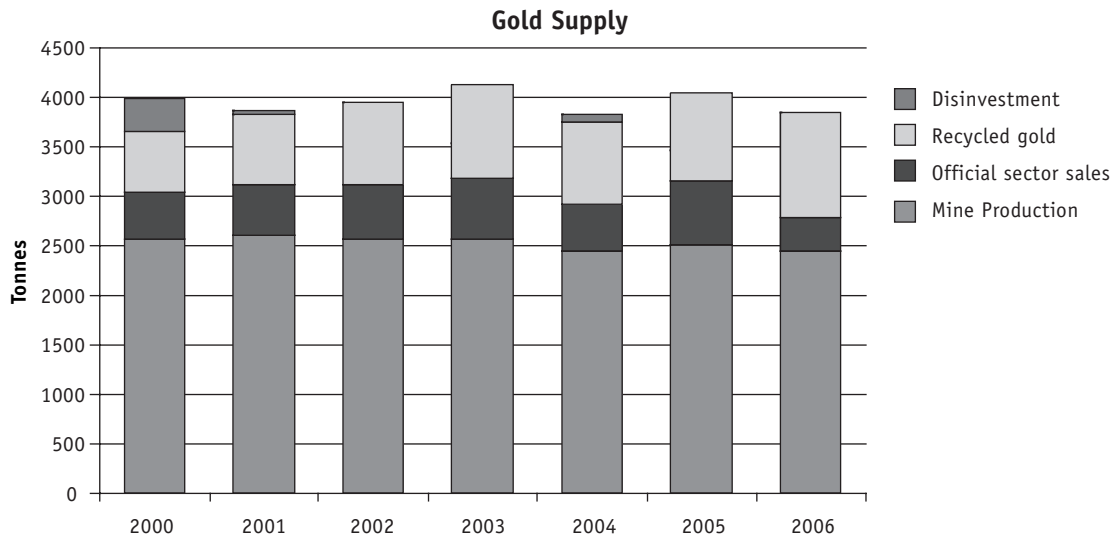
### Price of Gold — Two Year Price Performance



Source: Reuters

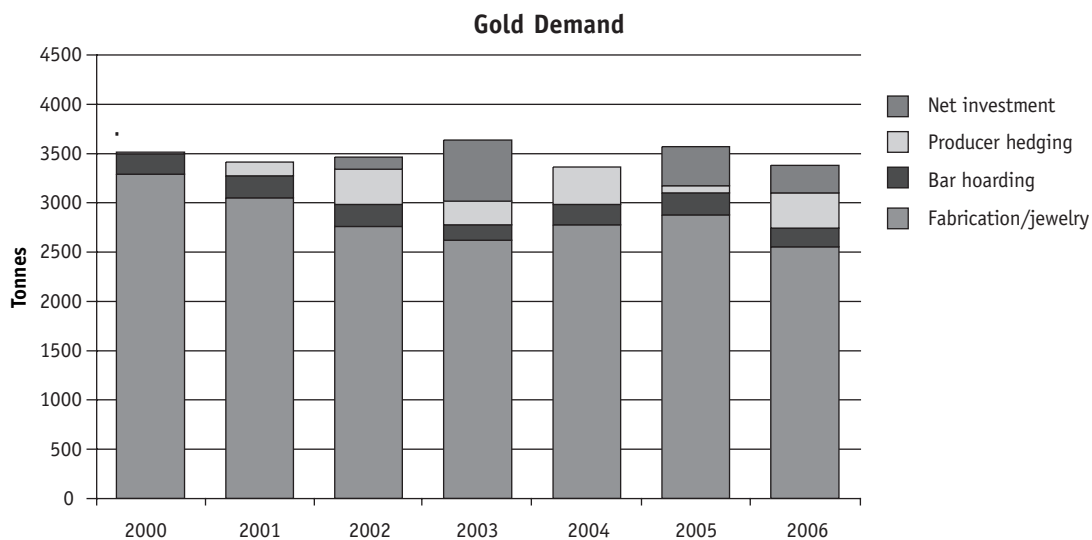
The price of gold is the largest single factor in determining profitability and cash flow from operations, therefore, the financial performance of the Company has been, and is expected to continue to be, closely linked to the price of gold. Historically, the price of gold has been subject to volatile price movements over short periods of time and is affected by numerous macroeconomic and industry factors that are beyond the Company's control. Major influences on the gold price include currency exchange rate fluctuations and the relative strength of the U.S. dollar, the supply of and demand for gold and macroeconomic factors such as the level of interest rates and inflation expectations. During 2006, the price of gold hit a high of approximately \$725 per ounce. The average realized price for the year was \$598 per ounce, a 34% increase over the 2005 average price of \$445 per ounce. The major influences on the gold price during 2006 were increased investment demand, further producer de-hedging, a weaker U.S. dollar, a decrease in Central Bank selling activity, and lower supply from gold mines.

## Gold Supply and Demand Fundamentals



Source: GFMS 2006 Gold Survey

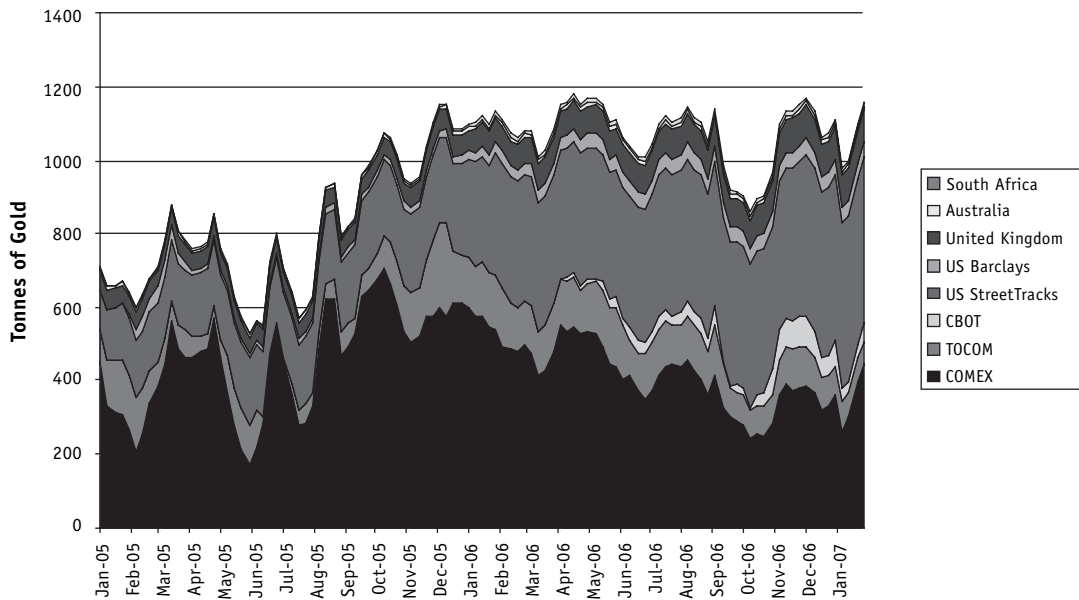
Global gold mine production in 2006 decreased 2.2% from 2005 production which is also lower than production in the 2000 through 2003 period. Mine supply is not predicted to increase in the near future. Central banks net sales of gold declined by almost 50% compared to the previous year, marking a change in sentiment at official institutions concerning gold. Recycled gold helped to fill the supply gap and increased roughly 20% from 2005 levels.



Source: GFMS 2006 Gold Survey

With the rising price of gold, fabrication and jewelry demand decreased by 11%. Investment demand was strong with over 300 tonnes purchased during the year. A new Exchange Trade Fund ("ETF"), was introduced in 2004, which enables investors to purchase  $\frac{1}{10}^{\text{th}}$  of an ounce of gold and trades on the New York Stock Exchange. From initial demand of about 100 tonnes of gold in early 2005, the ETF now has over 450 tonnes of gold investment demand. Gold ETF's are marketed in the United States, Australia, United Kingdom, and South Africa. The U.S. streetTRACKS ETF is by far the most popular vehicle. Other sources of investment demand for gold include futures exchanges such as COMEX in the U.S. and TOCOM in Japan. Producer de-hedging also contributed to demand as gold hedging programs continued their decline.

### Gold Investment Demand



Source: Mitsui and Co., USA

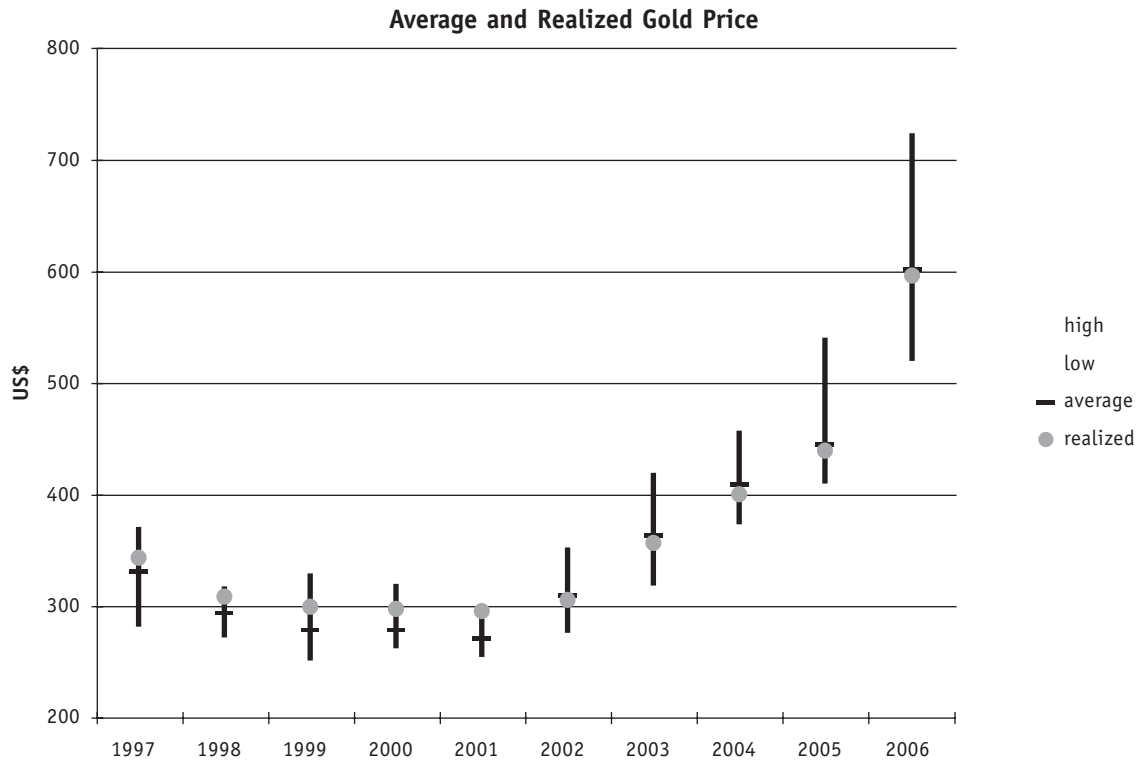
The Company generally has a “no gold hedge” policy. However, the Company may acquire gold and/or silver hedge or derivative product obligations as a result of an acquisition. A hedge program can protect the Company against future declines in price while at the same time prevent the Company from benefiting from future price increases.

As a result of the acquisition of Bema, the Company acquired a portfolio of hedge contracts for gold and silver related to the Kupol pre-existing project financing. Otherwise, Kinross is not actively engaged in hedging its exposure to prices for gold or silver.

Kinross realized slightly lower than average market prices for gold from 2002 through 2006, as ounces necessary to satisfy gold hedge contracts at prices that were lower than average market prices were delivered into and recognized in revenue as the existing hedge contracts were closed out.

(2) The use of the words “hedge” or “hedging” throughout the MD&A refers to an economic hedge, which is not necessarily a hedge from a financial statement perspective as defined in Accounting Guideline 13, “Hedging Relationships”.



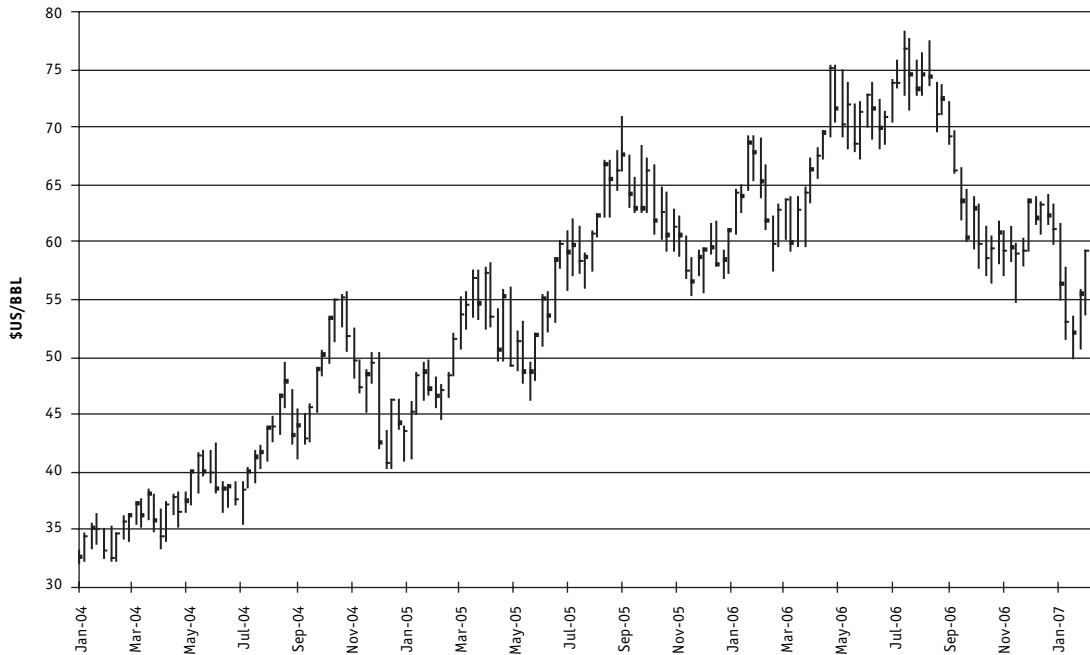


Source: London Bullion Marketing Association London PM Fix

### ***Inflationary Cost Pressures***

The Company's profitability has been negatively impacted by rising development and operating costs with respect to labour, energy and consumables in general. Since mining is generally an energy intensive activity, especially in open pit mining, energy prices, can have a significant impact on operations. The cost of fuel as a percentage of operating costs varies amongst the Company's mines; however, all operations experienced higher fuel costs during 2006, largely attributable to a continuing rise in crude oil prices. Higher oil prices have translated into higher costs for petroleum based expenditures as well, including diesel fuel, lubricants, explosives, tires and transportation. Electricity prices have also increased in recent years as a result of increased demand and higher natural gas prices.

### West Texas Intermediate Crude Oil Price



Source: Reuters

In order to mitigate the impact of higher consumable prices, the Company continues to focus on continuous improvement by extending the life of capital assets and promoting a more efficient use of materials and supplies in general.

Exploration, development and operating activities have grown substantially in the mining and resource industries due to the continued strengthening of the gold price and other commodity prices. This has led to higher labour costs due to increased competition for qualified personnel.

### Currency Fluctuations

#### Currency Relative Performance Against U.S. Dollar



Source: Reuters

Changes in foreign exchange rates have an impact on the Company's operating costs and capital expenditures, affecting profitability and cash flow. For the Company's non-U.S. operations, which are located in Canada, Brazil, Chile and Russia, a portion of their operating costs and capital expenditures are denominated in the local currency. Since 2003, the currencies of the countries in which Kinross operates have strengthened against the U.S. dollar, as highlighted in the graph above. As those foreign currencies have risen, local costs incurred in those countries, when measured in U.S. dollars, have increased. As illustrated in the graph above, the Canadian dollar has appreciated by 34%, the Brazilian real by 61%, the Chilean peso by 34% and the Russian ruble by 21% since the beginning of 2003, as measured against the U.S. dollar. During 2006, the Canadian dollar, Brazilian real, Chilean peso and Russian ruble appreciated 6%, 11%, 5% and 4% respectively, against the U.S. dollar. Approximately 43% of the Company's expected production in 2007 is forecast to come from operations outside the U.S. and will continue to be exposed to foreign exchange rate movements. In order to manage this risk, the Company periodically uses currency hedges for certain foreign currency exposures.

### **3. 2007 Outlook**

The following outlook relates to Kinross only. Production and cost outlook will be updated to include Bema at a subsequent date. Kinross expects to produce approximately 1.5 million gold equivalent ounces in 2007, substantially unchanged from 2006 levels. Decreases in production due to the cessation of mining activities at Kubaka and lower production at Round Mountain and Paracatu are offset by expected increases at Kettle River, La Coipa, Refugio, Porcupine Joint Venture and Musselwhite. Cost of sales are expected to be in the range of \$320 to \$330 per ounce sold, increasing over 2006 levels due to rising electricity, fuel and other commodity costs. The U.S. dollar continued to weaken against the Canadian dollar, Brazilian real and Chilean peso during 2006. As a result, 2007 operating results and capital expenditures in non-U.S. countries where the Company operates are expected to be negatively impacted.

In 2007, general and administrative expenses are expected to be approximately \$48 million, a decline from 2006 levels. Reclamation expenditures in 2007 are expected to increase to approximately \$29 million.

Exploration and business development expense is forecasted to be \$44 million in 2007, an increase of \$5 million over 2006 levels, as efforts continue to extend the mine life at the Company's core operations and look for new opportunities. Capital expenditures are expected to be approximately \$450 million in 2007, for the expansion project at Paracatu, development of the Kettle River — Buckhorn Property, underground development at Musselwhite and expansion at La Coipa and Round Mountain.

Based on the average gold price to date in 2007, it is expected that the Company's existing cash balances, cash flow from operations and existing credit facilities will be sufficient to fund the exploration, capital and reclamation programs planned for 2007.

### **4. Strategy**

Kinross continues to deliver according to the four point strategic plan laid out in 2005, aimed at maximizing net asset value and cash flow per share. The four points are growth from core assets; best people; building blocks for the future; and drive growth opportunities. In pursuing this plan, the Company has replaced Proven and Probable Reserves depleted through mining operations, such that as at December 31, 2006, the Company has gold reserves of 27.9 million ounces, an increase from 24.7 million ounces at December 31, 2005. This has been achieved through exploration efforts at existing properties and acquisition of new properties. With the management team in place, adherence to, and recognition of, high standards of environmental, health and safety, and a competitive human resources program, the Company created a work environment designed to attract and retain the best people. The Company continues to improve its technology and business systems, improve cost control and reporting systems and expand internal and external communications efforts. With increased cash flows and credit facilities, the Company has built a foundation on which to continue to deliver against the plan. Kinross' business development approach has seen the Company shed non-core assets and acquire properties strategic to its continued success.

The Company is positioned to continue to execute on its strategic plan. Newly acquired assets will be integrated into Kinross operations and the Company will continue to dispose of non-core assets. Exploration and development of Kinross' properties will continue throughout 2007 to add reserves and exploit the potential contained therein. Development projects continue in Brazil, Chile, Russia and the United States to ensure that potential from existing properties is maximized and long term growth is maintained.

With the management team now in place and systems continuing to be developed and improved, Kinross will build on this base to optimize shareholder value and ensure a high degree of corporate governance.

## 5. Developments

### ***Acquisition of Bema Gold Corporation***

On February 27, 2007, the Company finalized the acquisition of Bema after agreeing to waive the conditions related to classification of the land upon which the Kupol project in Russia is located and long term leases relating to this property as set out in the Purchase Agreement. Through the acquisition, Kinross now owns the remaining 50% interest in CMM, the company that owns the Refugio mine in Chile, that Kinross did not already own, a 75% interest in the Kupol mine project and a 90% interest in the Julietta mine, both of which are located in Eastern Russia. The properties will be included with Kinross' consolidated results commencing on the Acquisition Date. Also, included in the acquisition is a 49% interest in the Cerro Casale Deposit, an exploration property in Chile and an approximately 30% interest in Pamodzi Gold Limited, a public South African company that owns the Petrex mine.

### ***Acquisition of Crown Resources Corporation***

The Company completed the acquisition of Crown Resources Corporation ("Crown") on August 31, 2006, and with it acquired the Buckhorn Property in Washington State, U.S.A, which is near the Kettle River mill. Consideration consisted of approximately 14.6 million common shares, plus the Company's previous ownership interests in Crown, consisting of 511,640 shares acquired in January 2004 and a \$10.0 million convertible debenture issued in May 2005, plus accrued interest, and transaction costs for a total of approximately \$219.6 million. The purchase price has been allocated as follows:

Current assets . . . . .	\$ 0.1
Property, plant and equipment (net) . . . . .	219.8
Other long-term assets . . . . .	0.1
Current liabilities . . . . .	(0.3)
Reclamation and remediation obligations . . . . .	(0.1)
	<u>\$219.6</u>

During 2006, the Company continued the process of disposing of non-core assets. The most significant transactions were:

### ***New Britannia Mine***

On December 22, 2006, Kinross sold its 50% interest in the New Britannia mine in Canada to Pegasus Mines Limited ("Pegasus") in exchange for a 19.9% interest in each of Pegasus' joint venture partners, Garson Resources Ltd. ("Garson") and Piper Capital Inc. ("Piper"). Fair value of consideration received was estimated to be CDN \$5.1 million and a gain of \$8.9 million was recorded on the sale. As part of the transaction, Pegasus replaced Kinross' environmental letter of credit of CDN \$1.9 million with the Government of Manitoba and issued a CDN \$3.9 million letter of credit to the Company in the event that the Government imposes any closure liability or obligation in respect of the New Britannia property onto Kinross. This letter of credit will be increased each anniversary date by an amount equal to the Consumer Price Index for the preceding 12 months. If the mine goes into production, the letter of credit will be returned to Pegasus by Kinross. In addition, the Company has retained a right to purchase 60% of the joint venture assets provided a feasibility study that identifies a deposit of at least 3.0 million ounces of gold reserves is completed by Pegasus.

### ***Aquarius Property***

In May 2006, the Company realized a gain of \$0.1 million on the sale of the Aquarius property to St Andrew Goldfields ("St Andrew") in exchange for 100.0 million common shares and 25.0 million common share purchase warrants of St Andrew. In 2005, the property had been written down to approximate sale value.

### ***Bolder Opportunity Limited Partnership***

The Company recognized a gain of \$1.6 million on the sale of its interest in Bolder Opportunity Limited Partnership on May 24, 2006.

## **Katanga**

The Company received 5,751,500 shares of Katanga Mining Limited (“Katanga”) in exchange for its 11.67% interest in Kinross Forrest Ltd. on June 27, 2006. On September 8, 2006, Kinross sold the 5,751,500 shares in Katanga through a private placement for proceeds of \$31.4 million resulting in a gain of \$31.3 million.

## **Lupin Mine**

Kinross and Wolfden Resources Inc. (“Wolfden”) signed a definitive agreement on June 19, 2006, whereby Kinross would sell the Lupin mine in the Territory of Nunavut to Wolfden in exchange for Wolfden assuming certain of the mine’s liabilities. The agreement was finalized subsequent to year end. Under the terms of this agreement, Wolfden owns the mine and the related property. Kinross retired the letters of credit and promissory notes related to reclamation at Lupin. The Company delivered a CDN \$3.0 million standby letter of credit to Wolfden and agreed to reimburse Wolfden for CDN \$1.7 million of fuel costs in 2007. If the Lupin mill is demolished by Wolfden without restarting the mill, the Kinross letter of credit will be drawn on to help fund the demolition costs. Kinross agreed to pay up to CDN \$1.0 million for reclamation and closing of the tailings facility if the mill is restarted, and up to CDN \$4.0 million if the mill is not restarted, provided the work is performed before the end of 2008. The agreement also provides that if the price of gold exceeds \$500 per ounce, Kinross is to be paid a 1% royalty on future production.

## **Blanket Mine**

On July 5, 2006, the Company concluded its sale of the Blanket mine to Caledonia Mining Corporation (“Caledonia”) and recorded a gain on sale of \$2.9 million.

## **George/Goose Lake Property**

The Company recorded a gain of \$1.6 million on the sale of its interest in the George/Goose Lake property to Dundee Precious Metals Inc. on July 25, 2006.

## ***Credit Facility***

On August 18, 2006, the Company entered into a credit facility consisting of an amended and restated, three year revolving credit facility in the amount of \$300.0 million, which replaced the previous \$295.0 million revolving facility and extended the term to August 2008 and a five and a half year, \$200.0 million term loan. The revolving credit facility will support the Company’s liquidity and letters of credit requirements. The facility was secured by the assets of the Fort Knox mine as well as by the shares of various wholly owned subsidiaries. As at December 31, 2006, the Company had drawn \$187.5 million of this facility in the form of a \$60.0 million LIBOR loan and letters of credit totaling \$127.5 million. The five and a half year \$200.0 million term loan supports the Paracatu expansion project in Brazil. As of December 31, 2006, the Company was in compliance with the credit facility’s various covenants.

## ***Adoption of Shareholders’ Rights Plan***

A shareholders’ rights plan (the “Plan”) was ratified by the shareholders of the Company at the Company’s 2006 annual and special shareholder’s meeting. The Plan was adopted to ensure that the Board of Directors and shareholders of the Company have sufficient time to properly evaluate a take-over bid or pursue other alternatives. The Plan is described in greater detail in Note 12 to the accompanying financial statements.

## ***Change in Chief Financial Officer***

In March 2006, the Company announced the retirement of Lars-Eric Johansson and the appointment of Thomas M. Boehlert as Executive Vice President and Chief Financial Officer. Mr. Boehlert joined Kinross following his most recent position as Executive Vice President and Chief Financial Officer of Houston’s Texas Genco and has spent over 20 years in corporate finance, accounting and banking.

## Appointment of Chief Legal Officer

In April 2006, the Company announced the appointment of Geoffrey P. Gold as Senior Vice President and Chief Legal Officer of Kinross. Mr. Gold joined Kinross following his most recent position as Vice President, Assistant Secretary and Associate General Counsel of Placer Dome Inc., and has over 12 years of legal experience in the mining industry.

## Change in Chief Operating Officer

In May 2006, the Company announced the resignation of Scott Caldwell and the appointment of Timothy C. Baker as Executive Vice President and Chief Operating Officer of Kinross. Mr. Baker joined Kinross following his most recent position as Executive General Manager of Placer Dome Chile and has over 19 years of operations experience in the mining industry.

## 6. Consolidated Results of Operations

### Financial and Operating Highlights

	Years ended December 31,			Change	
	2006	2005	2004	'06 vs '05	'05 vs '04
	(in millions, except ounces and per share amounts)				
Gold equivalent ounces — sold <sup>(a)</sup>	1,510,836	1,627,675	1,654,617	(7%)	(2%)
Gold ounces — sold	1,416,797	1,575,267	1,585,109	(10%)	(1%)
Silver ounces — sold	4,864,084	3,185,776	4,271,980	53%	(25%)
Average realized gold price (\$/ounce)	\$ 598	\$ 445	\$ 404	34%	10%
Gold sales — revenue	\$ 855.6	\$ 702.7	\$ 649.8	22%	8%
Loss on metal derivative contracts <sup>(b)</sup>	(8.2)	(2.4)	(9.3)	(242%)	74%
Silver sales revenue	58.2	25.2	26.3	131%	(4%)
Total revenue	\$ 905.6	\$ 725.5	\$ 666.8	25%	9%
Operating earnings (loss)	\$ 201.5	\$ (211.2)	\$ (67.9)	195%	(211%)
Net earnings (loss)	\$ 165.8	\$ (216.0)	\$ (63.1)	177%	(242%)
Basic and diluted loss per share	\$ 0.47	\$ (0.63)	\$ (0.18)	175%	(250%)

(a) All produced and sold ounces refer to Kinross' proportionate share. Gold equivalent ounces include silver ounces produced and sold converted to gold based on the ratio of average spot market prices for the commodities for each year. The ratios were 2006 — 52.28:1, 2005 — 60.79:1 and 2004 — 61.46:1.

(b) Gains or losses on purchased gold or silver options, spot deferred contracts or fixed forward contracts as a hedge against falling gold prices are recorded as revenue from metal sales.

### 2006 vs. 2005

- Gold equivalent ounces sold in 2006 were down to 1,510,836 ounces compared to 1,627,675 ounces in 2005. This is primarily the result of reduced output from Kubaka and Kettle River as these operations reduced their mining activities in 2006. These decreases were partially offset by increased sales of gold equivalent ounces at Refugio which came into production in late 2005 and increased gold equivalent production at La Coipa.
- Revenue increased to \$905.6 million from \$725.5 million due to a realized gold price that was 34% higher than 2005, even though sales quantities were down 10%. The Company realized an average gold price of \$598 per ounce in 2006 compared to \$445 per ounce in 2005.
- Operating earnings went from a loss of \$211.2 million in 2005 and a loss of \$67.9 million in 2004 to earnings of \$201.5 million in 2006. This performance was driven by higher metal prices and a reduced impairment charge of \$10.5 million in 2006, compared to a charge of \$184.7 million in 2005.
- Net gains on the disposals of assets and investments of \$47.4 million in 2006 also contributed to improved operating earnings. Net gains of \$6.0 million and \$1.7 million were recorded in 2005 and 2004, respectively. Net earnings of \$165.8 million, or \$0.47 per share, were also impacted by a tax provision of \$25.9 million, as

compared to a recovery of taxes of \$12.9 million in 2005, when a loss of \$216.0 million, or \$0.63 per share, was reported.

- General and administrative costs increased to \$52.1 million up from \$45.3 million as a result of stock-based compensation expenses, a stronger Canadian dollar, and costs associated with new hires.

## 2005 vs. 2004

- In 2005, gold equivalent ounces sold decreased 2%, compared with 2004. Production and ounces sold decreased at Fort Knox, Round Mountain, Lupin, New Britannia and La Coipa. This was partially offset by increases at Kubaka, Musselwhite and attributable production at Paracatu due to the purchase of the remaining 51% at the end of 2004.
- Revenue from metal sales increased by 9% year-over-year; from \$666.8 million in 2004 to \$725.5 million in 2005. The increase was primarily due to a 10% increase in the realized gold price. During 2005, the Company realized an average price of \$445 per ounce on the sale of its gold, against an average spot gold price for the year of \$444 per ounce. During 2004, the Company realized an average gold price of \$404 per ounce, versus an average spot gold price of \$409 per ounce.
- The net loss increased from \$63.1 million, or \$0.18 per share, to \$216.0 million, or \$0.63 per share, between 2004 and 2005. During 2005, impairment charges totaling \$184.7 million, were recorded against property, plant and equipment of \$171.9 million, goodwill of \$8.7 million, and investments of \$4.1 million. This included impairment charges of \$141.8 million on Fort Knox, \$36.8 million on the Aquarius property, \$3.4 million on Crixás and \$2.0 million on Musselwhite. Excluding these impairment charges, results for 2005 would have been a net loss attributable to common shares of \$32.1 million, compared to a net loss attributable to common shares of \$5.6 million in 2004. The impairment charges are discussed further under "Impairment of Goodwill, Property, Plant and Equipment, and Investments". General and administrative expense increased to \$45.3 million, from \$36.4 million in 2004. The increase was largely due to costs related to the regulatory review of the Company's accounting for goodwill and subsequent restatement, as well as increased severance costs. In addition, accretion and reclamation expense related to the Company's reclamation and remediation obligations increased to \$33.5 million in 2006, from \$56.0 million in 2005 and \$21.4 million in 2004. Included in accretion and reclamation expense for 2006 and 2005 is \$21.2 million and \$46.0 million, respectively, related to increased cost estimates at mines no longer in production.

## Segment Earnings (Loss)

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004	Change \$	Change %	Change \$	Change %
	(in millions)						
<b>Operating Segments</b>							
Fort Knox	\$ 77.2	\$(124.1)	\$ 16.6	\$201.3	nm	\$(140.7)	nm
Round Mountain	93.7	26.6	25.8	67.1	252%	0.8	3%
La Coipa	25.1	(2.4)	0.9	27.5	nm	(3.3)	nm
Crixás	26.2	11.3	12.8	14.9	132%	(1.5)	12%
Paracatu <sup>(b)</sup>	26.0	5.4	2.9	20.6	381%	2.5	86%
Musselwhite	(1.2)	(7.7)	(3.8)	6.5	84%	(3.9)	103%
Porcupine Joint Venture	18.6	(0.9)	5.7	19.5	nm	(6.6)	nm
Refugio	22.1	1.7	0.1	20.4	1200%	1.6	1600%
Kettle River	(4.3)	(4.7)	0.9	0.4	9%	(5.6)	nm
Other operations <sup>(c)</sup>	(19.8)	3.8	(37.9)	(23.6)	nm	41.7	nm
<b>Corporate &amp; other</b>	<u>(62.1)</u>	<u>(120.2)</u>	<u>(91.9)</u>	<u>58.1</u>	<u>48%</u>	<u>(28.3)</u>	<u>31%</u>
<b>Total</b>	<u>\$201.5</u>	<u>\$(211.2)</u>	<u>\$(67.9)</u>	<u>\$412.7</u>	<u>nm</u>	<u>\$(143.3)</u>	<u>211%</u>

(a) "nm" refers to not meaningful.

(b) The acquisition of Paracatu was completed on December 31, 2004. Therefore, the Company's 49% proportionate share of Paracatu's operating results have been included for the years ended December 31, 2004.

(c) Other operations include Kubuka and Gurupi.

## Results of Operations

### Fort Knox (100% ownership and operator) — USA

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004	Change \$	Change %	Change \$	Change %
	(in millions, except ounces)						
<b>Operating Statistics</b>							
Tonnes ore mined (000's) . . . . .	14,514	12,683	10,927	1,831	14%	1,756	16%
Tonnes processed (000's) . . . . .	13,462	13,050	13,239	412	3%	(189)	(1%)
Grade (grams/tonne) . . . . .	0.90	0.90	0.94	—	(0%)	(0.04)	(4%)
Recovery (%) . . . . .	85.7%	86.9%	84.2%	(1.2%)	(1%)	2.7%	3%
Gold equivalent ounces							
Produced . . . . .	333,383	329,320	338,334	4,063	1%	(9,014)	(3%)
Sold . . . . .	342,455	320,771	351,738	21,684	7%	(30,967)	(9%)
<b>Financial Data</b> (in US\$ millions)							
Metal sales . . . . .	\$ 208.3	\$ 143.1	\$ 143.9	\$ 65.2	46%	\$ (0.8)	(1%)
Cost of sales <sup>(a)</sup> . . . . .	102.9	88.1	89.2	14.8	17%	(1.1)	(1%)
Accretion and reclamation expense . . . . .	1.3	1.1	1.3	0.2	18%	(0.2)	(15%)
Depreciation, depletion and amortization . . . . .	25.0	34.8	35.9	(9.8)	(28%)	(1.1)	(3%)
	79.1	19.1	17.5	60.0	314%	1.6	9%
Exploration . . . . .	1.4	0.6	0.6	0.8	133%	—	0%
Impairment charge . . . . .	—	141.8	—	(141.8)	(100%)	141.8	nm
Other . . . . .	0.5	0.8	0.3	(0.3)	(38%)	0.5	167%
Segment earnings (loss) . . . . .	\$ 77.2	\$ (124.1)	\$ 16.6	\$ 201.3	nm	\$ (140.7)	nm

(a) Cost of sales exclude accretion and reclamation expense, depreciation, depletion and amortization.

The Company has been operating the Fort Knox mine, located near Fairbanks, Alaska, since it was acquired in 1998. The operation consists of the Fort Knox open pit and the True North open pit which is located approximately 15 kilometres northwest of the Fort Knox pit.

#### 2006 vs. 2005

The quantity of ore processed at Fort Knox has remained relatively constant from 2004 through 2006, with stockpiles utilized in 2006 to maintain throughput of the mill. The decrease in the recovery rate from 86.9% in 2005, to 85.7% in 2006, resulted from processing ore from Phase V, which is a lower recovery ore than the Phase IV ore processed in 2005. Gold equivalent ounces increased 7% from 2005 levels, and combined with a higher gold price resulted in sales revenues increasing 46% to \$208.3 million from \$143.1 million in 2005.

Cost of sales increases of 17% reflect the fact that more tonnage was mined to extract the same quantity of metal in 2005 and there were higher costs, particularly for electricity, fuel and consumable costs. Depreciation, depletion and amortization expense was \$25.0 million, down 28% from \$34.8 million reflecting the impact of the write down of property, plant and equipment taken in 2005. This decrease was partly offset by increases to the cost base with over \$40.0 million in capital expenditures in 2005 and 2006. Exploration spending has increased to \$1.4 million as efforts continue to extend the life of mine. The Company is evaluating a new heap leach project at Fort Knox in order to more economically recover lower grade ore. Expectations are that gold equivalent production in 2007 will be approximately the same as 2006 levels.

#### 2005 vs. 2004

Production of gold equivalent ounces in 2005 remained about the same as 2004 levels. The lower grade in 2005 was the result of suspending production at the True North deposit in 2004, which was a higher grade ore. Lower mill throughput in 2005 resulted due to processing harder Fort Knox pit ore compared with the blended ore from the True North



and Fort Knox pits for much of the prior year. Despite selling 9% fewer gold equivalent ounces in 2005, revenues remained largely unchanged, due to a higher realized gold price. The decrease in cost of sales reflects lower gold ounces sold. The cost of sales, on a per ounce basis, increased as a result of higher energy costs, partially offset by improved cost efficiencies as a result of the continuous improvement program. During 2005, a strategic review was conducted on the Fort Knox operation. The review was done in light of rising electricity and fuel costs, the metallurgical performance at True North and slope stability issues at the southwest wall of the pit. As a result of the review, the True North and Gil deposits were reclassified from reserves to resources, the Company decided to withdraw from the Ryan Lode project, which had been included in reserves, and design changes were made to the Fort Knox pit. As a result, the Company recorded a \$141.8 million impairment charge against the mine. The impairment is discussed further under "Impairment of Goodwill, Property, Plant and Equipment, and Investments". Depreciation expense remained relatively constant despite a 9% decrease in ounces being sold due to increased capital expenditures that have added to the assets subject to depreciation.

#### Round Mountain (50% ownership and operator) — USA

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004	Change \$	Change %	Change \$	Change %
	(in millions, except ounces)						
<b>Operating Statistics</b>							
Tonnes ore mined (000's) <sup>(a)</sup>	21,488	29,002	35,820	(7,514)	(26%)	(6,818)	(19%)
Tonnes processed (000's) <sup>(a)</sup>	43,436	61,696	67,065	(18,260)	(30%)	(5,369)	(8%)
Grade (grams/tonne)	0.65	0.64	0.55	0.01	2%	0.09	16%
Gold equivalent ounces							
Produced	335,115	373,947	387,785	(38,832)	(10%)	(13,838)	(4%)
Sold	349,497	367,581	375,421	(18,084)	(5%)	(7,840)	(2%)
<b>Financial data</b> (in US\$ millions)							
Metal sales	\$ 211.7	\$ 164.0	\$ 154.1	\$ 47.7	29%	\$ 9.9	6%
Cost of sales <sup>(c)</sup>	99.4	93.7	82.3	5.7	6%	11.4	14%
Accretion and reclamation expense	1.7	1.8	1.9	(0.1)	(6%)	(0.1)	(5%)
Depreciation, depletion and amortization	11.9	39.5	43.3	(27.6)	(70%)	(3.8)	(9%)
	98.7	29.0	26.6	69.7	240%	2.4	9%
Exploration	5.0	2.4	0.8	2.6	108%	1.6	200%
Segment earnings (loss)	\$ 93.7	\$ 26.6	\$ 25.8	\$ 67.1	252%	\$ 0.8	3%

(a) Tonnes of ore mined/processed represents 100% of mine production.

(b) Due to the nature of heap leach operations, recovery rates cannot be accurately measured.

(c) Cost of sales excludes accretion and reclamation expense, depreciation, depletion and amortization.

The Company acquired its ownership interest in the Round Mountain open pit mine, located in Nye County, Nevada, in the acquisition of Echo Bay Mines Ltd. ("Echo Bay") on January 31, 2003.

#### 2006 vs. 2005

Tonnes of ore mined and processed have declined at Round Mountain as the existing pit is depleted. The pit is currently undergoing an expansion which is expected to contribute to improved grades and recovery rates. The decrease in tonnes processed is reflected in the 10% decrease in gold equivalent ounces produced of 335,115 ounces, from 373,947 ounces in 2005. Gold equivalent ounces were down 5% to 349,497 ounces, but with a higher gold price, saw revenues climb to \$211.7 million, a 29% increase from 2005. Higher costs for energy, primarily in the form of diesel fuel and consumables resulted in a 6% increase in cost of sales over 2005, despite the lower quantities of ore processed. The decrease in depreciation expense by 70% is related to the increase in the reserves in 2005 which form the basis for depreciation, depletion and amortization changes. Exploration expenditures of \$5.0 million are part of the continuing efforts to extend the life of the mine. Production in 2007 is expected to continue to trend lower than previous years.

#### 2005 vs. 2004

Fewer tonnes of ore were delivered to the dedicated pads at a lower grade resulting in a production level that was 4% lower in 2005 than in the prior year. Tonnes processed were lower during the year due to pit phasing and pit slope failures. Revenues were up by 6% as a result of higher realized gold prices, despite fewer ounces being sold. Cost of sales increased by 14% due to increased commodity related costs, higher costs on replacement parts, increased contractor costs on equipment maintenance and higher royalties and taxes due to a stronger gold price. Depreciation expense was 10% lower year-over-year due to fewer ounces being sold and the addition of reserve ounces.

## La Coipa (50% ownership; Goldcorp 50% and operator) — Chile

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004	Change \$	Change %	Change \$	Change %
	(in millions, except ounces)						
<b>Operating Statistics</b>							
Tonnes ore mined (000's) <sup>(a)</sup>	2,751	3,450	3,769	(699)	(20%)	(319)	(8%)
Tonnes processed (000's) <sup>(a)</sup>	5,126	6,496	6,562	(1,370)	(21%)	(66)	(1%)
Grade (grams/tonne)							
Gold	0.95	1.01	1.10	(0.06)	(6%)	(0.09)	(8%)
Silver	94.31	45.07	60.83	49.24	109%	(15.76)	(26%)
Recovery (%)							
Gold	79.4%	80.5%	81.2%	(1.1%)	(1%)	(0.7%)	(1%)
Silver	64.4%	54.0%	57.5%	10.4%	19%	(3.5%)	(6%)
Gold equivalent ounces							
Produced	155,180	125,991	150,887	29,189	23%	(24,896)	(16%)
Sold	154,192	131,051	149,785	23,141	18%	(18,734)	(13%)
Silver ounces produced (000's)	4,346	2,547	3,693	1,799	71%	(1,146)	(31%)
<b>Financial Data</b> (in US\$ millions)							
Metal sales	\$ 94.0	\$ 60.3	\$ 59.0	\$ 33.7	56%	\$ 1.3	2%
Cost of sales <sup>(b)</sup>	47.6	45.4	39.7	2.2	5%	5.7	14%
Accretion and reclamation expense	0.9	0.4	0.4	0.5	125%	—	0%
Depreciation, depletion and amortization	16.9	15.8	16.8	1.1	7%	(1.0)	(6%)
	28.6	(1.3)	2.1	29.9	nm	(3.4)	nm
Exploration	2.0	1.1	0.5	0.9	82%	0.6	120%
Other	1.5	—	0.7	1.5	nm	(0.7)	nm
Segment earnings (loss)	\$ 25.1	\$ (2.4)	\$ 0.9	\$ 27.5	nm	\$ (3.3)	nm

(a) Tonnes of ore mined/processed represent 100% of mine production.

(b) Cost of sales excludes accretion and reclamation expense, depreciation, depletion and amortization.

The Company acquired its ownership interest in the La Coipa open pit mine in the merger of TVX Gold Inc. ("TVX") on January 31, 2003. In the second quarter of 2006, Goldcorp Inc. ("Goldcorp") acquired the 50% interest in the mine from Barrick Gold Corporation, ("Barrick") which previously had acquired the mine on its purchase of Placer Dome.

### 2006 vs. 2005

Gold equivalent production increased 23% from 2005 levels as ore from Puren deposit came into production at a higher overall grade. With gold equivalent ounces sold increasing 18% to 154,192 ounces and a higher realized gold price, metal sales revenues rose to \$94.0 million, up 56% from 2005 revenue of \$60.3 million.

Due to higher labour costs, the negative impact of currency exchange rates and high processing costs for Puren ore, total cost of sales was up 5% to \$47.6 million. Accretion and reclamation expense increased to \$0.9 million reflecting the increased reclamation liability resulting from the mining activity at the Puren pit and the Coipa Norte pit. Gold equivalent production in 2007 is expected to be higher than 2006 since Puren came into production in July 2006.

### 2005 vs. 2004

Tonnes mined and milled, along with grade and recoveries were lower than 2004 due to changes in the mine plan caused by pit slope failures during the year. As a result, production was down 16% to 125,991 gold equivalent ounces from 150,887 equivalent ounces in 2004. Geotechnical studies were conducted in order to assess the current situation and appropriate corrective actions were taken. While gold equivalent ounces sold were 13% lower in 2005, due to lower production, a higher realized gold price resulted in a 2% increase in revenue. Cost of sales was 14% higher year-over-year despite fewer ounces being sold. The increase was due to higher stripping costs, increased cost for power, fuel and other consumables, and the strengthening of the Chilean peso, against the U.S. dollar of approximately 9% year-over-year.

Depreciation expense was 6% lower, largely due to fewer ounces being sold. There was no significant change during the year to the average ratio for conversion of silver into equivalent gold ounces.

### Crixás (50% ownership; AngloGold Ashanti 50% and operator) — Brazil

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004	Change \$	Change %	Change \$	Change %
	(in millions, except ounces)						
<b>Operating Statistics</b>							
Tonnes ore mined (000's) <sup>(a)</sup>	790	755	746	35	5%	9	1%
Tonnes processed (000's) <sup>(a)</sup>	790	755	746	35	5%	9	1%
Grade (grams/tonne)	7.98	8.32	8.18	(0.34)	(4%)	0.14	2%
Recovery	95.3%	95.2%	95.4%	0.1%	0%	(0.2%)	0%
Gold equivalent ounces							
Produced	97,009	96,212	93,540	797	1%	2,672	3%
Sold	94,986	93,309	93,265	1,677	2%	44	0%
<b>Financial Data</b> (in US\$ millions)							
Metal sales	\$ 57.0	\$ 41.5	\$ 38.2	\$15.5	37%	\$ 3.3	9%
Cost of sales <sup>(b)</sup>	17.7	14.1	12.2	3.6	26%	1.9	16%
Accretion and reclamation expense	0.2	0.1	0.1	0.1	100%	—	0%
Depreciation, depletion and amortization	11.2	12.3	12.8	(1.1)	(9%)	(0.5)	(4%)
	27.9	15.0	13.1	12.9	86%	1.9	15%
Exploration	1.5	0.3	0.3	1.2	400%	—	0%
Impairment charge	—	3.4	—	(3.4)	nm	3.4	nm
Other	0.2	—	—	0.2	nm	—	nm
Segment earnings	<u>\$ 26.2</u>	<u>\$ 11.3</u>	<u>\$ 12.8</u>	<u>\$14.9</u>	<u>132%</u>	<u>\$ (1.5)</u>	<u>(12%)</u>

(a) Tonnes of ore mined/processed represent 100% of mine production.

(b) Cost of sales excludes accretion and reclamation expense, depreciation, depletion and amortization.

The Company acquired its ownership interest in the Crixás underground mine, located in the State of Goias, Brazil, in the acquisition of TVX on January 31, 2003.

### 2006 vs. 2005

Tonnes of ore processed, grades and recovery rates have remained relatively consistent over the last two years with gold equivalent production and sales ounces of 97,009 ounces and 94,986 ounces, respectively. Higher gold prices are reflected in a 37% increase in revenue to \$57.0 million while cost of sales has increased 26% to \$17.7 million, the result of higher consumable costs and an 11% appreciation of the Brazilian real against the U.S. dollar. Depreciation, depletion and amortization have remained relatively constant year-over-year. There were no impairment charges in 2006, compared to \$3.4 million write-down of a tax-related receivable in 2005.

Production of gold equivalent ounces in 2007 is expected to be below 2006 levels due to lower grade of ore.

### 2005 vs. 2004

Gold production was 3% higher in 2005, compared with 2004, due to higher grade and increased mill throughput. Revenue increased by 9% as a result of a higher realized gold price. Costs of sales increased year-over-year by 16% due to the appreciation of the Brazilian real against the U.S. dollar, and higher energy, service and consumable costs. The average exchange rate of the Brazilian real against the U.S. dollar increased, year-over-year, by approximately 20%.

## Paracatu (100% ownership and operator) — Brazil

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004 <sup>(b)</sup>	Change \$	Change %	Change \$	Change %
	(in millions, except ounces)						
<b>Operating Statistics</b>							
Tonnes ore mined (000's) <sup>(a)</sup>	17,637	17,157	17,281	480	3%	(124)	(1%)
Tonnes processed (000's) <sup>(a)</sup>	18,137	16,945	17,342	1,192	7%	(397)	(2%)
Grade (grams/tonne)	0.38	0.42	0.44	(0.04)	(10%)	(0.02)	(5%)
Recovery (%)	76.8%	78.2%	76.8%	(1.4%)	(2%)	1.4%	2%
Gold equivalent ounces							
Produced	174,254	180,522	92,356	(6,268)	(3%)	88,166	95%
Sold	173,821	177,806	93,279	(3,985)	(2%)	84,527	91%
<b>Financial data</b> (in US\$ millions)							
Metal sales	\$ 104.1	\$ 79.0	\$ 38.2	\$ 25.1	32%	\$ 40.8	107%
Cost of sales <sup>(c)</sup>	57.7	50.0	20.6	7.7	15%	29.4	143%
Accretion and reclamation expense	0.9	0.7	0.5	0.2	29%	0.2	40%
Depreciation, depletion and amortization	12.5	17.0	9.5	(4.5)	(26%)	7.5	79%
	33.0	11.3	7.6	21.7	192%	3.7	49%
Exploration	1.5	5.2	—	(3.7)	(71%)	5.2	nm
Impairment charge	—	—	2.1	—	nm	(2.1)	nm
Other	5.5	0.7	2.6	4.8	686%	(1.9)	(73%)
Segment earnings	<u>\$ 26.0</u>	<u>\$ 5.4</u>	<u>\$ 2.9</u>	<u>\$ 20.6</u>	<u>381%</u>	<u>\$ 2.5</u>	<u>86%</u>

(a) Tonnes of ore mined/processed represents 100% of mine production.

(b) The results for 2004 reflect the Company's 49% ownership. The Company acquired the remaining 51% on December 31, 2004.

(c) Cost of sales excludes accretion and reclamation expense, depreciation, depletion and amortization.

The Company acquired a 49% ownership interest in the Paracatu open pit mine, located in the State of Minas Gerais, Brazil, in the acquisition of TVX on January 31, 2003. On December 31, 2004, the Company completed the purchase of the remaining 51% of Paracatu from Rio Tinto Plc.

### 2006 vs. 2005

Harder ore at lower grades resulted in a 3% decrease in gold equivalent production to 174,254 ounces, from 180,522 ounces in 2005. Higher gold prices resulted in a 32% increase in revenue even though gold equivalent sales were down by 2%. The appreciation of the Brazilian real, higher production taxes related to the price of gold and higher costs for labour and consumables pushed cost of sales 15% higher than 2005 to \$57.7 million. With the Paracatu expansion project underway, exploration efforts have been reduced resulting in a decrease in expenses to \$1.5 million from \$5.2 million in 2005. Other expenses increased to provide for tax contingencies. Gold production is expected to be lower in 2007 as fewer tonnes at a lower grade and recovery are anticipated.

### 2005 vs. 2004

Gold equivalent production attributable to Kinross' account increased by 95% between 2004 and 2005. The increase was due to the increase in Kinross' ownership of Paracatu from 49% in 2004 to 100% in 2005. On a 100% basis, gold equivalent production decreased by 4% year-over-year. The decrease was due to lower grade ore and the processing of fewer tonnes, partially offset by a higher recovery rate. Revenue increased by 107%, or approximately 1% on a 100% basis. Revenue, on 100% basis, increased despite fewer ounces being sold as a result of a higher realized gold price. Cost of sales during 2005 increased by 19% against 2004, on a 100% basis. The increase was due to increased energy and consumable costs, and an appreciation of the Brazilian real against the U.S. dollar, year-over-year, of approximately 20%. Depreciation decreased in 2005 by 12% against 2004, on a 100% basis, due to increases in the mine's reserves.

## Musselwhite (31.93% ownership; Goldcorp 68.07% and operator) — Canada

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004	Change \$	Change %	Change \$	Change %
	(in millions, except ounces)						
<b>Operating Statistics</b>							
Tonnes ore mined (000's) <sup>(a)</sup>	1,301	1,390	2,340	(89)	(6%)	(950)	(41%)
Tonnes processed (000's) <sup>(a)</sup>	1,301	1,477	1,459	(176)	(12%)	18	1%
Grade (grams/tonne)	5.51	5.46	5.30	0.05	1%	0.16	3%
Recovery (%)	95.4%	95.0%	95.8%	0.4%	0%	(0.8%)	(1%)
Gold equivalent ounces							
Produced	69,834	79,916	76,640	(10,082)	(13%)	3,276	4%
Sold	71,405	79,919	78,430	(8,514)	(11%)	1,489	2%
<b>Financial Data</b> (in US\$ millions)							
Metal sales	\$ 43.0	\$ 34.9	\$ 32.1	\$ 8.1	23%	\$ 2.8	9%
Cost of sales <sup>(b)</sup>	31.9	26.4	21.1	5.5	21%	5.3	25%
Accretion and reclamation expense	0.2	0.1	0.1	0.1	100%	—	0%
Depreciation, depletion and amortization	10.4	12.5	12.5	(2.1)	(17%)	—	0%
	0.5	(4.1)	(1.6)	4.6	nm	(2.5)	(156%)
Exploration	1.7	1.6	2.0	0.1	6%	(0.4)	(20%)
Impairment charge	—	2.0	—	(2.0)	nm	2.0	nm
Other	—	—	0.2	—	nm	(0.2)	nm
Segment loss	<u>\$ (1.2)</u>	<u>\$ (7.7)</u>	<u>\$ (3.8)</u>	<u>\$ 6.5</u>	<u>84%</u>	<u>\$ (3.9)</u>	<u>(103%)</u>

(a) Tonnes of ore mined/processed represent 100% of mine production.

(b) Cost of sales excludes accretion and reclamation expense, depreciation, depletion and amortization.

The Company acquired its 31.9% ownership interest in the Musselwhite underground mine, located in northwestern Ontario, Canada, in the acquisition of TVX on January 31, 2003. In the second quarter of 2006, Goldcorp acquired the 68.1% interest in the mine from Barrick, which previously had acquired the mine on its purchase of Placer Dome.

### 2006 vs. 2005

Production at Musselwhite was down 13% to 69,384 gold equivalent ounces due to reduced availability of labour and equipment. Revenue increased 23%, a result of higher realized gold prices to \$43.0 million from \$34.9 million in 2005, even though gold equivalent ounces sold were down 11% from the prior year. Depreciation expense is lower due to an increase in reserves in 2005. Increased throughput at slightly lower recovery rates is expected to increase 2007 production over 2006 levels.

### 2005 vs. 2004

Gold equivalent production increased 4% in 2005 due to a 3% increase in grade year-over-year and an increase in tonnes processed. The increased grade was the result of increased tonnage from underground sources which replaced low grade stockpile feed. Revenue from metal sales increased by 9% due to a higher realized gold price and a 2% increase in the number of ounces sold. Cost of sales increased 25% due to the increased tonnage from higher-cost underground ore, increased underground development costs and higher energy and commodity costs. Cost of sales was also negatively impacted by a 7% appreciation of the Canadian dollar against the U.S. dollar year-over-year.

## Porcupine (49% interest; Goldcorp 51% and operator) — Canada

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004 <sup>(a)</sup>	Change \$	Change %	Change \$	Change %
	(in millions, except ounces)						
<b>Operating Statistics</b>							
Tonnes ore mined (000's) <sup>(a)</sup>	20,348	5,443	13,752	14,905	274%	(8,309)	(60%)
Tonnes processed (000's) <sup>(a)</sup>	4,218	4,266	3,995	(48)	(1%)	271	7%
Grade (grams/tonne)	2.55	2.95	3.35	(0.40)	(14%)	(0.40)	(12%)
Recovery (%)	92.5%	92.6%	91.8%	(0.1)%	(0%)	0.8%	1%
Gold equivalent ounces							
Produced	156,735	183,976	193,799	(27,241)	(15%)	(9,823)	(5%)
Sold	161,196	179,585	191,296	(18,389)	(10%)	(11,711)	(6%)
<b>Financial data</b> (in US\$ millions)							
Metal sales	\$ 97.5	\$ 80.8	\$ 78.8	\$ 16.7	21%	\$ 2.0	3%
Cost of sales <sup>(b)</sup>	59.9	50.7	44.4	9.2	18%	6.3	14%
Accretion and reclamation expense	2.0	11.8	2.3	(9.8)	(83%)	9.5	413%
Depreciation, depletion and amortization	11.8	14.8	22.7	(3.0)	(20%)	(7.9)	(35%)
	23.8	3.5	9.4	20.5	580%	(5.9)	(63%)
Exploration	4.9	3.5	3.2	1.4	40%	0.3	9%
Other	0.3	0.9	0.5	(0.6)	(67%)	0.4	80%
Segment earnings (loss)	\$ 18.6	\$ (0.9)	\$ 5.7	\$ 19.5	nm	\$ (6.6)	nm

(a) Tonnes of ore mined/processed represents 100% of mine production.

(b) Cost of sales excludes accretion and reclamation expense, depreciation, depletion and amortization.

On July 1, 2002, the Company formed the Porcupine Joint Venture with a wholly owned subsidiary of Placer Dome Inc. ("Placer Dome"). The formation of the joint venture combined the two companies' gold mining operations in the Porcupine district of Timmins, Ontario. In the second quarter of 2006, Goldcorp acquired the 51% interest in the joint venture from Barrick Gold Corporation which previously had acquired their interest on its purchase of Placer Dome.

### 2006 vs. 2005

Gold equivalent production was down 15% as the mine transitioned activities from the Dome pit to the lower grade Pamour pit as planned. Lower production levels at lower grades, resulted in a 10% decline in gold equivalent ounces sold to 161,196 ounces from 179,585 ounces. Despite the decrease, revenue increased 21% due to higher gold prices. Cost of sales were negatively impacted by the 6% appreciation of the Canadian dollar to the U.S. dollar, plus higher energy and consumable costs. Accretion and reclamation expenses were down to \$2.0 million from \$11.8 million in 2005 due to an additional charge taken in 2005. Exploration costs of \$4.9 million were up slightly from 2005 as efforts continue to expand reserves and resources. Production in 2007 is expected to increase from 2006 levels due to increases in tonnes and grade.

### 2005 vs. 2004

Production was positively impacted by higher recoveries and increased mill throughput in 2005; however, this was offset by lower grade, resulting in gold production that in 2005 was 5% lower than 2004. Mill throughput was higher as a result of a mill expansion undertaken to ensure the harder ores originating from the Pamour pit could be processed through the Dome mill. Feed grade was lower due to localized highwall instability in the Dome pit, no production from the Dome underground mine and the commencement of mining at the Pamour pit which has a lower average grade than the Dome pit. Revenue increased by 3% despite a 6% drop in ounces sold as a result of higher realized gold prices. Cost of sales was also up despite selling fewer ounces due to higher energy and commodity costs, and a 7% increase in value of the Canadian dollar against the U.S. dollar year-over-year. Increases during the year in the Company's portion of the estimated reclamation and remediation liability relating to areas of the joint venture no longer in production were expensed in the current year and have been included as part of accretion and reclamation expense. Depreciation expense decreased by 35% due to a 6% drop in ounces sold and a larger reserve base in 2005.

## Refugio (50% ownership and operator) — Chile

	Years ended December 31,		2006 vs 2005	
	2006	2005	Change \$	Change %
	(in millions, except ounces)			
<b>Operating Statistics</b>				
Tonnes ore mined (000's) <sup>(a)</sup> . . . . .	14,832	5,800	9,032	156%
Tonnes processed (000's) <sup>(a)</sup> . . . . .	14,721	5,800	8,921	154%
Grade (grams/tonne) . . . . .	0.70	0.83	(0.13)	(16%)
Gold equivalent ounces				
Produced . . . . .	116,868	30,580	86,288	282%
Sold . . . . .	115,198	30,575	84,623	277%
<b>Financial Data</b> (in US\$ millions)				
Metal sales . . . . .	\$ 69.7	\$ 14.6	\$ 55.1	377%
Cost of sales <sup>(b)</sup> . . . . .	39.3	9.6	29.7	309%
Accretion and reclamation expense . . . . .	(1.0)	0.2	(1.2)	nm
Depreciation, depletion and amortization . . . . .	7.0	0.2	6.8	3,400%
	24.4	4.6	19.8	430%
Exploration . . . . .	1.8	—	1.8	nm
Impairment charge . . . . .	0.5	—	0.5	nm
Other . . . . .	—	2.9	(2.9)	(100%)
Segment earnings (loss) . . . . .	<u>\$ 22.1</u>	<u>\$ 1.7</u>	<u>\$ 20.4</u>	<u>1200%</u>

(a) Tonnes of ore mined/processed represent 100% of mine production.

(b) Cost of sales excludes accretion and reclamation, depreciation, depletion and amortization.

Kinross acquired its 50% interest in the Refugio open pit mine, located 120 kilometres northeast of Copiapo, Chile in 1998. In 2001, due to low gold prices and operational difficulties, mining activities were suspended and the operation was placed on care and maintenance. In late 2002, a multi-phase exploration program commenced and in 2003 it was determined that the mine would be recommissioned. The Refugio mine went into production in the second half of 2005 and achieved its targeted production rate in November 2005. As a result, comparative amounts from 2005 are not meaningful. With the acquisition of the remaining 50% interest in Refugio from Bema early in 2007 Kinross will report 100% of the site's production and sales commencing on the date of acquisition.

### 2006 vs 2005

The Refugio mine produced 116,898 gold equivalent ounces in 2006 as a full year of production was achieved, compared to 30,580 ounces in the last few weeks of 2005. Metal sales revenue was \$69.7 million on 115,198 gold equivalent ounces, up from \$14.6 million in 2005. Cost of sales reflects this increased production and higher costs for energy and consumables. Depreciation, depletion and amortization increased due to the mine coming into full production. Total 2007 mine production is expected to be approximately the same as in 2006.

In 2005, the mine processed 5.8 million tonnes of ore with an average grade of 0.83 gpt, to produce 30,580 ounces of gold to Kinross' account.

## Kettle River (100% ownership and operator) — USA

In November 2005, the Kettle River mill was temporarily shut down as all mining activities had been completed. The Buckhorn property was acquired with the purchase of Crown in August 2006 and efforts are now underway to get the Buckhorn mine operational. On September 27, 2006, Washington State regulatory agencies issued permits allowing construction of the Buckhorn mine to commence. On October 17, 2006, the Okanogan Highlands Alliance ("OHA") filed an administrative appeal of the water rights and stormwater permits issued by the Washington State Department of Ecology and the reclamation permit issued by the Washington State Department of Natural Resources. The appeal asserts that the permits were improperly issued and that the Supplemental Environmental Impact Statement ("EIS") prepared by the State

supporting the permits is inadequate. It is expected that the balance of the permits for the project will be issued mid-year 2007 and appeals of some or all of those expected to be filed sometime thereafter.

On January 17, 2007, the Okanagan/Wenatchee National Forest Supervisor issued a Record of Decision (“ROD”) and Final EIS in respect of the Company’s request for authorization of road access, power and utility lines, treated water pipelines and infiltration gallery, fences and monitoring wells to serve the Buckhorn mine. On March 22, 2007, the OHA filed a written administrative appeal of the ROD, the Final EIS and associated special use permits and/or authorizations (including any approval of any mining plan of operations) for the “Buckhorn Access Project”, with the USDA Forest Service Regional Forester (the “Federal Appeal”). While it would be premature to predict the outcome of the appeal at this stage of the proceedings, the Company believes it has substantial defenses to the appeal, including any motion for a stay of operations.

### **Other Operating Segments**

#### *Kubaka (98.1% ownership and operator) — Russia*

Kinross has held an interest in the Kubaka mine, located in the Magadan Oblast in far eastern Russia since 1998, and on February 28, 2003 increased its ownership interest to 98.1%.

All mining activity at Kubaka was completed by June 2005, and the remaining stockpiles had been processed by the third quarter of 2006. During 2006, materials and supplies inventory was written down by \$7.6 million. Kubaka is reported with Other operations for segment reporting purposes.

Gold equivalent production in 2005 increased by 13% over 2004 levels to 140,195 ounces. The increase was due to a 10% increase in mill throughput and 7% increase in grades. The change in mill throughput was largely the result of an 8-week scheduled shutdown in 2004. Revenue from metal sales increased by 27% due to more ounces being sold and a higher realized gold price. Costs of sales increased due to more tonnes processed and an increase in the number of ounces sold. Depreciation, depletion and amortization was up by 39% as the remaining unamortized development costs and property, plant and equipment was fully depreciated over the production during the year, following the decision to close the mine.

### **Exploration and Business Development Expense**

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004	Change \$	Change %	Change \$	Change %
(in millions)							
Exploration and business development . . . . .	\$39.4	\$26.6	\$20.4	\$12.8	48%	\$6.2	30%

**2006** Exploration and business development expenses increased 48% from 2005 to \$39.4 million. Of this, \$13.5 million was spent on Kinross-owned properties and an additional \$10.1 million at non-operated joint venture properties. This contributed to increases in reserves and resources at Refugio, Fort Knox, Paracatu, the Porcupine Joint Venture, La Coipa and Crixás.

Exploration and business development expenditures in 2007 are expected to rise to \$44.0 million to ensure that there is a pipeline of projects to replace and build on the reserves and resources.

**2005** Exploration expenditures in 2005 focused primarily on mine exploration. The two highest priorities were the resource expansion project at Paracatu and the pit expansion at Round Mountain. During 2005, the Company spent \$5.2 million at Paracatu, while \$2.4 million was spent at Round Mountain. Exploration expenditures at the other Company operated mines included \$2.3 million at Kubaka, \$0.6 million at Fort Knox and \$0.4 million at Kettle River. The Company’s share of exploration expenditures at non-operated joint venture properties included \$3.5 million at Porcupine, \$1.6 million at Musselwhite, \$1.1 million at La Coipa and \$0.3 million at Crixás.

**2004** The focus of the Company’s exploration program was to replace and increase reserves at existing mines and increase reserves at its development projects. Exploration expenditures at mines the Company operates totaled \$14.4 million. This included \$2.2 million at Kettle River, \$0.6 million at Fort Knox, \$0.8 million at Round Mountain and \$0.4 million at Kubaka. The Company’s share of exploration expenditures at joint venture properties operated by others included \$3.2 million at Porcupine, \$2.0 million at Musselwhite, \$0.5 million at La Coipa and \$0.3 million at Crixás.



## General and Administrative

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004	Change \$	Change %	Change \$	Change %
(in millions)							
General and administrative . . . . .	\$52.1	\$45.3	\$36.4	\$6.8	15%	\$8.9	24%

General and administrative costs include expenses related to the overall management of the business which are not part of direct mine operating costs. This includes the costs incurred at corporate offices located in Toronto, Reno and Brasilia.

General and administrative costs have increased to \$52.1 million in 2006 from \$45.3 million in 2005. The increase was primarily due to stock-based compensation expense and higher personnel costs.

A large portion of the Company's general and administrative expense is incurred in Canadian dollars, therefore the weakening U.S. dollar has negatively impacted general and administrative expense. The average exchange rate of the U.S. dollar compared to the Canadian dollar decreased by 7% between 2004 and 2005 and a further 6% between 2005 and 2006.

Increases in general and administrative costs from 2004 to 2005 were the result of several factors, including increases in severance and related personnel costs, legal and insurance costs and costs incurred relating to the regulatory review of the Company's accounting for goodwill. Overall, costs related to regulatory requirements have increased each year.

## Impairment of Goodwill, Property, Plant and Equipment and Investments

### Goodwill

The Company evaluates its carrying value of Goodwill at least once each year. The test for impairment of goodwill is discussed further in the "The Carrying Value of Goodwill" in the Critical Accounting Policies and Estimates section below. In 2006, no impairment of goodwill was recorded. During 2005, goodwill impairment totaled \$8.7 million which related to Musselwhite mine and the Aquarius property. The goodwill impairment of \$2.0 million relating to Musselwhite was the result of a reduction in the future value ascribed to the property by management and the goodwill impairment charge of \$6.7 million at Aquarius followed management's decision to dispose of the property. Goodwill impairment charges of \$12.4 million were recorded in 2004. A breakdown of the impairment charges to goodwill is as follows:

	Years ended December 31,		
	2006	2005	2004
	(in millions)		
<b>Goodwill Impairment Charges</b>			
Musselwhite . . . . .	\$ —	\$2.0	\$ —
Gurupi property — exploration project . . . . .	—	—	12.4
Aquarius . . . . .	—	6.7	—
Total . . . . .	<u>\$ —</u>	<u>\$8.7</u>	<u>\$12.4</u>

### Property, Plant and Equipment and Investments

The impairment test of long lived assets is a test of recoverability. The test of the carrying value of property, plant and equipment is discussed further in the "The Carrying Value of Operating Mines, Mineral Rights, Development Properties and Other" in the Critical Accounting Policies and Estimates section below. In conducting the impairment analysis for 2006, the Company utilized the same methodology as 2005 and 2004, using nominal prices and cost assumptions, reflecting inflation and currency impacts. The gold price assumptions were based on a forecast from an independent external research firm, as well as other external market data.

During the last quarter of 2006, the Company determined that the decline in the market value of its holdings of St Andrew Goldfield shares and warrants and Caledonia Mining Corporation shares were other-than-temporary. As a result, long-term investments were impaired by \$10.5 million.

The following is a breakdown of the impairments recorded against the Company's property, plant and equipment and investments for the three years ended December 31, 2006:

	Years ended December 31,		
	2006	2005	2004
	(in millions)		
<b>Property, Plant and Equipment Impairment Charges</b>			
Fort Knox . . . . .	\$ —	\$141.8	\$ —
Paracatu . . . . .	—	—	2.1
Kubaka . . . . .	—	—	25.1
Gurupi property — exploration project . . . . .	—	—	5.0
Lupin . . . . .	—	—	7.9
New Britannia . . . . .	—	—	1.3
Aquarius — exploration project . . . . .	—	30.1	—
Norseman property — exploration project . . . . .	—	—	3.5
Reclamation projects . . . . .	—	—	1.2
	<u>\$ —</u>	<u>\$171.9</u>	<u>\$46.1</u>
<b>Investments</b>			
Crixás' taxes receivable . . . . .	\$ —	\$ 3.4	\$ —
Marketable securities and long-term investments . . . . .	10.5	0.7	1.4
	<u>\$10.5</u>	<u>\$ 4.1</u>	<u>\$ 1.4</u>
	<u>\$10.5</u>	<u>\$176.0</u>	<u>\$47.5</u>

In the fourth quarter of 2005, an impairment charge of \$141.8 million was recorded at Fort Knox as a result of a strategic review conducted on the Fort Knox operation. The True North and Gil deposits were reclassified from reserves to resources, the Company decided to withdraw from the Ryan Lode project, which previously had been included in reserves, and design changes were made to the Fort Knox pit.

An impairment charge of \$3.4 million was recorded in the fourth quarter of 2005, following the determination that a tax receivable was unrecoverable at the Crixás mine. Following the Company's decision to dispose of the Aquarius exploration property in the third quarter of 2005, an impairment charge of \$30.1 million was recorded against property, plant and equipment plus the \$6.7 million charge against goodwill.

In 2004, impairment losses of \$46.1 million were recorded against the carrying value of long-lived assets at various operations, along with an impairment loss of \$1.4 million recorded against investments for a total of \$47.5 million. An impairment loss of \$25.1 million was recorded at the Company's Kubaka operation following the decision not to proceed with the development of the Tsokol vein located near the Kubaka mill. At Lupin, a charge of \$7.9 million was recorded, as the mine was scheduled for reclamation in 2005. An impairment charge of \$5.0 million was recorded at Gurupi on its long-lived assets, in addition to the impairment loss against goodwill. An impairment loss of \$3.5 million was recorded against the carrying value of the Norseman property in Australia, as the decision was made by the Company to dispose of the property. Impairment losses were also recorded at Paracatu (\$2.1 million), New Britannia (\$1.3 million) and the Delamar reclamation property (\$1.2 million).

### ***Gain on Disposal of Assets***

Kinross continues to dispose of non-core assets that were identified in the strategic review carried out in 2005. In 2006, total gains on disposal of assets and investments were \$47.4 million. These gains were attributable to the disposition of New Britannia mine (\$8.9 million), the Blanket mine (\$2.9 million) and George/Goose Lake property (\$1.6 million) and other properties (\$1.1 million). Gains of \$31.3 million and \$1.6 million were recorded on the disposal of investments in Katanga and Bolder, respectively.

The Company disposed of certain non-core assets in 2005, realizing a net gain totaling \$6.0 million. \$4.7 million related to the sale of a portion of its interest in Kinross Forrest Ltd. The investment in Kinross Forrest Ltd. is discussed further under "Related Party Transactions". Kinross also sold its position in Cumberland Resources Ltd. and various other equity holdings. The Company realized a net gain on the disposals of assets of \$1.7 million in 2004. The gains were largely on the sale of investments in junior mining companies.

### **Other Expense — Net**

Other expense was \$9.3 million in 2006, compared with \$17.0 million in 2005 and \$6.2 million in 2004. Interest income increased to \$5.3 million as a result of higher average cash balances throughout the year. A foreign exchange loss of \$9.5 million was recorded in 2006, compared with a loss of \$14.0 million in 2005 and \$13.3 million in 2004. The loss on foreign exchange was largely the result of the impact of strengthening foreign currencies on net monetary liabilities in the Company's non-U.S. operations. Interest expense remained relatively constant from 2005, due to lower debt levels and an increase in capitalized interest, offset by higher interest rates in 2006. During 2006, the Company capitalized interest totaling \$3.7 million relating to capital expenditures at Fort Knox, Round Mountain and Paracatu. During 2005, the Company capitalized interest totaling \$1.8 million relating to capital expenditures at Fort Knox, the Porcupine Joint Venture, Refugio and Round Mountain. Interest and other income is expected to be lower in 2007 due to lower cash balances. Interest expense is expected to increase as a result of higher debt levels with the addition of Bema in 2007 and rising interest rates.

Kinross maintains a no-hedging policy on gold sales. However, the Company does, from time to time, generate premiums through the sale of gold call options. Non-hedge derivative gains and losses relate to the mark-to-market movement on these gold call options. During the year ended December 31, 2006, the Company closed out the remaining call options resulting in a pre-tax loss of \$8.2 million. There were no written call options outstanding as at December 31, 2006. During 2005, the liability on call options sold increased by \$3.2 million. At December 31, 2005, the Company had 255,000 ounces of sold call options outstanding at an average strike price of \$522 per ounce, which had an unrealized loss of \$6.2 million. Gains or losses on mark-to-market adjustments are reflected in the period incurred.

	2006	2005	2004	2006 vs 2005		2005 vs 2004	
				Change \$	Change %	Change \$	Change %
(in millions)							
Interest and other income . . . . .	\$ 7.1	\$ 7.0	\$ 9.1	0.1	1%	(2.1)	(23%)
Interest expense . . . . .	(6.9)	(6.8)	(5.1)	(0.1)	(1%)	(1.7)	(33%)
Foreign exchange losses . . . . .	(9.5)	(14.0)	(13.3)	4.5	32%	(0.7)	(5%)
Non-hedge derivative gains (losses) . . . . .	—	(3.2)	3.1	3.2	—	(6.3)	nm
Other expense — net . . . . .	<u>\$(9.3)</u>	<u>\$(17.0)</u>	<u>\$ (6.2)</u>	<u>7.7</u>	<u>45%</u>	<u>(10.8)</u>	<u>(174%)</u>

### **Income and Mining Tax Expense**

Kinross is subject to tax in various jurisdictions including Canada, the United States, Brazil, Chile and Russia. The Company recorded a provision of \$25.9 million on earnings before taxes and other items of \$192.2 million in 2006 and recoveries of \$12.9 million and \$11.5 million for income and mining taxes in 2005 and 2004 on losses before tax and other items of \$228.2 million and \$74.1 million, respectively. Kinross' combined federal and provincial statutory tax rate was 34% for 2006, 34% for 2005 and 39% for 2004. There are a number of factors that can significantly impact the Company's effective tax rate including the geographic distribution of income, varying rates in different jurisdictions, the non-recognition of tax assets, mining allowance, foreign currency exchange rate movements, changes in tax laws and the impact of specific transactions and assessments. A reconciliation of the Company's statutory rate to the actual provision is provided in Note 15 to the consolidated financial statements.

Due to the number of factors that can potentially impact the effective tax rate and the sensitivity of the tax provision to these factors, as discussed above, it is expected that the Company's effective tax rate will continue to fluctuate in future periods.

## Related Party Transactions

During 2004, the Company entered into a shareholders' agreement providing for the incorporation of Kinross Forrest Ltd. ("KF Ltd."). KF Ltd. is incorporated under the laws of the Territory of the British Virgin Islands and is a party to a joint venture with La Générale des Carrières et des Mines, a Congolese state-owned mining enterprise. The joint venture was formed for the purpose of exploiting the Kamoto Copper Mine located in the Democratic Republic of Congo. Upon incorporation, the Company held 35% of the shares of KF Ltd., 25% of the shares were held by a company controlled by Mr. Arthur Ditto, a former director and officer of the Company, and 40% were held by an unrelated third party. Mr. Ditto paid the Company his share of the expenses incurred in the amount of \$0.3 million.

During 2005, the Company agreed to sell 23.33% of the shares of KF Ltd. to Balloch Resources Ltd. ("Balloch") for consideration of \$4.7 million. Based on an original cost of less than \$0.1 million, the Company recorded a gain on sale of \$4.7 million. In addition, the Company and Balloch signed an agreement giving Balloch an option to purchase Kinross' remaining 11.67% interest in KF Ltd. Mr. Ditto owned a 17.1% interest in the outstanding common shares of Balloch and, following its purchase of the interest in KF Ltd., was appointed the president and Chief Executive Officer of Balloch. Mr. Robert M. Buchan, a former officer and director of the Company, is the non-executive Chairman of Balloch. On November 30, 2005, Balloch changed its name to Katanga Mining Ltd. ("Katanga"). On June 27, 2006, the Company received 5,751,000 shares of Katanga in exchange for its 11.67% interest in KF Ltd. On September 8, 2006, Kinross sold the 5,751,000 shares in Katanga for proceeds of \$31.4 million, recording a gain of \$31.3 million.

## 7. Liquidity and Capital Resources

The following table summarizes Kinross' cash flow activity and does not include Bema:

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004	Change \$	Change %	Change \$	Change %
(in millions)							
Cash flow:							
Provided from operating activities . . . . .	\$ 292.0	\$ 133.7	\$ 161.2	\$158.3	118%	\$ (27.5)	(17%)
Used in investing activities . . . . .	(173.0)	(121.1)	(442.3)	(51.9)	(43%)	321.2	73%
Provided by (used in) financing activities . . . . .	(64.2)	35.7	82.6	(99.9)	(280%)	(46.9)	(57%)
Effect of exchange rate changes on cash . . . . .	1.7	1.4	0.6	0.3	21%	0.8	133%
Increase (decrease) in cash and cash equivalents . . . . .	\$ 56.5	\$ 49.7	\$(197.9)	\$ 6.8	14%	\$ 247.6	125%
Cash and cash equivalents:							
Beginning of year . . . . .	\$ 97.6	\$ 47.9	\$ 245.8	\$ 49.7	104%	\$(197.9)	(81%)
End of year . . . . .	\$ 154.1	\$ 97.6	\$ 47.9	\$ 56.5	58%	\$ 49.7	104%

### Operating Activities

Primarily as a result of higher gold and silver prices, cash flow provided from operating activities increased 118% to \$292.0 million from \$133.7 million in 2005. This has been partially offset by higher cost of sales, although actual quantity of gold equivalent ounces was lower than 2005 sales quantities.

Cash flow provided from operating activities in 2005 decreased to \$133.7 million from \$161.2 million in 2004. The decrease was largely the result of fewer ounces sold combined with increased operating costs, partially offset by higher realized gold prices.

### Investing Activities

In 2006, net cash used in investing activities was \$173.0 million, an increase of \$51.9 million from the \$121.1 million spent in 2005. Additions to property, plant and equipment in 2006 were \$202.9 million compared to \$142.4 million in 2005. Cash used in investing activities in 2004 was \$442.3 million, primarily related to the

\$255.6 million used in the acquisition of the remaining 51% interest in the Paracatu mine and additions to property, plant and equipment of \$169.5 million. The following schedule provides a breakdown by segment of the capital expenditures:

	Years ended December 31,			2006 vs 2005		2005 vs 2004	
	2006	2005	2004	Change \$	Change %	Change \$	Change %
(in millions)							
<b>Operating Segments</b>							
Fort Knox . . . . .	\$ 49.9	\$ 44.6	\$ 58.7	\$ 5.3	12%	\$(14.1)	(24%)
Round Mountain . . . . .	28.3	5.9	8.8	22.4	380%	(2.9)	(33%)
La Coipa . . . . .	7.8	4.9	1.0	2.9	59%	3.9	390%
Crixás . . . . .	7.8	6.2	3.6	1.6	26%	2.6	72%
Paracatu . . . . .	61.8	21.3	5.8	40.5	190%	15.5	267%
Musselwhite . . . . .	4.7	5.7	3.9	(1.0)	(18%)	1.8	46%
Porcupine Joint Venture . . . . .	19.5	24.7	24.5	(5.2)	(21%)	0.2	1%
Refugio . . . . .	4.7	26.2	43.4	(21.5)	(82%)	(17.2)	(40%)
Kettle River . . . . .	16.7	1.7	1.6	15.0	882%	0.1	6%
Other operations . . . . .	—	0.2	17.0	(0.2)	(100%)	(16.8)	(99%)
<b>Corporate &amp; other . . . . .</b>	<b>1.7</b>	<b>1.0</b>	<b>1.2</b>	<b>0.7</b>	<b>70%</b>	<b>(0.2)</b>	<b>(17%)</b>
<b>Total . . . . .</b>	<b>\$202.9</b>	<b>\$142.4</b>	<b>\$169.5</b>	<b>\$ 60.5</b>	<b>42%</b>	<b>\$(27.1)</b>	<b>(16%)</b>

Expenditures on capital in 2006 included costs to continue Phase VI of the expansion at Fort Knox, the pit expansion and costs related to a new dedicated leach pad at Round Mountain, development of the Paracatu mine and infrastructure costs at Kettle River with the acquisition of Buckhorn.

Capital expenditures during 2005 included costs related to accessing Phase V and Phase VI ore zones at Fort Knox, development of the Pamour pit at the Porcupine Joint Venture, mine and mill expansion costs at Paracatu, and continuing recommissioning costs at Refugio.

During 2004, the major focus of the Company's program included expenditures at Fort Knox on the tailings dam, equipment and mine development, recommissioning of Refugio and development of the Pamour pit at the Porcupine Joint Venture.

During 2006, cash proceeds of \$33.7 million were received from the disposal of long-term investments and other assets, compared with proceeds of \$19.8 million in 2005 and \$14.6 million in 2004. Cash of \$13.9 million was used to acquire long-term investments and other assets compared to \$16.9 million in 2005 and \$26.4 million in 2004. At December 31, 2006, Kinross held long-term investments in resource companies with a book value of \$25.8 million and a market value of \$45.7 million and at December 31, 2005, held long-term investments in resource companies with a book value of \$21.2 million and a market value of \$27.7 million.

### **Financing Activities**

Net cash used in financing activities during 2006 was \$64.2 million compared with cash provided of \$35.7 million in 2005 and \$82.6 million in 2004. Debt of \$104.6 million was repaid in 2006 and \$35.3 million was received on proceeds from the issuance of debt. Included was repayment of \$80.0 million on the revolving credit facility. During 2005, cash from financing activities was primarily from a net increase to the LIBOR loan of \$35.0 million under the corporate credit facility and \$5.5 million was drawn down on a \$6.0 million credit facility for the Refugio mine in 2005.

In December 2004, \$105.0 million was drawn down on the corporate credit facility, which helped fund the purchase of the remaining 51% interest in Paracatu. During the first quarter of 2004, the Company repaid the Industrial Revenue Bonds of \$25.0 million owing to the Alaska Industrial Development and Export Authority. The repurchase of common shares resulting from a share consolidation followed by an immediate deconsolidation required the use of \$11.8 million. The Company decided to undertake this action to eliminate the large number of shareholders who held less than 100 shares.

No dividends were declared or paid to the holders of the convertible preferred shares of Kinam Gold Inc., a subsidiary of the Company, in 2006, 2005, or 2004.

As of March 19, 2007, there were 583,784,242 million common shares of the Company issued and outstanding. In addition, at the same date, the Company had 10,748,502 million share purchase options outstanding under its share option plan, 1,249,834 million restricted share rights under its restricted share plan and 25.0 million common share purchase warrants outstanding which are convertible to 8.3 million common shares.

### **Balance Sheet**

Kinross had cash and cash equivalents of \$154.1 million at December 31, 2006, an increase of \$56.5 million from December 31, 2005. The Company's net debt position, consisting of (long-term debt and preferred shares, less cash and cash equivalents) was \$75.8 million at December 31, 2005 and was in a net cash position of \$49.3 million at the end of 2006. The shift to a net cash position is due to the cash flow provided from operating activities of \$292.0 million, less net cash used in financing including net debt repayments of \$69.3 million, and investing activities which includes additions to property, plant and equipment of \$202.9 million. Non-cash working capital comprised of current assets less cash and cash equivalents and restricted cash decreased by \$5.4 million from \$143.0 million at December 31, 2005 to \$137.6 million at the end of 2006.

Property, plant and equipment had a net increase of \$266.3 million which was primarily due to the acquisition of Crown and expansions at Round Mountain, Fort Knox and Paracatu. Depreciation, depletion and amortization expense was \$108.3 million.

The reclamation and remediation obligation is estimated to be \$168.4 million at December 31, 2006, compared to \$175.9 million at the end of 2005. Reclamation expenditures totaled \$22.8 million in 2006. The net decrease of \$7.5 million is the result of a reduction in the liability through reclamation activities and the disposition of certain properties where Kinross was relieved of the obligation. These were offset by higher cost assumptions used in determining the estimated liabilities along with the ongoing development and expansion at various operations. At producing mines, increases to estimated reclamation and remediation costs are recorded as an adjustment to the corresponding asset carrying amount. At closed mines, changes to estimates are charged directly to earnings. Accretion and reclamation expense of \$33.5 million in 2006 included \$23.5 million related to increased cost estimates at mines no longer in production.

### **Credit Facilities**

At December 31, 2006, the Company had in place a three-year revolving credit facility of \$300 million and a five and a half year \$200 million term loan. During August 2006, the Company amended and restated the previous \$295.0 million revolving facility with a \$300.0 million revolving credit facility that supports the Company's liquidity and letters of credit requirements. In addition, the term was extended to August 2008. The Company had drawn \$187.5 million of this facility, at December 31, 2006 in the form of a \$60.0 million LIBOR loan and letters of credit totaling \$127.5 million. The new credit facility includes a five and a half year \$200.0 million term loan that supports the Paracatu expansion project in Brazil. The following table outlines the credit facility utilization as at December 31:

	<b>As at December 31,</b>	
	<b>2006</b>	<b>2005</b>
	(in millions)	
Credit facility limit . . . . .	\$ 300.0	\$ 295.0
Term loan . . . . .	\$ 195.0	\$ —
LIBOR loan . . . . .	(60.0)	(140.0)
Letters of credit . . . . .	(127.5)	(117.6)
Credit facility availability as at December 31 . . . . .	<u>\$ 307.5</u>	<u>\$ 37.4</u>

Obligations under the facilities are secured by the assets of the Fort Knox mine as well as by a pledge of shares in various wholly owned subsidiaries. Pricing is dependent upon the ratio of the Company's net debt to operating cash flow. Assuming the Company maintains a leverage ratio less than 1.25, interest charges would be as follows:

<u>Type of Credit</u>	<u>Interest rates in credit facility</u>
Dollar based LIBOR loan . . . . .	LIBOR plus 1.00%
Letters of credit . . . . .	1.00%
Standby fee applicable to unused availability . . . . .	0.25%

Significant financial covenants contained in the credit facility include a minimum tangible net worth of \$700.0 million (2005 — \$727.9 million), an interest coverage ratio of 4.5:1, net debt to operating cash flow of no more than 3.0:1 and minimum Proven and Probable Reserves of 6.0 million gold equivalent ounces. The Company was in compliance with all covenants as at December 31, 2006.

Total long-term debt of \$89.9 million at December 31, 2006, consists of \$60.0 million borrowed under the corporate credit facility, \$5.0 million on the Paracatu term loan, \$15.0 million outstanding on the Paracatu short-term loan and capital leases of \$9.9 million. The Paracatu short-term loan bears an interest rate of 5.67% and is repayable in 30 days. Capital lease payments of \$2.9 million and the repayment of the \$15.0 million Paracatu short-term loan are expected to be made in 2007.

### **Liquidity Outlook**

The following amounts do not include the effects of the acquisition of Bema. The three major uses of cash in 2007 as compared with 2006, outside of operating activities and general and administrative costs, are expected to be:

	<u>As at December 31,</u>	
	<u>2007</u>	<u>2006</u>
	(in millions)	
Site restoration . . . . .	\$ 29.0	\$ 22.8
Exploration and business development . . . . .	44.0	39.4
Property plant and equipment additions . . . . .	<u>450.0</u>	<u>202.9</u>
	<u>\$523.0</u>	<u>\$265.1</u>

The exploration costs are discussed further in the "Exploration and Business Development Expense" section under "Consolidated Financial Results".

Certain letters of credit are expected to be released as various closure properties proceed with final reclamation. However, the exact timing of these releases is uncertain. It is also difficult to predict the specific timing of reductions or further increases in LIBOR based borrowings. In addition, Kinross anticipates the need for additional bonding requirements.

Kinross had cash and cash equivalents of \$154.1 million and \$307.5 million available on its credit facilities at December 31, 2006. With the average gold price in the first two months of 2007 at \$647 per ounce, it is expected that the Company's existing cash balances, cash flow from operations and existing credit facilities will be sufficient to fund the exploration, capital and reclamation programs budgeted for 2007.

### **2007 Capital Additions**

Major expenditures in Kinross' capital program of approximately \$450 million forecast for 2007, excluding Bema, include:

- \$279 million at Paracatu, of which \$260 million relates to the expansion project.
- \$40 million at the Fort Knox mine, for development of Phase VI and potential Phase VII expansion and for a heap leach pad project.

- \$58 million at Kettle River, of which \$54 million relates to developing the Kettle River — Buckhorn Property project.
- \$37 million at Round Mountain, for stripping in the expansion and additional mobile equipment.
- \$20 million at the Porcupine Joint Venture on underground development and mill tailing lift.
- \$12 million at La Coipa, which includes capital development and water treatment facilities.

All amounts represent Kinross' proportionate share of planned expenditures.

## 2007 Reclamation Expenditures

Reclamation expenditures in 2007 are forecast to be \$29 million, which includes expenditures of approximately \$13 million at Delamar and \$7 million at Kubaka. Reclamation is also scheduled at many of the operating mines as well as reclamation and monitoring continuing at the Company's Haile and Mineral Hill sites.

## Contractual Obligations and Commitments

The following amount do not include the effects of the acquisition of Bema.

### Table of Contractual Obligations

	Total	2007	2008	2009	2010	2011 and beyond
	(in US\$ millions)					
Long-term debt obligations . . . . .	\$ 91.1	\$ 19.5	\$ 4.8	\$63.0	\$ 1.1	\$ 2.7
Capital lease obligations . . . . .	10.9	3.4	3.3	4.1	0.1	—
Operating lease obligations . . . . .	6.9	2.5	1.7	1.5	1.2	—
Purchase obligations . . . . .	193.7	123.6	38.1	11.6	6.1	14.3
Reclamation and remediation obligations . . . . .	168.4	28.8	19.8	12.8	20.2	86.8
Total . . . . .	<u>\$471.0</u>	<u>\$177.8</u>	<u>\$67.7</u>	<u>\$93.0</u>	<u>\$28.7</u>	<u>\$103.8</u>

## Financial Instruments

Kinross may manage its exposure to fluctuations in commodity prices and foreign exchange rates by entering into derivative financial instrument contracts in accordance with the formal risk management policies approved by its Board of Directors. Kinross' exposure with respect to foreign exchange is addressed under the section entitled "Risk Analysis — Foreign Currency Exchange Risk" and, with respect to commodities, in the section entitled "Risk Analysis — Commodity Price Risks."

## 8. Quarterly Information

	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(in millions)							
Metal sales . . . . .	\$231.4	\$223.6	\$252.3	\$198.3	\$ 190.0	\$181.1	\$174.6	\$179.8
Net earnings (loss) attributable to common shares . . . . .	\$ 41.0	\$ 50.3	\$ 65.6	\$ 8.9	\$(154.3)	\$(44.4)	\$(16.4)	\$ (0.9)
Basic and diluted earnings (loss) per share . . . . .	\$ 0.11	\$ 0.14	\$ 0.19	\$ 0.03	\$ (0.45)	\$(0.13)	\$(0.05)	\$ —
Cash flow provided from operating activities . . . . .	\$ 91.2	\$ 85.8	\$ 94.9	\$ 20.1	\$ 23.8	\$ 52.5	\$ 30.6	\$ 26.8

During the fourth quarter of 2006, revenue rose to \$231.4 million on sales of 375,684 gold equivalent ounces, up from \$190.0 million on sales of 389,037 gold equivalent ounces in the same period in 2005. The average price was \$614 compared to \$485 in the fourth quarter of 2005. Cost of sales in the quarter rose to \$119.2 million from \$110.9 million due to rising fuel, power, labour and other production costs. The strengthening Canadian dollar, Chilean peso and Brazilian real against the United States dollar also increased costs at the Company's non-U.S. mines.



Accretion and reclamation expense was \$1.8 million in the fourth quarter of 2006 as compared to \$47.0 million in the same period in 2005 as a result of adjustments to the cost estimates for mines no longer in production recorded in December 2005 whereas the 2006 adjustments were made in the third quarter. Other items affecting net earnings in the fourth quarter were gains recorded on the sale of New Britannia of \$8.9 million and an impairment charge against the investments in St Andrew Goldfields Ltd. and Caledonia Mining Corporation totaling \$10.5 million.

## **9. Disclosure Controls and Procedures and Internal Controls**

Pursuant to regulations adopted by the U.S. Securities and Exchange Commission (SEC), under the Sarbanes-Oxley Act of 2002 and those of the Canadian Securities Administrators, Kinross' management evaluates the effectiveness of the design and operation of the Company's disclosure controls and procedures (disclosure controls). This evaluation is done under the supervision of, and with the participation of, the President and Chief Executive Officer and the Chief Financial Officer.

As of the end of the period covered by this MD&A and accompanying audited financial statements, Kinross' management evaluated the effectiveness of its disclosure controls. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that Kinross' disclosure controls and procedures were effective.

## **10. Critical Accounting Policies and Estimates**

Kinross' accounting policies are described in Note 2 to the consolidated financial statements. The preparation of the Company's consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. The following is a list of the accounting policies that the Company believes are critical, due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported:

- Purchase price allocation;
- Goodwill and Goodwill Impairment;
- Property, plant and equipment and Impairment of Property, plant and equipment;
- Long-term investments;
- Inventories;
- Reclamation and remediation obligations; and
- Income and mining taxes.

Management has discussed the development and selection of the above critical accounting policies with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed the disclosure relating to such policies in the MD&A.

### ***Purchase price allocation***

Business acquisitions are accounted for by the purchase method of accounting whereby, the purchase price is allocated to the assets acquired and the liabilities assumed based on fair value at the time of the acquisition. The excess purchase price over the fair value of identifiable assets and liabilities acquired is goodwill. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment acquired generally require a high degree of judgment, and include estimates of mineral reserves acquired, future gold prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

### ***Goodwill and Goodwill Impairment***

The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired, is goodwill. Goodwill is allocated to the reporting units acquired based on management's estimates of the fair value of each reporting unit as compared to the fair value of the assets and liabilities of the reporting unit. Estimates of fair value may be impacted by gold and silver prices, currency exchange rates, discount rates, level of capital expenditures, interest rates, operating costs and other factors that may be different from those used in determining fair value.

For reporting units that have recorded goodwill, the estimated fair value of each unit is compared to its carrying value at least once each year, or when circumstances indicate that the value may have become impaired. If the carrying value exceeds the estimated or implied fair value of goodwill, which is equal to management's estimate of potential value contained within the reporting unit, any excess of the carrying amount of goodwill over the estimated or implied goodwill is deducted from the carrying value of goodwill and charged to current period earnings.

While the Company believes that the approach used to calculate estimated fair value for each reporting unit is appropriate, the Company also recognizes that the timing and future value of additions to proven and probable mineral reserves, as well as the gold price and other assumptions discussed previously, may change significantly from current expectations. For example, a reduction in the forecasted gold price used to test impairment of 10% would have the impact of reducing the value of the goodwill by an additional \$125.0 million, keeping other variables constant.

### ***Carrying Value of Operating Mines, Mineral Rights, Development Properties and Other Assets***

Kinross reviews and evaluates the carrying value of its operating mines and development properties for impairment whenever events or circumstances indicate that the carrying amounts of these assets might not be recoverable. When the carrying amount exceeds the undiscounted cash flow, an impairment loss is measured and recorded. Future cash flows are based on estimated recoverable production as determined from Proven and Probable Reserves and Measured, Indicated and Inferred resources. Assumptions underlying the cash flow estimates include, but are not limited to, forecasted prices for gold and silver, production levels, and operating, capital and reclamation costs. The fair values of exploration-stage properties are estimated based primarily on recent transactions of similar properties adjusted for any infrastructure that may already be in place. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Therefore, it is possible that changes in estimates with respect to the Company's mine plans could occur which may affect the expected recoverability of Kinross' investments in the carrying value of the assets. The components of the asset impairment charges are discussed in "Impairment of Goodwill, Property, Plant and Equipment and Investments" under the "Consolidated Financial Results" section.

### ***Long-Term Investments***

Long-term investments over which the Company holds less than a 20% interest and does not exercise significant influence are accounted for at cost. Those investments where the Company holds greater than 20% but less than a 50% interest, and has the ability to exercise significant influence are accounted for as an equity investment. The Company reviews the carrying value of its interests in long-term investments each reporting period. When there is a decline in the carrying value that is expected to be an other-than-temporary decline, the investment is written down to net realizable value with a charge to impairment expenses.

### ***Depreciation, Depletion and Amortization***

Plant and other facilities, used directly in mining activities, are amortized using the units-of-production ("UOP") method over the estimated life of the ore body based on recoverable ounces to be mined from estimated Proven and Probable Reserves. Mobile and other equipment is depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment but does not exceed the related estimated life of the mine based on proven and probable reserves.

Costs to develop new properties, where it has been determined that a mineral property can be economically developed as a result of establishing proven and probable mineral reserves are capitalized. All such costs are amortized using the UOP method based on recoverable ounces to be mined from proven and probable mineral reserves.

Major costs incurred after the commencement of production that represent betterment to the property are capitalized and amortized using the UOP method based on recoverable ounces to be mined from estimated proven and probable mineral reserves from the reserves exposed as a result of these activities.

The calculation of the UOP rate, and therefore the annual depreciation, depletion, and amortization expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of proven and probable mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of proven and probable mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation, depletion, and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

### ***Inventories***

Expenditures incurred, and depreciation, depletion and amortization of assets used in mining and processing activities are deferred and accumulated as the cost of ore in stockpiles, ore on leach pads, in-process and finished metal inventories. These deferred amounts are carried at the lower of average cost or net realizable value ("NRV"). NRV is the difference between the estimated future gold price based on prevailing and long-term prices, less estimated costs to complete production into a saleable form. Write-downs of ore in stockpiles, ore on leach pads, in-process and finished metal inventories resulting from NRV impairments are reported as a component of current period costs. The primary factors that influence the need to record write-downs include prevailing and long-term gold prices and prevailing costs for production inputs such as labour, fuel and energy, materials and supplies, as well as realized ore grades and actual production levels.

Stockpiles are comprised of ore that has been extracted from the mine and is available for further processing. Stockpiles are valued based on mining costs incurred up to the point of stockpiling the ore, including applicable depreciation, depletion and amortization relating to mining operations. Costs are added to stockpiles based on the current mining cost per tonne and removed at the average cost per tonne.

Ore on leach pads is ore that is placed on pads where it is permeated with a chemical solution that dissolves the gold contained in the ore. Costs are attributed to the leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations incurred up to the point of placing the ore on the pad. Costs are removed from the leach pad based on the average cost per recoverable ounce of gold on the leach pad as the gold is recovered. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads and an estimated percentage of recovery. Timing and ultimate recovery of gold contained on leach pads can vary significantly. The quantities of recoverable gold placed on the leach pads are reconciled to the quantities of gold actually recovered (metallurgical balancing), by comparing the grades of ore placed on the leach pads to actual ounces recovered. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a pad will not be known until the leaching process is completed.

In-process inventories are materials that are currently in the process of being converted to a saleable product. Conversion processes vary depending on the nature of the ore and the specific mining operation, but include mill in-circuit, leach in-circuit, flotation and column cells, and carbon in-pulp inventories. In-process material is measured based on assays of the material fed to the processing plants and the projected recoveries of the respective plants. In-process inventories are valued at the average cost of the material fed to the processing plant which is attributable to the source material coming from the mines, stockpiles or leach pads plus the in-process conversion costs, including applicable depreciation relating to the process facilities, incurred to that point in the process.

Finished metal inventory is gold and silver doré and bullion in saleable form and is valued at the lower of the previous three month average production cost and net realizable value. Average production cost represents the average cost of the respective in-process inventories incurred prior to the refining process plus applicable refining costs and associated royalties.

The allocation of costs to ore in stockpiles, ore on leach pads and in-process inventories and the determination of NRV involves the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, proven and probable mineral reserve estimates, gold and silver prices, and the ultimate estimated recovery for ore on leach pads. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

### ***Reclamation and Remediation Obligations***

Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Company records the estimated present value of reclamation liabilities in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The liability will be increased each period to reflect the interest element or accretion reflected in its initial measurement at fair value, and will also be adjusted for changes in the estimate of the amount, timing and cost of the work to be carried out.

Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected in earnings in the period an estimate is revised.

Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. At December 31, 2006, the undiscounted future cost of reclamation and remediation obligations before inflation was estimated to be \$263.8 million. The present value of estimated future cash outflows for reclamation and remediation obligations was \$168.4 million and \$175.9 million at December 31, 2006 and 2005, respectively.

### ***Income and Mining Taxes***

The Corporation recognizes the future tax benefit related to deferred income and resource tax assets and sets up a valuation allowance against any portion that it believes will, more likely than not, fail to be realized (see Note 15 to the consolidated financial statements). Assessing the recoverability of future income tax assets requires management to make significant estimates of future taxable income. Estimates of future taxable income are subject to changes as discussed under the section "Carrying Value of Operating Mines, Mineral Rights, Development Properties and Other Assets". To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the balance sheet date could be impacted. In addition, future changes in tax laws could limit the ability of the Corporation to obtain tax deductions in future periods from deferred income and resource tax assets.

## **11. Recent Pronouncements and Accounting Changes**

Please refer to Note 3 to the December 31, 2006 consolidated financial statements.

## **12. Risk Analysis**

The operations of Kinross are high-risk due to the nature of mining, exploration, and development activities. Certain risk factors listed below are related to the mining industry in general while others are specific to Kinross. Included in the risk factors below are details on how Kinross seeks to mitigate these risks wherever possible. For additional discussion of risk factors please refer to the Company's Annual Information Form which is available on the Company's website [www.kinross.com](http://www.kinross.com) and on [www.sedar.com](http://www.sedar.com) or is available upon request from the Company.

## ***Gold Price***

The profitability of any gold mining operation in which Kinross has an interest will be significantly affected by changes in the market price of gold. Gold prices fluctuate on a daily basis and are affected by numerous factors beyond Kinross' control. The supply and demand for gold, the level of interest rates, the rate of inflation, investment decisions by large holders of gold, including governmental reserves, and stability of exchange rates can all cause significant fluctuations in gold prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of gold has fluctuated widely and future serious price declines could cause continued commercial production to be impractical. Depending on the price of gold, cash flow from mining operations may not be sufficient to cover costs of production and capital expenditures. If, as a result of a decline in gold prices, revenues from metal sales were to fall below operating costs, production may be discontinued.

## ***Nature of Mineral Exploration and Mining***

The exploration and development of mineral deposits involves significant financial and other risks over an extended period of time which may not be eliminated even with careful evaluation, experience and knowledge. While discovery of a gold-bearing structures may result in substantial rewards, few properties explored are ultimately developed into producing mines. Major expenditures are required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on properties in which Kinross has an interest will result in profitable commercial mining operations.

The operations of Kinross are subject to the hazards and risks normally incident to exploration, development and production of gold and silver, any of which could result in damage to life or property, environmental damage and possible legal liability for such damage. The activities of Kinross may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which it has interests. Hazards, such as unusual or unexpected formations, rock bursts, pressures, cave-ins, flooding or other conditions, may be encountered in the drilling and removal of material. While Kinross may obtain insurance against certain risks, potential claims could exceed policy limits or could be excluded from coverage. There are also risks against which Kinross cannot or may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of Kinross and, potentially, its financial viability.

Whether a gold deposit will be commercially viable depends on a number of factors, some of which include the particular attributes of the deposit, such as its size and grade, costs and efficiency of the recovery methods that can be employed, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of gold and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in Kinross not receiving an adequate return on its invested capital.

Kinross mitigates the likelihood and potential severity of these mining risks it encounters in its day-to-day operations through the application of high operating standards. In addition, Kinross reviews its insurance coverage at least annually to ensure the most complete and cost-effective coverage is obtained.

## ***Environmental Risks***

Kinross' mining and processing operations and exploration activities in Canada, the United States, Russia, Brazil and Chile are subject to various laws and regulations governing the protection of the environment, exploration, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety, and other matters. New laws and regulations, amendments to existing laws and regulations, or more stringent implementation of existing laws and regulations could have a material adverse impact on Kinross through increased costs, a reduction in levels of production and/or a delay or prevention of the development of new mining properties. Compliance with these laws and regulations requires significant expenditures and increases Kinross' mine development and operating costs.

Permits from various governmental authorities are necessary in order to engage in mining operations in all jurisdictions in which Kinross operates. Such permits relate to many aspects of mining operations, including maintenance of air, water and soil quality standards. In most jurisdictions, the requisite permits cannot be obtained prior to completion of an environmental impact statement and, in some cases, public consultation. Further, Kinross may be

required to submit for government approval a reclamation plan, to post financial assurance for the reclamation costs of the mine site, and to pay for the reclamation of the mine site upon the completion of mining activities. Kinross mitigates this risk by performing certain reclamation activities concurrent with production.

Mining, like many other extractive natural resource industries, is subject to potential risks and liabilities concerning the environmental effects associated with mineral exploration and production. Environmental liability may result from mining activities conducted by others prior to Kinross' ownership of a property. To the extent Kinross is subject to uninsured environmental liabilities, the payment of such liabilities would reduce funds otherwise available for business activities and could have a material adverse effect on Kinross. Should Kinross be unable to fully fund the cost of remedying an environmental problem, Kinross might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which could have a material adverse effect. Kinross mitigates the likelihood and potential severity of these environmental risks it encounters in its day-to-day operations through the application of high operating standards.

### ***Reserve Estimates***

The reserve and resource figures are estimates, and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations in the price of gold may render the mining of ore reserves uneconomical and require Kinross to take a write-down of an asset or to discontinue development or production. Moreover, short-term operating factors relating to the reserves, such as the need for orderly development of the ore body or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

Proven and Probable Reserves at Kinross' mines and development projects were estimated as of December 31, 2006, based upon a gold price of \$475 per ounce of gold. Prior to 2002, gold prices were significantly below these levels. Prolonged declines in the market price of gold may render reserves containing relatively lower grades of gold mineralization uneconomic to exploit and could materially reduce Kinross' reserves. Should such reductions occur, material write-downs of Kinross' investment in mining properties or the discontinuation of development or production might be required, and there could be material delays in the development of new projects and reduced income and cash flow.

There are numerous uncertainties inherent in estimating quantities of proven and probable gold reserves. The estimates in this document are based on various assumptions relating to gold prices and exchange rates during the expected life of production and the results of additional planned development work. Actual future production rates and amounts, revenues, taxes, operating expenses, environmental and regulatory compliance expenditures, development expenditures and recovery rates may vary substantially from those assumed in the estimates. Any significant change in these assumptions, including changes that result from variances between projected and actual results, could result in a material downward or upward revision of current estimates.

### ***Operations Outside of North America***

Kinross has mining operations and carries out exploration and development activities outside of North America in Russia, Brazil and Chile. There is no assurance that future political and economic conditions in these countries will not result in those countries' governments adopting different policies respecting foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, gold sales, environmental protection, labour relations, repatriation of income, and return of capital. Changes in any of these areas may affect both the ability of Kinross to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore, develop, and operate those properties for which it has obtained exploration, development, and operating rights to date. The possibility that a future government of these countries may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Kinross is subject to the considerations and risks of operating in Russia. The economy of the Russian Federation continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, extensive currency controls and high inflation. The prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political

developments. Russian laws, licenses and permits have been in a state of change and new laws may be given a retroactive effect. It is also not unusual in the context of dispute resolution in Russia for parties to use the uncertainty in the Russian legal environment as leverage in business negotiations. In addition, Russian tax legislation is subject to varying interpretations and constant change. Furthermore, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of Kinross' Russian operations may not coincide with that of management. As a result, tax authorities may challenge transactions and Kinross' Russian operations may be assessed additional taxes, penalties and interest, which could be significant. The periods remain open to review by the tax authorities for three years. Kinross mitigates this risk through ongoing communications with the Russian regulators.

In addition, the economies of Russia, Brazil and Chile differ significantly from the economies of Canada and the United States. Growth rates, inflation rates and interest rates of developing nations have been and are expected to be more volatile than those of western industrial countries.

### ***Licenses and Permits***

The operations of Kinross require licenses and permits from various governmental authorities. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that Kinross will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost. Kinross endeavors to be in compliance with these regulations at all times.

### ***Title to Properties***

The validity of mining claims which constitute most of Kinross' property holdings in Canada, the United States, Brazil, Chile, and Russia may, in certain cases, be uncertain and are subject to being contested. Kinross' titles may be defective, particularly related to undeveloped properties.

Certain of Kinross' United States mineral rights consist of unpatented lode mining claims. Unpatented mining claims may be located on United States federal public lands open to appropriation, and may be either lode claims or placer claims depending upon the nature of the deposit within the claim. In addition, unpatented mill site claims, which may be used for processing operations or other activities ancillary to mining operations, may be located on federal public lands that are non-mineral in character. Unpatented mining claims and mill sites are unique property interests, and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining claims is often uncertain and is always subject to challenges of third parties or contests by the federal government of the United States. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of United States federal and state statutory and decisional law. In addition, there are few public records that definitively control the issues of validity and ownership of unpatented mining claims. The General Mining Law of the United States, which governs mining claims and related activities on United States federal public lands, includes provisions for obtaining a patent, which is essentially equivalent to fee title, for an unpatented mining claim upon compliance with certain statutory requirements, including the discovery of a valuable mineral deposit.

### ***Competition***

The mineral exploration and mining business is competitive in all of its phases. Kinross competes with numerous other companies and individuals, including competitors with greater financial, technical, and other resources than Kinross, in the search for and the acquisition of attractive mineral properties. The ability of Kinross to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration. There is no assurance that Kinross will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

### ***Joint Ventures***

Certain of the operations in which Kinross has an interest are operated through joint ventures with other mining companies. Any failure of such other companies to meet their obligations to Kinross or to third parties could have a material adverse effect on the joint venture. In addition, Kinross may be unable to exert control over strategic decisions made in respect of such properties.

### ***Interest Rate Fluctuations***

Fluctuations in interest rates can affect Kinross' results of operations and cash flow. The Company's credit facilities are subject to variable interest rates.

### ***Disclosures About Market Risks***

To determine its market risk sensitivities, Kinross uses an internally generated financial forecast model that is sensitized to various gold prices, currency exchange rates, interest rates and energy prices. The variable with the greatest impact is the gold price, and Kinross prepares a base case scenario and then sensitizes it by a 10% increase and decrease in the gold price. For 2007, sensitivity to a 10% change in the gold price is \$73.1 million on pre-tax earnings. Kinross' financial forecast covers the projected life of its mines. In each year, gold is produced according to the mine plan. Costs are estimated based on current production costs plus the impact of any major changes to the operation during its life. Quantitative disclosure of market risks is disclosed below.

### ***Gold and Silver Price Risks***

Kinross' net earnings can vary significantly with fluctuations in the market price of gold and silver. At various times, in response to market conditions, Kinross has entered into gold forward sales contracts, spot deferred forward sales contracts, purchased put options and written call options for some portion of expected future production in an attempt to mitigate the risk of adverse price fluctuations. Kinross is not subject to margin requirements on any of its hedging lines. Kinross has made the decision not to continue with a comprehensive gold hedging program. On occasion, however, the Company may enter into forward sales contracts or similar instruments if hedges are acquired on a business acquisition or, on a limited basis when deemed advantageous by management. As at December 31, 2006, Kinross had no forward sales contracts, spot deferred forward sales contracts, purchased put options or written call options outstanding.

### ***Foreign Currency Exchange Risk***

Kinross conducts the majority of its operations in the United States, Canada, Brazil, Chile and Russia. Currency fluctuations affect the cash flow that Kinross realizes from its operations as gold is sold in U.S. dollars, while production costs are incurred in U.S. and Canadian dollars, Brazilian reais, Chilean pesos and Russian rubles. Kinross' results are positively affected when the U.S. dollar strengthens against these foreign currencies and adversely affected when the U.S. dollar weakens against these foreign currencies. Where possible, Kinross' cash and cash equivalent balances are primarily held in U.S. dollars. The following analyses do not include the effects of Bema.

#### ***Chilean Pesos***

Kinross has joint venture interests in the Refugio and La Coipa mines, both located in Chile. Kinross estimates a 10% change from a budgeted exchange rate of 525 pesos to one U.S. dollar could result in an approximate \$3.6 million change in Kinross' operating earnings. In addition, a 10% change in the exchange rate could result in an approximate \$.02 million change in Kinross' capital expenditures.

#### ***Brazilian Reais***

Kinross is a partner in the Crixás mine and, as of December 31, 2004, the 100% owner of the Paracatu mine, both located in Brazil. Kinross estimates a 10% change from a budgeted exchange rate of 2.25 Brazilian reais to one U.S. dollar could result in an approximate \$5.5 million change in Kinross' operating earnings. In addition a 10% change in the exchange rate could result in an approximate \$14.3 million change in Kinross' capital expenditures.

#### ***Canadian Dollars***

Kinross is a partner in the Musselwhite and Porcupine joint ventures. As a result of these ownership interests, plus expenses incurred by the Canadian corporate office, Kinross has Canadian dollar denominated operating, exploration, and administrative expenses. The Company estimates a 10% change from a budgeted exchange rate of CDN \$1.12 per U.S. dollar could result in an approximate \$153 million change in Kinross' operating earnings. In addition, a 10% change in the exchange rate could result in an approximate \$3.5 million change in Kinross' capital and reclamation expenditures.

### ***Credit Risk***

Credit risk relates to accounts receivable and derivative contracts and arises from the possibility that a counterparty to an instrument fails to perform. The Company only transacts with highly-rated counterparties and a limit on contingent exposure has been established for each counterparty based on the counterparty's credit rating. As at December 31, 2006, the Company's gross credit exposure was \$nil and at December 31, 2005, the gross credit exposure was \$0.1 million.



## Cautionary Statement on Forward-Looking Information

All statements, other than statements of historical fact, contained or incorporated by reference in this MD&A, including any information as to the future financial or operating performance of Kinross, constitute “forward-looking statements” within the meaning of certain securities laws, including the “safe harbour” provisions of the Securities Act (Ontario) and the United States Private Securities Litigation Reform Act of 1995 and are based on expectations, estimates and projections as of the date of this MD&A. Forward-looking statements include, without limitation, statements with respect to the future price of gold and silver, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production, costs of production, expected capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. The words “plans,” “expects,” or “does not expect,” “is expected,” “budget,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates,” or “does not anticipate,” or “believes,” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “might,” or “will be taken,” “occur” or “be achieved” and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Kinross as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of Kinross, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein and in our Annual Information Form as well as: (1) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, damage to equipment or otherwise; (2) permitting, development and expansion at Paracatu proceeding on a basis consistent with our current expectations; (3) permitting and development at the Kettle River Buckhorn project proceeding on a basis consistent with Kinross’ current expectations; (4) that a long-term lease replacing the short term lease for the Kupol lands and construction permits required from time to time will be obtained from the Russian authorities on a basis consistent with our current expectations; (5) that the exchange rate between the Canadian dollar, Brazilian real, Chilean peso, Russian Ruble and the U.S. dollar will be approximately consistent with current levels; (6) certain price assumptions for gold and silver; (7) prices for natural gas, fuel oil, electricity and other key supplies remaining consistent with current levels; (8) production forecasts meet expectations; and (9) the accuracy of our current mineral reserve and mineral resource estimates. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (such as diesel fuel and electricity); changes in interest rates or gold lease rates that could impact the mark-to-market value of outstanding derivative instruments and ongoing payments/receipts under any interest rate swaps and variable rate debt obligations; risks arising from holding derivative instruments (such as credit risk, market liquidity risk and mark-to-market risk); changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, Chile, Brazil, Russia or other countries in which we do or may carry on business in the future; business opportunities that may be presented to, or pursued by, us; our ability to successfully integrate acquisitions, including the acquisition of Bema Gold Corporation; operating or technical difficulties in connection with mining or development activities; employee relations; the speculative nature of gold exploration and development, including the risks of obtaining necessary licenses and permits; diminishing quantities or grades of reserves; adverse changes in our credit rating; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can affect Kinross’ actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Kinross. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements, those in the “Risk Analysis” section hereof, and our most recent Annual Information Form and other filings with the securities regulators of Canada and the United States. These factors are not intended to represent a complete list of the factors that could affect Kinross. Kinross disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

The technical information about the Company’s material mineral properties contained in this MD&A has been prepared under the supervision of Mr. Rob Henderson an officer of the Company who is a “qualified person” within the meaning of National Instrument 43-101.


## Management's Responsibility for Financial Statements

The consolidated financial statements, the notes thereto and other financial information contained in the annual report have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the management of Kinross Gold Corporation. The financial information presented elsewhere in the Annual Report is consistent with the data that is contained in the consolidated financial statements.

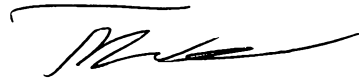
In order to discharge management's responsibility for the integrity of the financial statements, the Company maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable financial information is produced. These controls include maintaining quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility. The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules.

The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review financial reporting issues.

The consolidated financial statements have been audited by KPMG LLP, the independent registered chartered accountants, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States).



**Tye W. Burt**  
President and Chief Executive Officer



**Thomas M. Boehlert**  
Executive Vice President  
and Chief Financial Officer

Toronto, Canada  
March 23, 2007

## Report of Independent Registered Chartered Accountants

### To the Shareholders of Kinross Gold Corporation

We have audited the consolidated balance sheets of Kinross Gold Corporation (“the Company”) as at December 31, 2006 and December 31, 2005 and the consolidated statements of operations, common shareholders’ equity and cash flows for each of the years in the two-year period ended December 31, 2006. 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 the standards of the Public Company Accounting Oversight Board (United States) and 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, 2006 and December 31, 2005 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2004 and for the year then ended were audited by other auditors, who expressed an opinion without reservation on those statements, in their report dated November 18, 2005 except as to Note 25 which is as of February 8, 2006. We have audited the adjustments for the change in reporting segments to separately present Refugio and Kettle River and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

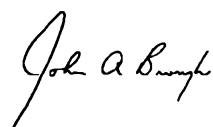
Toronto, Canada  
March 23, 2007

**KINROSS GOLD CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(expressed in millions of United States dollars, except share amounts)

		<b>As at December 31</b>	
		<b>2006</b>	<b>2005</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents . . . . .	Note 5	\$ 154.1	\$ 97.6
Restricted cash . . . . .		1.3	1.3
Accounts receivable and other assets . . . . .	Note 5	38.1	27.8
Inventories . . . . .	Note 5	99.5	115.2
		<u>293.0</u>	<u>241.9</u>
Property, plant and equipment . . . . .	Note 5	1,331.0	1,064.7
Goodwill . . . . .	Note 5	293.4	321.2
Long-term investments . . . . .	Note 5	25.8	21.2
Future income and mining taxes . . . . .	Note 15	29.4	—
Deferred charges and other long-term assets . . . . .	Note 5	80.9	49.1
		<u>\$ 2,053.5</u>	<u>\$ 1,698.1</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities . . . . .	Note 5	\$ 161.0	\$ 132.2
Current portion of long-term debt . . . . .	Note 8	17.9	9.4
Current portion of reclamation and remediation obligations . . . . .	Note 9	28.8	36.3
		<u>207.7</u>	<u>177.9</u>
Long-term debt . . . . .	Note 8	72.0	149.9
Reclamation and remediation obligations . . . . .	Note 9	139.6	139.6
Future income and mining taxes . . . . .	Note 15	143.8	129.6
Other long-term liabilities . . . . .		7.5	7.9
Redeemable retractable preferred shares . . . . .	Note 10	—	2.7
		<u>570.6</u>	<u>607.6</u>
<b>Non-controlling interest</b> . . . . .		<u>—</u>	<u>0.3</u>
<b>Convertible preferred shares of subsidiary company</b> . . . . .	Note 11	14.9	14.1
<b>Common shareholders' equity</b>			
Common share capital and common share purchase warrants . . . . .	Note 12	2,001.7	1,777.6
Contributed surplus . . . . .		54.6	52.6
Accumulated deficit . . . . .		(587.1)	(752.9)
Cumulative translation adjustments . . . . .		(1.2)	(1.2)
		<u>1,468.0</u>	<u>1,076.1</u>
<b>Commitments and contingencies</b> . . . . .	Note 20		
		<u>\$ 2,053.5</u>	<u>\$ 1,698.1</u>
<b>Common shares</b>			
Authorized . . . . .		<b>Unlimited</b>	Unlimited
Issued and outstanding . . . . .		<b>362,704,112</b>	345,417,147

Signed on behalf of the Board:



John A. Brough  
Director



John M.H. Huxley  
Director

*The accompanying notes are an integral part of these consolidated financial statements*

**KINROSS GOLD CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(expressed in millions of United States dollars, except per share amounts)

	For the years ended December 31		
	2006	2005	2004
<b>Revenue</b>			
Metal sales . . . . .	<b>\$905.6</b>	\$ 725.5	\$666.8
<b>Operating costs and expenses</b>			
Cost of sales (excludes accretion, depreciation, depletion and amortization) . . . . .	<b>481.7</b>	448.1	402.4
Accretion and reclamation expenses . . . . .	<b>33.5</b>	56.0	21.4
Depreciation, depletion and amortization . . . . .	<b>108.3</b>	167.7	170.1
	<b>282.1</b>	53.7	72.9
Other operating costs . . . . .	<b>26.0</b>	14.3	25.8
Exploration and business development . . . . .	<b>39.4</b>	26.6	20.4
General and administrative . . . . .	<b>52.1</b>	45.3	36.4
Impairment charges: . . . . .	Note 5		
Goodwill . . . . .	—	8.7	12.4
Property, plant and equipment . . . . .	—	171.9	46.1
Investments and other assets . . . . .	<b>10.5</b>	4.1	1.4
Gain on disposal of assets and investments — net . . . . .	<b>(47.4)</b>	(6.0)	(1.7)
<b>Operating earnings (loss)</b> . . . . .	<b>201.5</b>	(211.2)	(67.9)
Other expense — net . . . . .	Note 5	(9.3)	(17.0)
<b>Earnings (loss) before taxes and other items</b> . . . . .	<b>192.2</b>	(228.2)	(74.1)
Income and mining taxes recovery (expense) . . . . .	Note 15	(25.9)	12.9
Non-controlling interest . . . . .	<b>0.3</b>	0.1	0.3
Dividends on convertible preferred shares of subsidiary . . . . .	<b>(0.8)</b>	(0.8)	(0.8)
<b>Net earnings (loss)</b> . . . . .	<b>\$165.8</b>	\$(216.0)	\$(63.1)
<b>Earnings (loss) per share</b>			
Basic . . . . .	<b>\$ 0.47</b>	\$ (0.63)	\$(0.18)
Diluted . . . . .	<b>\$ 0.47</b>	\$ (0.63)	\$(0.18)
<b>Weighted average number of common shares outstanding</b> (millions) . . . . .	Note 14		
Basic . . . . .	<b>352.1</b>	345.2	346.0
Diluted . . . . .	<b>353.2</b>	345.2	346.0

*The accompanying notes are an integral part of these consolidated financial statements*

**KINROSS GOLD CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(expressed in millions of United States dollars)

	For the years ended December 31		
	2006	2005	2004
<b>Net inflow (outflow) of cash related to the following activities:</b>			
<b>Operating:</b>			
Net earnings (loss) . . . . .	<b>\$ 165.8</b>	\$(216.0)	\$ (63.1)
Adjustments to reconcile net earnings (loss) to net cash provided from (used in) operating activities:			
Accretion and reclamation expense . . . . .	<b>33.5</b>	56.0	21.4
Depreciation, depletion and amortization . . . . .	<b>108.3</b>	167.7	170.1
Impairment charges:			
Goodwill . . . . .	—	8.7	12.4
Property, plant and equipment . . . . .	—	171.9	46.1
Investments and other assets . . . . .	<b>10.5</b>	4.1	1.4
Gain on disposal of assets and investments — net . . . . .	<b>(47.4)</b>	(6.0)	(1.7)
Future income and mining taxes . . . . .	<b>0.9</b>	(15.0)	(29.3)
Deferred revenue recognized . . . . .	—	—	(6.3)
Non-controlling interest . . . . .	<b>(0.3)</b>	(0.1)	—
Stock-based compensation expense . . . . .	<b>10.4</b>	3.1	1.8
Unrealized foreign exchange losses and other . . . . .	<b>0.9</b>	1.9	1.3
Changes in operating assets and liabilities:			
Accounts receivable and other assets . . . . .	<b>(10.1)</b>	2.7	4.2
Inventories . . . . .	<b>13.5</b>	(9.9)	(19.3)
Accounts payable and other current liabilities . . . . .	<b>6.0</b>	(35.4)	22.2
<b>Cash flow provided from operating activities . . . . .</b>	<b>292.0</b>	133.7	161.2
<b>Investing:</b>			
Additions to property, plant and equipment . . . . .	<b>(202.9)</b>	(142.4)	(169.5)
Business acquisitions — net of cash acquired . . . . .	<b>(0.6)</b>	—	(261.2)
Proceeds on sale of marketable securities . . . . .	—	0.6	0.7
Proceeds on sale of long-term investments and other assets . . . . .	<b>33.7</b>	19.8	14.6
Additions to long-term investments and other assets . . . . .	<b>(13.9)</b>	(16.9)	(26.4)
Proceeds from the sale of property, plant and equipment . . . . .	<b>10.7</b>	10.4	1.5
Disposals of (additions to) short-term investments . . . . .	—	7.3	(5.7)
Decrease in restricted cash . . . . .	—	0.1	3.7
<b>Cash flow used in investing activities . . . . .</b>	<b>(173.0)</b>	(121.1)	(442.3)
<b>Financing:</b>			
Issuance of common shares . . . . .	<b>7.6</b>	1.9	3.1
Repurchase of common shares . . . . .	—	—	(11.8)
Debt issue costs . . . . .	<b>(2.5)</b>	(0.5)	(1.4)
Proceeds from issuance of debt . . . . .	<b>35.3</b>	50.5	119.5
Repayment of debt . . . . .	<b>(104.6)</b>	(16.2)	(26.8)
<b>Cash flow provided from (used in) financing activities . . . . .</b>	<b>(64.2)</b>	35.7	82.6
<b>Effect of exchange rate changes on cash . . . . .</b>	<b>1.7</b>	1.4	0.6
<b>Increase (decrease) in cash and cash equivalents . . . . .</b>	<b>56.5</b>	49.7	(197.9)
<b>Cash and cash equivalents, beginning of year . . . . .</b>	<b>97.6</b>	47.9	245.8
<b>Cash and cash equivalents, end of year . . . . .</b>	<b>\$ 154.1</b>	\$ 97.6	\$ 47.9

*The accompanying notes are an integral part of these consolidated financial statements*

**KINROSS GOLD CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY**  
(expressed in millions of United States dollars)

	<b>For the years ended December 31</b>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Common shares</b>			
Balance at the beginning of the year . . . . .	<b>\$1,777.6</b>	\$1,775.8	\$1,783.5
Common shares issued on acquisition of Crown . . . . .	<b>205.4</b>	—	—
Expiry of TVX and Echo Bay options and warrants . . . . .	<b>(0.1)</b>	(0.1)	(1.1)
Common shares issued for stock-based awards . . . . .	<b>16.1</b>	1.9	4.6
Conversion of redeemable retractable preferred shares . . . . .	<b>2.7</b>	—	0.6
Repurchase of common shares . . . . .	<b>—</b>	—	(11.8)
Balance at the end of the year . . . . .	<b><u>\$2,001.7</u></b>	<u>\$1,777.6</u>	<u>\$1,775.8</u>
<b>Contributed surplus</b>			
Balance at the beginning of the year . . . . .	<b>\$ 52.6</b>	\$ 49.4	\$ 45.5
Transfer of fair value of expired warrants and options . . . . .	<b>0.1</b>	0.1	1.1
Transfer of fair value of exercised options . . . . .	—	—	(0.2)
Stock-based compensation . . . . .	<b>1.9</b>	3.1	1.8
Adoption of new accounting standards . . . . .	—	—	2.5
Redemption on share consolidation . . . . .	—	—	(1.3)
Balance at the end of the year . . . . .	<b><u>\$ 54.6</u></b>	<u>\$ 52.6</u>	<u>\$ 49.4</u>
<b>Accumulated deficit</b>			
Balance at the beginning of the year . . . . .	<b>\$ (752.9)</b>	\$ (536.9)	\$ (471.3)
Adoption of new accounting standards . . . . .	—	—	(2.5)
Net earnings (loss) . . . . .	<b>165.8</b>	(216.0)	(63.1)
Balance at the end of the year . . . . .	<b><u>\$ (587.1)</u></b>	<u>\$ (752.9)</u>	<u>\$ (536.9)</u>
<b>Cumulative translation adjustments</b>			
Balance at the beginning and end of the year . . . . .	<b>\$ (1.2)</b>	\$ (1.2)	\$ (1.2)
<b>Total common shareholders' equity . . . . .</b>	<b><u>\$1,468.0</u></b>	<u>\$1,076.1</u>	<u>\$1,287.1</u>

*The accompanying notes are an integral part of these consolidated financial statements*

**KINROSS GOLD CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2006, 2005 and 2004**  
**(in millions of United States dollars)**

**1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS**

Kinross Gold Corporation and its subsidiaries and joint ventures (collectively, "Kinross" or the "Company") are engaged in gold mining and related activities, including exploration and acquisition of gold-bearing properties, extraction, processing and reclamation. Kinross' gold production and exploration activities are carried out principally in the United States, Canada, Russia, Brazil, and Chile. Gold is produced in the form of doré, which is shipped to refineries for final processing. Kinross also produces and sells a limited quantity of silver.

The operating cash flow and profitability of the Company are affected by various factors, including the amount of gold and silver produced and sold, the market prices of gold and silver, operating costs, interest rates, environmental costs and the level of exploration activity and other discretionary costs and activities. Kinross is also exposed to fluctuations in foreign currency exchange rates, political risk and varying levels of taxation. Kinross seeks to manage the risks associated with its business; however, many of the factors affecting these risks are beyond the Company's control.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of Kinross have been prepared by management in accordance with Canadian generally accepted accounting principles ("CDN GAAP") using the following significant accounting policies and are expressed in United States dollars.

*i. Basis of presentation and principles of consolidation:*

The consolidated financial statements include the accounts of the Company and all its subsidiaries and investments. The significant mining properties of Kinross are listed below:

	<b>Location</b>	<b>December 31, 2006</b>	<b>December 31, 2005</b>
<b>Through majority owned subsidiaries (Consolidated)</b>			
Fort Knox . . . . .	USA	<b>100%</b>	100%
Paracatu . . . . .	Brazil	<b>100%</b>	100%
Kettle River . . . . .	USA	<b>100%</b>	100%
<b>As interests in unincorporated joint ventures (Proportionately consolidated)</b>			
Round Mountain . . . . .	USA	<b>50%</b>	50%
Porcupine . . . . .	Canada	<b>49%</b>	49%
Musselwhite . . . . .	Canada	<b>32%</b>	32%
<b>As interests in incorporated joint ventures (Proportionately consolidated)</b>			
La Coipa . . . . .	Chile	<b>50%</b>	50%
Crixás . . . . .	Brazil	<b>50%</b>	50%
Refugio . . . . .	Chile	<b>50%</b>	50%

*ii. Use of estimates*

The preparation of the Company's consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Changes in estimates of useful lives are accounted for prospectively from the date of change. Actual results could differ from these estimates. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to, property, plant and equipment, mineral interests, inventories, goodwill, long-term investments, reclamation and remediation obligations, provision for income and mining taxes, employee pension costs and post employment benefit obligations.

*iii. Variable interest entities*

The financial statements of entities, which are controlled by Kinross through voting equity interests, referred to as subsidiaries, are consolidated. Entities, which are jointly controlled, referred to as joint ventures, are proportionately consolidated. Variable Interest Entities ("VIEs") (which includes, but is not limited to, special purpose entities, trusts, partnerships and other legal structures) as defined by the Accounting Standards Board in Accounting Guideline ("AcG") 15, "Consolidation of Variable Interest Entities" are entities' in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its



**KINROSS GOLD CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**For the years ended December 31, 2006, 2005 and 2004**  
**(in millions of United States dollars)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities expected losses and/or expected residual returns. Intercompany accounts and transactions, unrealized intercompany gains and losses are eliminated upon consolidation.

*iv. Functional and reporting currency*

The Company's functional currency is the United States dollar. The Company and its subsidiaries and joint ventures operate in the United States, Canada, Russia, Brazil and Chile. The Company's subsidiaries are considered integrated and their financial results have been translated into United States dollars using the temporal method.

Monetary assets and liabilities of the Company's operations denominated in currencies other than the United States dollar are translated into U.S. dollars at the rates of exchange at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical exchanges rates prevailing at each transaction date. Revenue and expenses are translated at average exchange rates throughout the reporting period, with the exception of depreciation, depletion and amortization which is translated at historical exchange rates. Gains and losses on translation of foreign currencies are included in earnings.

The cumulative translation adjustments relate to unrealized translation gains and losses on the Company's net investment in self-sustaining operations that were translated using the current rate method prior to September 29, 2003. The exchange gains and losses will become realized in earnings upon the substantial disposition, liquidation or closure of the investment that gave rise to such amounts.

*v. Cash and cash equivalents*

Cash and cash equivalents include cash and highly liquid investments with a maturity of three months or less at the date of acquisition.

*vi. Short-term investments*

Short-term investments include short-term money market instruments with terms to maturity at the date of acquisition of between three and twelve months. The carrying value of short-term investments is equal to cost and accrued interest.

*vii. Long-term investments and Impairment of Investments and Other Assets*

Investments in shares of investee companies in which Kinross' ownership is greater than 20% but not more than 50%, over which the Company has the ability to exercise significant influence, are accounted for using the equity method. The cost method is used for entities in which the Company owns less than 20%, or cannot exercise significant influence. The Company periodically reviews the carrying value of its investments. When a decline in the value of an investment is considered to be other-than-temporary, the investment is written down to net realizable value with a charge to impairment expenses.

*viii. Inventories*

Inventories consisting of metal in circuit ore, metal in process and finished metal are valued at the lower of cost or net realizable value ("NRV"). NRV is calculated as the difference between the estimated future gold prices based on prevailing and long-term metal prices and estimated costs to complete production into a saleable form.

Metal in circuit is comprised of ore in stockpiles and ore on heap leach pads. Ore in stockpiles is coarse ore that has been extracted from the mine and is available for further processing. Costs are added to stockpiles based on the current mining cost per tonne and removed at the average cost per tonne. Costs are added to ore on the heap leach pads based on current mining costs and removed from the heap leach pad as ounces are recovered, based on the average cost per recoverable ounce of gold on the leach pad. Ore in stockpiles not expected to be processed in the next twelve months is classified as long-term.

In-process inventories represent materials that are currently in the process of being converted to a saleable product.

All of the Company's ore on leach pads is classified as current. In the event that the Company determines, based on engineering estimates, that a quantity of gold contained in ore on leach pads was to be recovered over a period exceeding twelve months, that portion would be classified as long-term.

Although the quantities of recoverable gold placed on the leach pads are reconciled by comparing the grades of ore placed on the leach pads to the quantities of gold actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are

**KINROSS GOLD CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**For the years ended December 31, 2006, 2005 and 2004**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

refined based on actual results over time. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to NRV are accounted for on a prospective basis. The ultimate recovery of gold from a leach pad will not be known until the leaching process has concluded.

Finished metal inventories, comprised of gold and silver doré and bullion, are valued at the lower of the previous three month average production cost and NRV. Average production cost represents the average cost of the respective in-process inventories incurred prior to the refining process, plus applicable refining costs and associated royalties.

Materials and supplies are valued at the lower of average cost and replacement cost.

Write-downs of inventory resulting from NRV or net replacement impairments are reported in current period costs.

*ix. Property, plant and equipment and Impairment of property, plant and equipment*

New facilities, plant and equipment are recorded at cost and carried net of depreciation. Mobile and other equipment are amortized, net of residual value, using the straight-line method, over the estimated productive life of the asset. Productive lives for mobile and other equipment range from 2 to 10 years, but do not exceed the related estimated mine life based on Proven and Probable Reserves. Plant and other facilities, used in carrying out the mine operating plan, are amortized using the units-of-production ("UOP") method over the estimated life of the ore body based on recoverable ounces to be mined from estimated Proven and Probable Reserves. Repairs and maintenance expenditures are expensed as incurred. Expenditures that extend the useful lives of existing facilities or equipment are capitalized and amortized over the remaining useful life of the related asset.

Exploration costs are expensed as incurred. From the time when it has been determined that a mineral property can be economically developed as a result of establishing Proven and Probable Reserves, costs incurred to develop the property are capitalized as incurred until assets are ready for their intended use.

Production stage mineral interests are amortized over the life of mine using the UOP method based on recoverable ounces to be mined from estimated Proven and Probable Reserves.

Costs to acquire mineral properties are capitalized and represent the property's fair value at the time it was acquired, either as an individual asset purchase or as a part of a business combination.

Interest expense allocable to the cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use.

The expected useful lives used in depreciation and depletion calculations are determined based on the facts and circumstances associated with the mineral interest. The Company evaluates the remaining depletion period for each individual mineral interest at least on an annual basis. Any changes in estimates of useful lives are accounted for prospectively from the date of the change.

Kinross reviews and evaluates the carrying value of its operating mines, development and exploration properties for impairment whenever events or changes in circumstances indicate that the carrying amounts of related assets or groups of assets might not be recoverable.

Whenever the total estimated future cash flows on an undiscounted basis of a property is less than the carrying amount of the property, an impairment loss is measured and recorded. Future cash flows are based on estimated future recoverable mine production, sales prices, production levels and costs, capital and reclamation and remediation obligations, which are all based on detailed engineering life of mine plans. Future recoverable mine production is determined from Proven and Probable Reserves and Measured, Indicated and Inferred mineral resources net of losses during ore processing and treatment. Cash flow estimates of recoverable production from inferred mineral interests are risk-adjusted to reflect the greater uncertainty associated with those cash flows. All long-lived assets at a particular operation are combined for purposes of estimating future cash flows.

Exploration properties are the areas adjacent and contiguous to existing mines or development properties containing reserves, resources or without any identified exploration targets. These properties are assessed for impairment by comparing the carrying value against the fair value. Fair value is based primarily on values of recent transactions involving sales of similar properties.

*x. Goodwill and Goodwill impairment*

Business acquisitions are accounted for using the purchase method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition with the excess of the purchase price over such fair value is recorded as goodwill. Goodwill is assigned to the reporting units and is not amortized. Goodwill is attributed to the following factors:

**KINROSS GOLD CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- The expected ability of the Company to increase the reserves and resources at a particular mining property based on its potential to develop identified exploration targets existing on the properties which were part of the acquisitions;
- The optionality (real option value associated with the portfolio of acquired mines as well as each individual mine) to develop additional higher-cost reserves and to intensify efforts to develop the more promising acquired properties and reduce efforts at developing the less promising acquired properties should gold prices change in the future; and
- The going concern value of the Company's capacity to replace and augment reserves through completely new discoveries whose value is not reflected in any of the other valuations.

Accordingly, in determining the basis of assigning goodwill to reporting units as at the date of acquisition, the value associated with expected additional value attributable to exploration potential is quantified for each reporting unit based on the specific geological attributes of the mineral property and based on market data for similar types of properties. The values associated with optionality and going concern value are not separately computed and accordingly the balance of goodwill is assigned to reporting units using a relative fair value methodology.

At least on an annual basis, the Company evaluates the carrying amount of goodwill to determine whether events and circumstances have changed from the last evaluation date such that the carrying amount may no longer be recoverable. The Company compares the estimated fair value of reporting units to which goodwill was allocated to the carrying amounts. If the carrying value of a reporting unit were to exceed its estimated fair value, the Company would compare the implied fair value of the reporting unit's goodwill to its carrying amount. Any excess of the carrying value over the fair value is charged to earnings.

*xi. Financial instruments and hedging activity*

As part of management's strategy to manage the risks associated with exposure to fluctuations in gold and silver prices and foreign currency exchange rates, Kinross periodically enters into derivative financial instrument contracts, including forward contracts, spot deferred contracts and options. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking the hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. Hedge effectiveness is assessed based on the degree to which the cash flows from the derivative contracts are expected to offset the cash flows of the underlying position or transaction being hedged. At the time of inception of the hedge and on an ongoing basis, the Company assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. In instances where the documentation supports an economic hedge but does not meet the standards for formal hedge accounting, the Company records changes in fair value of the financial instruments in current earnings.

The Company periodically uses spot deferred and fixed forward contracts to hedge the Company's exposure to the risk of falling gold and silver prices. Realized and unrealized gains or losses on derivative contracts that effectively establish prices for future production are deferred and recorded in earnings when the underlying hedged transaction, identified at the contract inception, is completed. Premiums received at the inception of written call options are recorded as a liability. Changes in the fair value of the liability are recognized in current earnings. Realized and unrealized gains or losses for derivative contracts, which do not qualify as hedges for accounting purposes or which relate to a hedged transaction or item that has been sold or terminated, are recorded in current earnings. Gains or losses on the early settlement of metal hedging contracts that were deemed to be effective at the inception of the contract are deferred on the balance sheet and included in earnings in accordance with the original delivery schedule of the hedged production.

Foreign currency forward contracts are used to hedge exposure to exchange rate fluctuations of foreign currency denominated settlement of capital and operating expenditures. Gains or losses on these contracts are matched with the hedged expenditures at the maturity of the contracts. Realized and unrealized gains or losses associated with foreign exchange forward contracts, which have been terminated or cease to be effective prior to maturity, are deferred under other assets or liabilities on the balance sheet and recognized in earnings in the period in which the underlying hedged transaction is recognized.

Changes in the fair value of any other financial instruments, for which the Company has not sought hedge accounting, are recognized currently in earnings.

*xii. Pension, post-retirement and post-employment benefits*

The Company participates in both defined contribution and defined benefit pension plans. The costs of defined contribution plans, representing the Company's required contribution, and the costs of defined benefit pension plans are charged to earnings in the year incurred. Defined benefit plan pension expense, based on management's assumptions, consists of the actuarially computed costs of pension benefits in

**KINROSS GOLD CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

respect of the current year's service, imputed interest on plan assets and pension obligations, straight-line amortization of experience gains and losses, assumption changes and plan amendments over the expected average remaining service life of the employee group.

The expected costs of post-retirement and post-employment benefits, other than pensions for active employees, are entitled to receive such benefits, are accrued for in the consolidated financial statements during the years that the employees provide service to the Company.

*xiii. Stock-based incentive and compensation plans*

The Company's stock-based incentive and compensation plans are comprised of:

1. Employee Share Purchase Plan ("ESPP"): The Company's contribution to the ESPP is recorded as compensation expense on a payroll cycle basis as the employer's obligation to contribute is incurred. The cost of the common shares issued under the ESPP is based on the average of the last twenty trading sessions prior to the end of the quarter.
2. Restricted Share Unit Plan: Restricted share units ("RSU") are only settled in equity and are valued using the market value of the underlying stock at the grant date. The Company's compensation expense is recognized on a straight-line basis over the vesting period. Adjustments to compensation expense for employment vesting requirements are accounted for in the period when they occur. On exercise of RSUs, the shares are issued from treasury.
3. Deferred Share Unit Plan: Deferred share units ("DSU") are settled in cash and accounted for as a liability as of the grant date based on the market value at the grant date. The value of the liability is re-measured each period based on the current market value of the underlying stock at period end and any changes in the liability are recorded as compensation expense each period.
4. Stock Option Plan: The fair value of stock options at grant date is estimated using the Black-Scholes option pricing model. Compensation expense is recognized on a straight-line basis over the stock option vesting period. Adjustments to compensation expense due to not meeting employment vesting requirements are accounted for in the period when they occur.

*xiv. Revenue recognition*

Metal sales revenue is recognized upon shipment of gold and silver to third-party refineries, when the sales price is fixed and title has passed to the customer.

*xv. Reclamation and remediation obligations*

The Company records a liability and corresponding asset for estimated costs for future site reclamation and closure. The estimated present value of the asset retirement obligation is reassessed on an annual basis or when new information becomes available. Increases or decreases to the obligation usually arise due to changes in legal or regulatory requirements, the extent of environmental remediation required, methods of reclamation or cost estimates. The estimated costs of these changes are recorded in the period in which the change is identified and quantified. Changes to asset retirement obligations related to operating mines are recorded with an offsetting increase to the related asset. For properties where mining activities have ceased or are in reclamation, changes are charged directly to earnings.

*xvi. Income and mining taxes*

The Company uses the liability method of accounting for income and mining taxes. Under the liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax losses and other deductions carried forward. In a business acquisition, the cost of the acquisition is allocated to the assets and liabilities acquired by reference to their fair values at the date of acquisition. Temporary differences that exist between the assigned values and the tax bases of the related assets and liabilities result in either future income tax liabilities or assets. These future income tax assets and liabilities are treated as identifiable assets and liabilities when allocating the cost of the purchase.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A reduction in respect of the benefit of a future tax asset, a valuation allowance, is recorded against any future tax asset if it is not likely to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is substantively enacted.

**KINROSS GOLD CORPORATION**  
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**For the years ended December 31, 2006, 2005 and 2004**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*xvii. Earnings (loss) per share*

Earnings (loss) per share calculations are based on the weighted average number of common shares and common share equivalents issued and outstanding during the year. Diluted earnings (loss) per share is calculated using the treasury method, which assumes that outstanding stock options, warrants and restricted share units with an average exercise price below market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average market price of the common shares for the year.

*xviii. Reclassifications*

Certain comparative information has been reclassified to conform to the current year's presentation.

**3. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS**

Accounting changes:

- (i) The Company adopted CICA ("Canadian Institute of Chartered Accountants") Handbook Section 3831, "Non-Monetary Transactions" ("Section 3831") for non-monetary transactions initiated in fiscal periods beginning on or after January 1, 2006, replacing Handbook Section 3830, "Non-Monetary Transactions". Section 3831 requires all non-monetary transactions to be measured at fair value, subject to certain exceptions. The standard also requires that commercial substance replace culmination of the earnings process as the test for fair value measurement. The standard defines commercial substance as a function of the cash flows expected from the assets. The adoption of Section 3831 did not have an impact on the Company's results of operations and financial position.
- (ii) In October 2005, the Emerging Issues Committee ("EIC") issued CICA Abstract No. 157, "Implicit Variable Interests Under AcG-15" ("EIC 157"). This EIC clarifies that implicit variable interests are implied financial interests in an entity that change with changes in the fair value of the entity's net assets exclusive of variable interests. An implicit variable interest is similar to an explicit variable interest except that it involves absorbing and/or receiving variability indirectly from the entity. The identification of an implicit variable interest is a matter of judgment that depends on the relevant facts and circumstances. The Company adopted EIC 157 effective January 1, 2006. There was no impact on the results of operations and financial position. The impact of EIC 157 on the Company's future results of operations and financial condition will depend on the terms contained in contracts signed or contracts amended in the future.
- (iii) The CICA issued EIC 160, "Stripping Costs Incurred in the Production Phase of a Mining Operation" ("EIC 160") in March 2006 and is applicable to stripping costs incurred in fiscal years beginning on or after July 1, 2006. The EIC clarifies that stripping costs should be accounted for according to the benefit received by the entity. Generally, stripping costs should be accounted for as variable production costs that should be included in the costs of the inventory produced (that is, extracted) during the period in which stripping costs are incurred. However, stripping costs should be capitalized if the stripping activity can be shown to represent betterment to the mineral property. Capitalized stripping costs should be amortized in a rational and systematic manner over the reserves that directly benefit from specific stripping activity, such as the unit of production method. The reserves used to amortize capitalized stripping costs could differ from those used to amortize the mineral property and related life-of-mine assets as the stripping costs may only relate to a portion of the total reserves.

Recent pronouncements:

- (i) On January 27, 2005, the CICA issued three new accounting standards which come into effect in the 2007 fiscal year:

Handbook Section 1530 — Other Comprehensive Income:

A new category, titled Other Comprehensive Income, will be added to shareholders' equity on the consolidated balance sheet. Major components for this category will include unrealized gains and losses on financial assets classified as available-for-sale; unrealized foreign currency translation gains and losses, net of hedging; unrealized gains and losses arising from translating financial statements of self-sustaining foreign operations; and changes in the fair value of the effective portion of cash flow hedging instruments.

Handbook Section 3855 — Financial Instruments — Recognition and Measurement:

All financial instruments will be classified as one of the following: held-to-maturity, loans and receivables, held-for-trading or available-for-sale. Financial assets and liabilities held-for-trading will be measured at fair value with gains and losses recognized in net earnings. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale instruments will be measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits designation of any financial instrument as held-for-trading upon initial recognition.

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**3. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS (Continued)**

Handbook Section 3865 — Hedges:

This new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed for fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recognized in net income. This change in fair value of the hedged item, to the extent that the hedging relationship is effective, is offset by changes in the fair value of the derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in other comprehensive income. The ineffective portion will be recognized in net income. The amounts recognized in other comprehensive income will be reclassified to net income in the periods in which net income is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, foreign exchange gains and losses on the hedging instruments will be recognized in other comprehensive income.

The final determination of the impact of implementing these new standards will be dependent upon the outstanding positions and related fair values at the time of transition. Kinross is completing its assessment of the impact these new standards will have on its consolidated financial statements.

- (ii) In July, 2006, the CICA reissued Handbook Section 1506 "Accounting Changes" which is effective for fiscal years beginning on or after January 1, 2007. Under this standard, voluntary changes in accounting policy are only made to provide more reliable and more relevant information in the financial statements. Changes in accounting policy are applied retrospectively unless doing so is impracticable or the change in accounting policy is made on initial application of a primary source of GAAP. A change in accounting estimate is generally recognized prospectively and material prior period errors are amended retrospectively. New disclosures are required in respect of such accounting changes. The adoption of this standard is not expected to have a significant effect on the Company's consolidated financial condition.

**4. ACQUISITIONS AND DIVESTITURES**

(i) Acquisition of Crown Resources Corporation

On August 31, 2006, Kinross completed the acquisition of 100% of the issued and outstanding shares of Crown Resources Corporation ("Crown") which owned the Buckhorn Property ("Buckhorn") located in north central Washington State. Consideration paid was 0.32 of a common share of Kinross for each outstanding common share of Crown.

On January 7, 2004, the Company had acquired 511,640 shares of Crown in a private placement for \$1.0 million. On May 15, 2005, the Company had purchased a \$10.0 million convertible debenture from Crown. The debenture was convertible into 5.8 million common shares of Crown and had accrued interest receivable of \$0.5 million.

The following table reflects the purchase price allocation for the acquisition of Crown:

The purchase price was calculated as follows:

Fair value of Kinross common shares issued to acquire 100% of Crown (14.6 million shares) . . . . .	\$205.4
Acquisition costs . . . . .	2.7
Company's previous ownership interest in Crown . . . . .	11.5
Total purchase price . . . . .	<u>\$219.6</u>

The purchase price was allocated as follows:

Current assets . . . . .	\$ 0.1
Property, plant and equipment <sup>(a)</sup> . . . . .	219.8
Other long-term assets . . . . .	0.1
Current liabilities . . . . .	(0.3)
Reclamation and remediation obligations . . . . .	(0.1)
Total purchase price . . . . .	<u>\$219.6</u>

(a) *Property, plant and equipment includes mineral interests.*

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**4. ACQUISITIONS AND DIVESTITURES (Continued)**

*(ii) Disposition of New Britannia Mine*

The Company completed the sale of its 50% interest in the New Britannia mine to Pegasus Mines Limited ("Pegasus") on December 22, 2006. Pegasus, Piper Capital Inc. ("Piper") and Garson Resources Ltd ("Garson") had entered into a joint venture agreement in order to purchase Kinross' investment in the New Britannia mine. Consideration received by the Company consisted of 8,960,794 shares of Garson and 10,012,277 shares of Piper, representing a 19.9% interest in each of Piper's and Garson's issued and outstanding share capital. The fair value of the consideration received at the date of the transaction was estimated at CDN \$5.1 million.

As part of the transaction, Pegasus replaced Kinross' environmental letter of credit for CDN \$1.9 million issued to the Government of Manitoba and issued to the Company an additional letter of credit for CDN \$3.9 million that the Company can draw upon in the event that the Government authorities impose any closure liability or obligation in respect to the property upon Kinross. On each anniversary of this sale transaction, Pegasus shall increase the current amount of the letter of credit by the increase in the Canadian Consumer Price Index for the previous 12 months. The letter of credit is refundable to Pegasus should the mine go into commercial production. Kinross has the right to purchase 60% of the joint venture assets, provided Pegasus completes a feasibility study that identifies a deposit containing at least 3.0 million ounces of gold resources. The Company realized a gain of \$8.9 million on the disposition of this property.

*(iii) Disposition of Blanket Mine:*

On July 5, 2006, the Company disposed of its interest in the Blanket Mine to Caledonia Mining Corporation ("Caledonia") in exchange for 20.0 million shares of Caledonia. During 2001, Kinross wrote down its investment in the Blanket Mine property and discontinued its consolidation in 2002. As a result of the transaction, the Company recorded a gain on disposition of \$2.9 million, equivalent to the fair value of the shares of Caledonia received at the date of the transaction. Refer to the Impairment charges section in Note 5 for discussion on the write-down associated with this investment.

*(iv) Disposition of Aquarius:*

On May 10, 2006, the Company closed the sale of the Aquarius property to St Andrew Goldfields ("St Andrew") in exchange for 100.0 million common shares and 25.0 million common share purchase warrants of St. Andrew for a total fair value of \$14.4 million, resulting in a gain on sale of \$0.1 million. The Aquarius property was written down to its net fair value of \$14.3 million during 2005, which included \$15.2 million in mineral interests and the related \$0.9 million reclamation and remediation obligation. The Aquarius property was accounted for as an asset held for sale at December 31, 2005.

Following the completion of the sale, St Andrew Goldfields completed a 20 to 1 share consolidation. As a result, at December 31, 2006, Kinross held 5.0 million common shares and 1.25 million common share purchase warrants. Refer to the Impairment charges section in Note 5 for discussion on the write-down associated with this investment.

*(v) Disposition of Lupin:*

On June 19, 2006, Kinross signed a definitive agreement to sell the Lupin mine in the Territory of Nunavut to Wolfden Resources Inc. ("Wolfden"). The transaction was completed on February 28, 2007. See Note 21 Subsequent events for further discussion.

*(vi) Disposition of George/Goose Lake:*

The George/Goose Lake property was sold on July 25, 2006 for cash proceeds of \$6.0 million, which resulted in a gain of \$1.6 million.

*(vii) Acquisition of remaining 51% of Paracatu mine*

On December 31, 2004, the Company completed the purchase of the remaining 51% of the Rio Paracatu Mineracao ("RPM"), the owner of the Morro do Ouro mine (also known as Paracatu) in Brazil from Rio Tinto Plc. ("Rio Tinto"). Prior to this date, the Company proportionately consolidated its investment in RPM. Kinross acquired its original 49% interest in the mine on January 31, 2003 when the Company acquired TVX Gold Inc. ("TVX"). Consideration of \$255.6 million was paid in cash on finalizing the post completion working capital adjustment. The Company financed the transaction with debt of \$105.0 million and the remainder in cash.

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**4. ACQUISITIONS AND DIVESTITURES (Continued)**

The following table reflects the purchase price allocation for the acquisition of the remaining 51% interest of the Paracatu mine (in millions):

Cash paid . . . . .	\$ 249.6
Working capital adjustment . . . . .	6.0
Total cash paid to Rio Tinto Plc. . . . .	\$ 255.6
Plus — direct acquisition costs incurred by the Company . . . . .	1.4
Total purchase price . . . . .	\$ 257.0
Plus — Fair value of liabilities assumed by Kinross	
Accounts payable and accrued liabilities . . . . .	\$ 8.3
Long-term debt, including current portion . . . . .	10.5
Reclamation and remediation obligations, including current portion . . . . .	5.4
Future income tax liabilities . . . . .	3.0
Less — Fair value of assets acquired by Kinross	
Cash . . . . .	(5.7)
Short-term investments . . . . .	(0.4)
Accounts receivable and other assets . . . . .	(2.7)
Inventories . . . . .	(3.7)
Property, plant and equipment . . . . .	(37.5)
Mineral interests . . . . .	(233.4)
Other non-current assets . . . . .	(0.8)
Residual purchase price allocated to goodwill . . . . .	<u>\$ —</u>

**5. CONSOLIDATED FINANCIAL STATEMENT DETAILS**

**Consolidated Balance Sheets**

(i) *Accounts receivable and other assets:*

	<u>2006</u>	<u>2005</u>
Trade receivables . . . . .	\$ 6.6	\$ 1.4
Taxes recoverable . . . . .	11.2	0.4
Prepaid expenses . . . . .	4.8	6.5
Other . . . . .	15.5	19.5
	<u>\$38.1</u>	<u>\$27.8</u>

(ii) *Inventories:*

	<u>2006</u>	<u>2005</u>
Ore in stockpiles <sup>(a)</sup> . . . . .	\$ 36.2	\$ 30.8
In-process . . . . .	9.3	12.7
Ore on leach pads <sup>(b)</sup> . . . . .	15.8	17.1
Finished metal . . . . .	19.6	26.0
Materials and supplies . . . . .	50.0	55.3
	<u>130.9</u>	<u>141.9</u>
Long-term portion of ore in stockpiles . . . . .	(31.4)	(26.7)
	<u>\$ 99.5</u>	<u>\$115.2</u>

(a) *Ore in stockpiles includes low-grade material not scheduled for processing within the next twelve months and is included in deferred charges and other long-term assets on the consolidated balance sheets. See Deferred charges and other long-term assets, Note 5 (vi).*

(b) *Ore on leach pads as at December 31, 2006 relate to the Company's 50% owned Round Mountain and Refugio mines. As at December 31, 2006, the weighted average cost per recoverable ounce of gold on the leach pads at Round Mountain was \$323 per ounce (2005 — \$275 per*



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**5. CONSOLIDATED FINANCIAL STATEMENT DETAILS (Continued)**

ounce) and at Refugio was \$240 per ounce (2005 — \$161 per ounce). Based on current mine plans, the Company expects to place the last tonne of ore on its current leach pad at Round Mountain in 2018 and at Refugio in 2020. The Company expects that all economic ounces will be substantially recovered within approximately 12 months following the date the last tonne of ore is placed on the leach pad.

(iii) Property, plant and equipment:

	2006			2005		
	Cost <sup>(b)</sup>	Accumulated Depreciation	Net Book Value	Cost <sup>(b)</sup>	Accumulated Depreciation	Net Book Value
<i>Property, plant and equipment<sup>(a)</sup></i>						
<i>Producing properties</i>						
Straight line amortization basis . . . . .	\$ 196.2	\$ (105.0)	\$ 91.2	\$ 172.4	\$ (80.9)	\$ 91.5
Units of production amortization basis . . . . .	1,133.1	(676.6)	456.5	995.9	(635.0)	360.9
Development properties . . . . .	—	—	—	—	—	—
Exploration properties . . . . .	—	—	—	4.4	—	4.4
	<u>\$1,329.3</u>	<u>\$ (781.6)</u>	<u>\$ 547.7</u>	<u>\$1,172.7</u>	<u>\$ (715.9)</u>	<u>\$ 456.8</u>
<i>Mineral Interests</i>						
Producing properties . . . . .	\$ 923.8	\$ (216.7)	\$ 707.1	\$ 702.6	\$ (186.1)	\$ 516.5
Development properties . . . . .	—	—	—	15.2	—	15.2
Exploration properties . . . . .	76.2	—	76.2	76.2	—	76.2
	<u>\$1,000.0</u>	<u>\$ (216.7)</u>	<u>\$ 783.3</u>	<u>\$ 794.0</u>	<u>\$ (186.1)</u>	<u>\$ 607.9</u>
<b>Total property, plant and equipment . . . . .</b>	<b><u>\$2,329.3</u></b>	<b><u>\$ (998.3)</u></b>	<b><u>\$1,331.0</u></b>	<b><u>\$1,966.7</u></b>	<b><u>\$ (902.0)</u></b>	<b><u>\$1,064.7</u></b>

(a) Capitalized interest included within property, plant and equipment was \$3.7 million and \$1.8 million during the years ended December 31, 2006 and December 31, 2005, respectively. Interest capitalized during the year ended December 31, 2006, is related to capital expenditures at Fort Knox, Round Mountain and Paracatu and during the year ended December 31, 2005, is related to Fort Knox, the Porcupine Joint Venture, Refugio and Round Mountain.

(b) Cost includes adjustments for the impairment in the carrying value of property, plant and equipment. See Note 5 (viii) for details.

For impairment associated with property, plant and equipment, see the Impairment charges section within this note.

The following table shows capitalized stripping for the year ended December 31, 2006:

	2006		
	Round Mountain	Fort Knox	Total
Opening balance <sup>(a)</sup> . . . . .	\$ 1.1	\$ —	\$ 1.1
Additions . . . . .	17.4	37.9	\$55.3
Amortization <sup>(b)</sup> . . . . .	—	(4.4)	(4.4)
	<u>\$18.5</u>	<u>\$33.5</u>	<u>\$52.0</u>

(a) The opening balance relates to the Round Mountain pit expansion that was commenced in late 2005.

(b) Amortization of deferred stripping costs uses the UOP method based on reserves that have not yet been produced that will benefit directly from the stripping activity.

**KINROSS GOLD CORPORATION**  
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**5. CONSOLIDATED FINANCIAL STATEMENT DETAILS (Continued)**

(iv) *Goodwill:*

The Goodwill allocated to the Company's reporting units and included in the respective operating segment assets is shown in the table below:

	2005		2006			
	December 31, 2004	Impairment <sup>(a)</sup>	December 31, 2005	Impairment <sup>(a)</sup>	Reduction in goodwill <sup>(b)</sup>	December 31, 2006
<b>Operating segments</b>						
Round Mountain . . . . .	\$ 86.5	\$ —	\$ 86.5	\$ —	\$(27.8)	\$ 58.7
La Coipa . . . . .	71.4	—	71.4	—	—	71.4
Crixas . . . . .	38.0	—	38.0	—	—	38.0
Paracatu . . . . .	65.5	—	65.5	—	—	65.5
Musselwhite . . . . .	31.0	(2.0)	29.0	—	—	29.0
Kettle River . . . . .	20.9	—	20.9	—	—	20.9
Other operations . . . . .	16.6	(6.7)	9.9	—	—	9.9
Corporate and other . . . . .	—	—	—	—	—	—
<b>Total . . . . .</b>	<b>\$329.9</b>	<b>\$(8.7)</b>	<b>\$321.2</b>	<b>\$ —</b>	<b>\$(27.8)</b>	<b>\$293.4</b>

(a) *For impairment associated with Goodwill, see the Impairment charges section within this note.*

(b) *As a result of utilizing tax loss benefits acquired with the Round Mountain operation, a portion of goodwill has been reduced.*

There were no additions to Goodwill during the years ended December 31, 2006 and 2005.

(v) *Long-term investments:*

The quoted market value of the Company's long-term investments at December 31, 2006 was \$45.7 million (December 31, 2005 — \$27.7 million). All long-term investments are carried at the lower of cost and market. During 2006, the Company sold certain long-term investments with a book value of \$0.8 million for net proceeds of \$33.7 million (2005 — net proceeds of \$19.8 million; book value of \$14.9 million).

The following are the most significant investment dispositions completed by the Company during 2006 fiscal year:

*Katanga*

The Company sold 5,751,500 shares of Katanga Mining Ltd. ("Katanga") on September 8, 2006 for cash proceeds of \$31.4 million resulting in a gain of \$31.3 million. For additional details on the shares related to Katanga, please see Note 19, Related party transaction.

*Bolder*

On May 24, 2006, the Company sold 1,000 units of Bolder Opportunity Limited Partnership for cash proceeds of \$2.4 million, which resulted in a gain of \$1.6 million.

(vi) *Deferred charges and other long-term assets:*

	2006	2005
Long-term ore in stockpiles <sup>(a)</sup> . . . . .	\$31.4	\$26.7
Deferred charges, net of amortization . . . . .	3.8	2.1
Long-term receivables . . . . .	13.2	9.5
Advance on the purchase of capital equipment . . . . .	22.6	—
Acquisition costs . . . . .	8.2	9.2
Other . . . . .	1.7	1.6
	<b>\$80.9</b>	<b>\$49.1</b>

(a) *Ore in stockpiles represents stockpiled ore at the Company's Fort Knox and Kettle River mines and its proportionate share of stockpiled ore at Round Mountain and the Porcupine Joint Venture (2005 — Fort Knox, Round Mountain and the Porcupine Joint Venture).*

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**5. CONSOLIDATED FINANCIAL STATEMENT DETAILS (Continued)**

(vii) *Accounts payable and accrued liabilities:*

	<u>2006</u>	<u>2005</u>
Trade payables . . . . .	\$ 49.1	\$ 41.8
Accrued liabilities . . . . .	60.9	42.3
Employee related accrued liabilities . . . . .	18.6	18.3
Taxes payable . . . . .	17.9	7.3
Accruals related to acquisition . . . . .	1.3	6.5
Other accruals . . . . .	13.2	16.0
	<u>\$161.0</u>	<u>\$132.2</u>

**Consolidated Statements of Operations**

(viii) *Impairment charges:*

The Company reviews the carrying values of its portfolio of investments on a quarterly basis. The carrying values of its property, plant and equipment and goodwill are reviewed at least once each fiscal year.

The following is a summary of impairment charges recorded during the fiscal years ended December 31, 2006, 2005 and 2004:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>Goodwill impairment</u></b> . . . . .	\$ —	\$ 8.7	\$12.4
<b><u>Impairment of property, plant and equipment</u></b>			
Aquarius <sup>(b)</sup> . . . . .	—	30.1	—
Fort Knox <sup>(c)</sup> . . . . .	—	141.8	—
Kubaka <sup>(d)</sup> . . . . .	—	—	25.1
Lupin <sup>(d)</sup> . . . . .	—	—	7.9
New Britannia <sup>(d)</sup> . . . . .	—	—	1.3
Exploration projects and other assets <sup>(d)</sup> . . . . .	—	—	11.8
<b><u>Impairment of investments and other assets</u></b>			
Other receivable <sup>(c)</sup> . . . . .	—	3.4	—
Long-term investments <sup>(a)</sup> . . . . .	10.5	0.7	1.4
<b>Total</b> . . . . .	<u>\$10.5</u>	<u>\$184.7</u>	<u>\$59.9</u>

- (a) *During the fourth quarter of 2006, Kinross determined that the decline in the market values of its holdings of St Andrew shares and warrants and Caledonia Mining Corporation shares were other-than-temporary. As a result, the Company recorded an impairment charge to long-term investments of \$10.5 million.*
- (b) *In December, 2005, the Company agreed to sell its interest in the Aquarius project in Timmins, Ontario to St Andrew for 100.0 million shares and 25.0 million warrants of St Andrew. As a consequence, the asset was written down to fair value less selling costs resulting in an impairment of property, plant and equipment of \$30.1 million and goodwill of \$6.7 million was recorded during 2005. See "Gain on disposal of assets – net" section within this note.*
- (c) *During the fourth quarter of 2005, the Company conducted a strategic assessment of the Fort Knox operation in light of higher electricity and fuel costs, the metallurgical performance at the True North site and the slope stability issues at the southwest wall of the pit. As a result of the review, reserves at True North and Gil were reclassified from reserves to resources and the Company also elected to withdraw from the Ryan Lode project, which had previously been included in reserves, resulting in an overall write-down of \$141.8 million. Also recorded in the fourth quarter of 2005 was a write-down of a long-term, tax related receivable of \$3.4 million.*
- (d) *As a result of a comprehensive review of its mining properties and investments, the Company wrote down the net investments of the Kubaka, Lupin and New Britannia mines to their net recoverable amounts, resulting in a write-down of \$34.3 million in the fourth quarter of 2004. An impairment charge of \$8.5 million was taken against the Gurupi exploration project in Brazil and the Norseman exploration project in Australia in 2004.*

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**5. CONSOLIDATED FINANCIAL STATEMENT DETAILS (Continued)**

*(ix) Gain on sale of assets and investments — net:*

The following is a summary of the gains on the sale of assets and investments — net during the fiscal years ended December 31, 2006, 2005 and 2004:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Investments:			
Bolder Limited Opportunity Partnership . . . . .	\$ 1.6	\$ —	\$ —
Katanga Mining Inc. <sup>(b)</sup> . . . . .	31.3	—	—
Kinross Forrest <sup>(b)</sup> . . . . .	—	4.7	—
Marketable securities . . . . .	—	0.4	0.7
Other . . . . .	—	0.2	0.1
Assets:			
New Britannia mine <sup>(a)</sup> . . . . .	\$ 8.9	\$ —	\$ —
Blanket mine <sup>(a)</sup> . . . . .	2.9	—	—
George/Goose Lake property <sup>(a)</sup> . . . . .	1.6	—	—
Other . . . . .	1.1	0.7	0.9
	<u>\$47.4</u>	<u>\$6.0</u>	<u>\$1.7</u>

(a) See Note 4, Acquisitions and divestitures.

(b) Shares of Kinross Forrest were exchanged for shares of Katanga. See Related party Note 19 for further discussion.

*(x) Other income (expense):*

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Interest income . . . . .	\$ 5.3	\$ 3.1	\$ 5.6
Interest expense . . . . .	(6.9)	(6.8)	(5.1)
Foreign exchange losses . . . . .	(9.5)	(14.0)	(13.3)
Sundry sales . . . . .	—	—	1.3
Other . . . . .	1.8	3.9	2.2
Non-hedge derivative (losses) gains . . . . .	—	(3.2)	3.1
	<u>\$(9.3)</u>	<u>\$(17.0)</u>	<u>\$(6.2)</u>

**Supplemental cash flow information**

*(xi) Cash and cash equivalents:*

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash on hand and balances with banks . . . . .	\$ 26.7	\$33.4	\$29.5
Short-term deposits . . . . .	127.4	64.2	18.4
	<u>\$154.1</u>	<u>\$97.6</u>	<u>\$47.9</u>

*(xii) Interest and taxes paid:*

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Interest . . . . .	\$10.1	\$7.9	\$ 2.4
Income taxes . . . . .	\$11.0	\$7.3	\$16.1

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**6. JOINT VENTURE INTERESTS**

The Company conducts a substantial portion of its business through joint ventures where the venturers are bound by contractual arrangements establishing joint control over the ventures. The Company records its proportionate share of assets, liabilities, revenue and operating costs of the joint ventures.

As at December 31, 2006, the Company had interests in six joint venture projects after consideration of the disposal of the Company's interest in the New Britannia mine in 2006 (see Note 4 — Business acquisition and divestitures).

The following tables contain selected financial information on Kinross' share participation for each of its participating joint ventures for the years ended December 31, 2006, 2005 and 2004.

<b>Joint venture interests — 2006</b>	<b>Round Mountain</b>	<b>Porcupine</b>	<b>Mussel- white</b>	<b>New Britannia</b>	<b>La Coipa</b>	<b>Crixás</b>	<b>Refugio</b>	<b>Total</b>
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	
Metal sales . . . . .	\$211.7	\$ 97.5	\$ 43.0	\$ 1.9	\$ 94.0	\$57.0	\$ 69.7	\$574.8
Cost of sales . . . . .	99.4	59.9	31.9	0.6	47.6	17.7	39.3	296.4
Accretion and reclamation expense . . . . .	1.7	2.0	0.2	0.2	0.9	0.2	(1.0)	4.2
Depreciation, depletion and amortization . . . . .	11.9	11.8	10.4	—	16.9	11.2	7.0	69.2
Exploration and business development . . . . .	5.0	4.9	1.7	—	2.0	1.5	1.8	16.9
Other operating costs . . . . .	—	0.3	—	—	1.5	0.2	0.5	2.5
Operating earnings (loss) . . . . .	<u>\$ 93.7</u>	<u>\$ 18.6</u>	<u>\$ (1.2)</u>	<u>\$ 1.1</u>	<u>\$ 25.1</u>	<u>\$26.2</u>	<u>\$ 22.1</u>	<u>\$185.6</u>
Current assets . . . . .	\$ 21.2	\$ 7.3	\$ 3.6	\$ —	\$ 42.2	\$17.2	\$ 26.6	\$118.1
Property, plant and equipment . . . . .	69.2	95.2	80.6	—	62.6	40.7	69.0	417.3
Goodwill . . . . .	58.7	—	29.0	—	71.4	38.0	—	197.1
Deferred charges and other assets . . . . .	8.2	5.2	—	—	1.0	0.1	20.8	35.3
	<u>157.3</u>	<u>107.7</u>	<u>113.2</u>	<u>—</u>	<u>177.2</u>	<u>96.0</u>	<u>116.4</u>	<u>767.8</u>
Current liabilities . . . . .	21.6	10.2	4.1	0.1	21.9	12.2	9.5	79.6
Long-term liabilities . . . . .	20.9	24.1	2.6	—	13.9	16.0	10.1	87.6
	<u>42.5</u>	<u>34.3</u>	<u>6.7</u>	<u>0.1</u>	<u>35.8</u>	<u>28.2</u>	<u>19.6</u>	<u>167.2</u>
Net investment in joint ventures . . . . .	<u>\$114.8</u>	<u>\$ 73.4</u>	<u>\$106.5</u>	<u>\$(0.1)</u>	<u>\$141.4</u>	<u>\$67.8</u>	<u>\$ 96.8</u>	<u>\$600.6</u>
Cash flow provided from (used in):								
Operating activities . . . . .	<u>\$111.3</u>	<u>\$ 31.3</u>	<u>\$ 11.6</u>	<u>\$ 1.5</u>	<u>\$ 41.2</u>	<u>\$34.8</u>	<u>\$ 21.9</u>	<u>\$253.6</u>
Investing activities . . . . .	<u>\$(28.3)</u>	<u>\$(19.4)</u>	<u>\$( 4.7)</u>	<u>\$ 2.8</u>	<u>\$( 7.7)</u>	<u>\$(7.8)</u>	<u>\$( 4.7)</u>	<u>\$(69.8)</u>
Financing activities . . . . .	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$( 8.8)</u>	<u>\$( 8.8)</u>

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**6. JOINT VENTURE INTERESTS (Continued)**

<u>Joint venture interests — 2005</u>	<u>Round Mountain</u>	<u>Porcupine</u>	<u>Mussel-white</u>	<u>New Britannia</u>	<u>La Coipa</u>	<u>Crixás</u>	<u>Refugio</u>	<u>Total</u>
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	
Metal sales . . . . .	\$164.0	\$ 80.8	\$ 34.9	\$ 0.8	\$ 60.3	\$41.5	\$ 14.6	\$396.9
Cost of sales . . . . .	93.7	50.7	26.4	0.8	45.4	14.1	9.6	240.7
Accretion and reclamation expense . . . . .	1.8	11.8	0.1	3.3	0.4	0.1	0.2	17.7
Depreciation, depletion and amortization . . . . .	39.5	14.8	12.5	—	15.8	12.3	0.2	95.1
Exploration and business development . . . . .	2.4	3.5	1.6	—	1.1	0.3	—	8.9
Impairment charges . . . . .	—	—	2.0	—	—	3.4	—	5.4
Other operating costs . . . . .	—	1.0	(0.1)	0.9	—	—	2.9	4.7
Operating earnings (loss) . . . . .	<u>\$ 26.6</u>	<u>\$ (1.0)</u>	<u>\$ (7.6)</u>	<u>\$(4.2)</u>	<u>\$ (2.4)</u>	<u>\$11.3</u>	<u>\$ 1.7</u>	<u>\$ 24.4</u>
Current assets . . . . .	\$ 26.3	\$ 10.0	\$ 4.1	\$ 0.1	\$ 13.3	\$12.6	\$ 15.3	\$ 81.7
Property, plant and equipment . . . . .	55.6	88.0	86.3	—	70.6	45.3	72.4	418.2
Goodwill . . . . .	86.5	—	29.0	—	71.4	38.0	—	224.9
Deferred charges and other assets . . . . .	6.2	5.3	0.1	—	0.7	0.3	—	12.6
	<u>174.6</u>	<u>103.3</u>	<u>119.5</u>	<u>0.1</u>	<u>156.0</u>	<u>96.2</u>	<u>87.7</u>	<u>737.4</u>
Current liabilities . . . . .	20.8	10.0	2.0	—	12.4	2.8	16.3	64.3
Long-term liabilities . . . . .	23.2	25.0	2.7	3.2	14.0	20.6	13.7	102.4
	<u>44.0</u>	<u>35.0</u>	<u>4.7</u>	<u>3.2</u>	<u>26.4</u>	<u>23.4</u>	<u>30.0</u>	<u>166.7</u>
Net investment in joint ventures . . . . .	<u>\$130.6</u>	<u>\$ 68.3</u>	<u>\$114.8</u>	<u>\$(3.1)</u>	<u>\$129.6</u>	<u>\$72.8</u>	<u>\$ 57.7</u>	<u>\$570.7</u>
Cash flow provided from (used in):								
Operating activities . . . . .	<u>\$ 66.0</u>	<u>\$ 20.6</u>	<u>\$ 6.9</u>	<u>\$(3.7)</u>	<u>\$ 9.9</u>	<u>\$25.8</u>	<u>\$ (5.0)</u>	<u>\$120.5</u>
Investing activities . . . . .	<u>\$ (5.9)</u>	<u>\$(24.7)</u>	<u>\$ (5.7)</u>	<u>\$ 0.3</u>	<u>\$( 4.7)</u>	<u>\$(6.1)</u>	<u>\$(26.2)</u>	<u>\$(73.0)</u>
Financing activities . . . . .	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3.6</u>	<u>\$ 3.6</u>

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**6. JOINT VENTURE INTERESTS (Continued)**

<u>Joint venture interests — 2004</u>	<u>Round Mountain</u>	<u>Porcupine</u>	<u>Musselwhite</u>	<u>New Britannia</u>	<u>La Coipa</u>	<u>Crixás</u>	<u>Refugio</u>	<u>Paracatu</u>	<u>Total</u>
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	
Metal sales . . . . .	\$154.1	\$ 78.8	\$ 32.1	\$10.8	\$ 59.0	\$ 38.2	\$ 3.8	\$ 38.2	\$ 415.0
Cost of sales . . . . .	82.3	44.4	21.1	7.9	39.7	12.2	2.0	20.6	230.2
Accretion and reclamation expense . . .	1.9	2.3	0.1	(0.1)	0.4	0.1	—	0.5	5.2
Depreciation, depletion and amortization . . . . .	43.3	22.7	12.5	—	16.8	12.8	—	9.5	117.6
Exploration and business development .	0.8	3.2	2.0	0.4	0.5	0.3	—	—	7.2
Impairment charges . . . . .	—	—	—	1.3	—	—	—	2.1	3.4
Other operating costs . . . . .	—	0.3	0.2	1.3	0.7	(0.1)	1.7	2.6	6.7
Operating earnings (loss) . . . . .	\$ 25.8	\$ 5.9	\$ (3.8)	\$ —	\$ 0.9	\$ 12.9	\$ 0.1	\$ 2.9	\$ 44.7
Current assets . . . . .	\$ 31.6	\$ 9.6	\$ 3.7	\$ 0.6	\$ 16.4	\$ 13.8	\$ 7.1	\$ 19.2	\$ 102.0
Property, plant and equipment . . . . .	86.3	75.3	92.2	—	74.1	50.9	43.0	451.2	873.0
Goodwill . . . . .	86.5	—	31.0	—	71.4	38.0	—	65.5	292.4
Deferred charges and other assets . . . .	1.4	4.4	0.1	—	0.4	0.2	0.9	3.2	10.6
	<u>205.8</u>	<u>89.3</u>	<u>127.0</u>	<u>0.6</u>	<u>162.3</u>	<u>102.9</u>	<u>51.0</u>	<u>539.1</u>	<u>1,278.0</u>
Current liabilities . . . . .	16.5	14.5	2.3	1.5	8.5	1.9	7.4	16.4	69.0
Long-term liabilities . . . . .	26.0	11.8	2.0	0.6	13.8	21.2	13.4	77.2	166.0
	<u>42.5</u>	<u>26.3</u>	<u>4.3</u>	<u>2.1</u>	<u>22.3</u>	<u>23.1</u>	<u>20.8</u>	<u>93.6</u>	<u>235.0</u>
Net investment in joint ventures . . . .	\$163.3	\$ 63.0	\$122.7	\$ (1.5)	\$140.0	\$ 79.8	\$ 30.2	\$445.5	\$1,043.0
Cash flow provided from (used in):									
Operating activities . . . . .	\$ 63.7	\$ 30.4	\$ 10.3	\$ 2.2	\$ 14.3	\$ 25.8	\$ 0.6	\$ 13.3	\$ 160.6
Investing activities . . . . .	\$ (8.5)	\$(24.5)	\$ (3.9)	\$ (0.5)	\$ (0.9)	\$ (3.6)	\$(44.3)	\$(15.7)	\$ (101.9)
Financing activities . . . . .	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 13.0	\$ —	\$ 13.0

**i. Round Mountain**

The Company owns a 50% interest in the Smoky Valley Common Operation joint venture, which owns the Round Mountain mine, located in Nye County, Nevada, U.S.A. Under the joint venture agreement between the Company and Barrick Gold Corporation (“Barrick”), the Company is the operator.

The Management Committee of the joint venture represents the joint venture partners, authorizes annual programs and budgets and approves major transactions prior to execution by site management. The joint venture owners are entitled to their pro-rata share of production and are obliged to make their pro-rata share of contributions as requested.

**ii. Porcupine**

The Company owns a 49% interest in the Porcupine Joint Venture (“PJV”), operating in the Timmins area of Ontario, Canada. Under the PJV agreement, Goldcorp Inc. (“Goldcorp”) is the operator, having acquired its interest in PJV from Barrick in 2006.

The Management Committee of the PJV approves annual programs and budgets, and authorizes major transactions prior to execution by site management. The PJV participants are entitled to their pro-rata share of production and are obliged to make their pro-rata share of contributions as requested.

**iii. Musselwhite**

The Company owns a 31.9% interest in the Musselwhite joint venture. The mine is located in northwestern Ontario, Canada. Under the joint venture agreement, Goldcorp is the operator, having acquired its interest in Musselwhite from Barrick in 2006.

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**6. JOINT VENTURE INTERESTS (Continued)**

The Management Committee of the joint venture approves annual programs and budgets, and authorizes major transactions prior to execution by site management. The joint venture participants are entitled to their pro-rata share of production and are obliged to make their pro-rata share of contributions as requested.

iv. New Britannia

As discussed in Note 4, the Company's interest in the New Britannia mine was sold on December 22, 2006. Until that time, the Company owned a 50% interest in the New Britannia joint venture and was appointed the operator under the joint venture agreement.

The Management Committee of the joint venture approved annual programs and budgets, and authorized major transactions prior to execution by site management. The joint venture participants were entitled to their pro-rata share of production and were obliged to make their pro-rata share of contributions as requested. Kinross funded all of the reclamation and closure costs. Kinross sold all of the production from the mine and on an annual basis, was entitled to apply its partner's share of any operating surplus against the outstanding balance of the loan. Both partners were required to fund their pro-rata share of any annual operating deficit.

v. La Coipa

The Company owns a 50% interest in Compania Minera Mantos de Oro ("MDO"), a Chilean contractual mining company. MDO owns the La Coipa mine, located in central Chile. Under the joint venture agreement, Goldcorp is the operator of the mine, having acquired its interest in MDO from Barrick in 2006.

The Board of Directors of MDO approves annual programs and budgets and authorizes major transactions prior to execution by site management. The joint venture participants are entitled to their pro-rata share of profits in the form of distributions and are obliged to make their pro-rata share of contributions if required.

vi. Crixás

The Company owns a 50% interest in Mineracao Serra Grande, S.A. ("MSG"), which owns the Crixás mine, located in central Brazil. Under the joint venture agreement, a wholly owned subsidiary of AngloGold Ashanti Limited ("AngloGold") is the operator.

The Board of Directors of MSG approves annual programs and budgets, and authorizes major transactions prior to execution by site management. The joint venture participants are entitled to their pro-rata share of profits in the form of distributions and are obliged to make their pro-rata share of contributions if required.

vii. Refugio

The Company owns a 50% interest in Compania Minera Maricunga ("CMM"), a Chilean contractual mining company that owns the Refugio mine located in central Chile. The Company is operator of the Refugio mine and provides services to CMM in exploration, mining development, and operations on the Refugio Project Properties and the Refugio mine.

The Board of Directors of CMM approves annual budgets, approves distributions and authorizes major transactions prior to execution by site management. The shareholders are entitled to their pro-rata share of profits in the form of distributions and are obliged to make their pro-rata share of contributions if required.

On February 27, 2007, the Company concluded the acquisition of Bema Gold Corporation ("Bema"), which holds the remaining 50% interest in CMM. See Note 21 Subsequent events for further discussion.

viii. Paracatu

Prior to January 1, 2005, the Company owned a 49% interest in RPM which owns the Paracatu mine located next to the city of Paracatu, Brazil. Under the joint venture agreement, Rio Tinto Brasil, a subsidiary of Rio Tinto, was the operator. On December 31, 2004, the Company purchased the remaining 51% of RPM, thereafter owning 100% of the property.

Prior to the Company's acquisition of the remaining 51% of RPM, the Board of Directors of RPM approved annual programs and budgets and authorized major transactions prior to execution by site management. The joint venture participants were entitled to their pro-rata share of profits in the form of distributions and were obliged to make their pro-rata share of contributions if required.



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**7. FINANCIAL INSTRUMENTS**

The Company manages its exposure to fluctuations in gold and silver prices and foreign currency exchange rates by entering into derivative financial instrument contracts in accordance with the formal risk management policies approved by the Company's Board of Directors.

Gold and silver price risk management

The profitability of the Company is directly related to the price of gold and silver. From time to time, the Company may use spot deferred contracts and fixed forward contracts to hedge against the risk of falling prices for a portion of its forecasted metal sales. Spot deferred contracts are forward sale contracts with flexible delivery dates that enable management to choose to deliver into the contract on a specific date or defer delivery until a future date. However, if the delivery is postponed, a new contract price is established based on the old contract price plus a premium, referred to as "contango".

From time to time, the Company sells call options as part of its overall strategy of managing the risk of changing gold and silver prices. The option premium is received at the time call options are sold. If the gold or silver price is higher than the call option strike price on the expiry date of the option, Kinross will either sell gold or silver at the strike price of the option or enter into a spot deferred contract with a starting price equal to the strike price of the option. If the gold or silver price is lower than the strike price of the call option at expiry, the option expires worthless.

The Company may also purchase put options to protect against the risk of falling prices. The option premium is paid out at the time the put options are purchased. If the gold or silver price is lower than the strike price of the put option on the expiry date, metal is sold at the strike price of the option. If the gold or silver price is higher than the strike price of the put option, the option expires worthless.

Call Options

There were no call options on gold or silver outstanding as at December 31, 2006. As at December 31, 2005, the Company had 255,000 ounces of written gold call options outstanding at various strike prices for which the Company had recorded a \$6.2 million unrealized loss. Premiums received at the inception of these written call options were recorded as a liability and changes in the fair value of options were recognized in current earnings. During the year end December 31, 2006, the Company closed out these written call options resulting in a pre-tax loss of \$8.2 million.

Put Options

As at December 31, 2006, there were no put options outstanding. As at December 31, 2005, the Company had 150,000 ounces of purchased put options on gold outstanding at a strike price of \$250 per ounce. Changes in their fair value are recorded in current earnings.

Spot Deferred Contracts

The Company had no spot deferred contracts outstanding as at December 31, 2006 or at December 31, 2005.

As at December 31, 2006 and 2005, the Company has no derivative financial instruments outstanding relating to silver.

Foreign currency risk management

All metal sales revenues for the Company are denominated in U.S. dollars. The Company is primarily exposed to currency fluctuations relative to the U.S. dollar on expenditures that are denominated in Canadian dollars, Russian rubles, Chilean pesos and Brazilian reais. These potential currency fluctuations could have a significant impact on production costs and thereby, the profitability of the Company. This risk is reduced, from time to time, through the use of foreign exchange forward contracts to lock in the exchange rates on future foreign currency denominated cash outflows. The Company is also exposed to the impact of currency fluctuations on its monetary assets and liabilities. The Company does not actively manage this exposure.

As at December 31, 2006, the Company had no outstanding foreign exchange hedging contracts. As at December 31, 2005, the Company had foreign currency forward contracts to sell \$6.0 million U.S. dollars and buy 14.8 million Brazilian reais at an average exchange rate of 2.47 over a nine month period ending December 31, 2006. The Company uses these fixed forward contracts to partially hedge its Canadian dollar and Brazilian real denominated costs. During 2006, the Company recognized a gain of \$nil from hedging against movements in the exchange rate against the U.S. dollar (2005 — gain of \$2.6 million, 2004 — gain of \$2.9 million). The gains in 2005 and 2004 have been netted against operating costs from the Company's Canadian mines and against Canadian general and administrative expenses.

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**7. FINANCIAL INSTRUMENTS (Continued)**

Credit risk management

Credit risk relates to accounts receivable and derivative contracts and arises from the possibility that any counterparty to an instrument fails to perform. The Company only transacts with highly-rated counterparties and a limit on contingent exposure has been established for any counterparty is based on that counterparty's credit rating. At December 31, 2006, the Company's gross credit exposure was \$nil (2005 — \$0.1 million).

Other risks

The Company is exposed to interest rate risk on its variable rate debt. The Company is also exposed to changes in crude oil prices as a result of diesel fuel consumption, primarily at its open pit mines. There were no derivative instruments related to interest rates or fuel prices outstanding as at December 31, 2006 or December 31, 2005.

Fair values of financial instruments

Carrying values for primary financial instruments, including cash and cash equivalents, short-term investments and other accounts receivable, marketable securities, certain long-term investments, accounts payable and accrued liabilities, approximate fair values due to their short-term maturities. The carrying value for long-term debt other than redeemable retractable preferred shares and capital leases, approximates fair value primarily due to the floating rate nature of the debt instruments.

Fair value estimates for derivative contracts are based on quoted market prices for comparable contracts and represent the amount the Company would have received from, or paid to, a counterparty to unwind the contract at the market rates in effect at December 31. The following table represents the fair value gain (loss) relating to derivative contracts outstanding as at December 31:

	<u>2006</u>	<u>2005</u>
Call options sold <sup>(a)</sup> . . . . .	\$ —	\$(6.2)
Foreign currency contracts <sup>(b)</sup> . . . . .	\$ —	\$ 0.1

(a) Based on a spot gold price of \$513 per ounce as at December 31, 2005.

(b) Based on a Brazilian real exchange rate of \$2.3407 and a Canadian dollar exchange rate of \$1.2036, both at December 31, 2005.

**8. LONG-TERM DEBT AND CREDIT FACILITIES**

		<u>Interest Rates</u>	<u>2006</u>	<u>2005</u>
Corporate revolving credit facility . . . . .	(i)	Variable	\$ 60.0	\$140.0
Corporate term loan facility . . . . .	(i)	Variable	5.0	
Refugio credit facility . . . . .	(ii)	Variable	—	5.5
Paracatu short-term loan . . . . .	(iii)	5.67%	15.0	—
Fort Knox capital leases . . . . .	(iv)	5.0% – 5.25%	—	0.6
Refugio capital leases . . . . .	(iv)	5.7% – 6.2%	9.9	13.2
			<u>89.9</u>	<u>159.3</u>
Less: current portion . . . . .			<u>(17.9)</u>	<u>(9.4)</u>
Long-term debt . . . . .			<u>\$ 72.0</u>	<u>\$149.9</u>

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**8. LONG-TERM DEBT AND CREDIT FACILITIES (Continued)**

As of December 31, 2006, the long-term debt repayments for each of the years ending December 31 are as follows:

	2007	2008	2009	2010	2011	2012	Total
Corporate revolving credit facility . . . . .	\$ —	\$ —	\$ 60.0	\$ —	\$ —	\$ —	\$ 60.0
Corporate term loan facility . . . . .	—	0.7	0.9	0.9	0.9	1.6	5.0
Paracatu short-term loan . . . . .	15.0	—	—	—	—	—	15.0
Refugio capital leases . . . . .	2.9	3.0	3.9	0.1	—	—	9.9
Total long-term debt payable . . . . .	<u>\$ 17.9</u>	<u>\$ 3.7</u>	<u>\$ 64.8</u>	<u>\$ 1.0</u>	<u>\$ 0.9</u>	<u>\$ 1.6</u>	<u>\$ 89.9</u>

*(i) Corporate Revolving Credit and Term Loan Facilities*

At the end of 2004, the Company had in place a three year \$200.0 million revolving credit facility. In April 2005, the facility was increased to \$295.0 million and the term extended to April 2008. This facility has been used to partially finance the acquisition of the 51% interest in RPM and provide credit support for letters of credit used to satisfy financial assurance requirements primarily associated with reclamation-related activities. Assets of the Fort Knox mine and shares of certain wholly-owned subsidiaries were pledged as collateral.

On August 18, 2006 the Company entered into an amended and restated three year revolving credit facility and a five and a half year term loan for \$300.0 million and \$200.0 million respectively. The revolving credit facility will support Kinross' liquidity and letter of credit needs. The term loan will support the previously announced expansion program at the Paracatu mine in Brazil.

The credit agreement can be drawn in U.S. or Canadian dollars. The facility can be extended at each of the first two maturity dates by an additional year at the option of the lenders. During the year ended December 31, 2006, issue costs related to both facilities, totaling \$2.5 million, were deferred on the balance sheet and are being amortized over the term of the new facilities. At December 31, 2006, the balance of the unamortized deferred financing charges totaled \$3.6 million.

The \$300.0 million revolving credit facility continues to provide support for letters of credit to satisfy financial assurance requirements, primarily associated with activities related to reclamation. As at December 31, 2006, in addition to the LIBOR loans of \$60.0 million noted in the table above, letters of credit totaling \$127.5 million were drawn against this facility. In the event that the underlying credit facility is not extended, the amounts drawn against the facility will become due and payable at maturity.

Loan interest is variable, set at LIBOR plus an interest rate margin which is dependent on the ratio of the Company's net debt to operating cash flow.

Assuming the Company maintains a net debt/operating cash flow ratio less than 1.25, interest charges would be as follows:

<u>Type of Credit</u>	<u>credit facility</u>
Dollar based LIBOR loan . . . . .	LIBOR plus 1%
Letters of credit . . . . .	1.00%
Standby fee applicable to unused availability . . . . .	0.25%

The credit agreement contains various covenants that include limits on indebtedness, distributions, asset sales and liens. Significant financial covenants include a minimum tangible net worth of \$700.0 million for 2006 and \$727.9 million for 2005, an interest coverage ratio of at least 4.5:1, net debt to operating cash flow of no more than 3.0:1 and minimum Proven and Probable Reserves of 6 million gold equivalent ounces after repayment of the term loan.

*(ii) Refugio credit facility*

During 2005, ScotiaBank Sud Americano extended a \$12.0 million credit facility to CMM, the Chilean company that owns the Refugio mine. Kinross owns 50% of CMM. The Company, along with Bema (see Subsequent event Note 21), its joint venture partner on the Refugio mine, arranged for the credit facility to fund any additional CMM cash requirements. The Company was the guarantor of the agreement. During the first quarter of 2006, the Company reduced the size of the facility to a maximum of \$10.0 million. Funds drawn on the facility are in the form of one-year promissory notes with a maturity date of one year and bear an interest rate of 30 day LIBOR plus 1.24%. Interest is payable every 90 days on all drawn amounts. As at December 31, 2006, CMM had repaid all of the loans under this facility and the facility was terminated.

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**8. LONG-TERM DEBT AND CREDIT FACILITIES (Continued)**

(iii) Paracatu short-term loan

As at December 31, 2006, RPM, a subsidiary of the Company, borrowed \$15.0 million to fund the expansion project. This short-term loan is payable in 30 days and bears an interest rate of 5.67%.

(iv) Capital leases

At December 31, 2006, Refugio had equipment under capital lease totaling \$9.9 million (2005 — \$13.2 million) at an interest rate based on the average U.S. federal SWAP rate plus 1.95%. Repayments on the Refugio leases end in 2010. Fort Knox capital leases were fully repaid by September 30, 2006.

The Company recorded interest expense related to the capital leases of \$0.9 million, \$0.7 million and \$0.9 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Following is a schedule of future minimum lease payments required under these facilities:

For the years ended December 31, 2006 and 2005, the capital lease obligations are as follows:

	<u>2006</u>	<u>2005</u>
2006 . . . . .	\$ —	\$ 4.8
2007 . . . . .	3.4	3.4
2008 . . . . .	3.3	3.3
2009 . . . . .	4.1	4.1
2010 . . . . .	0.1	0.1
Total minimum lease payments . . . . .	<u>\$10.9</u>	<u>\$15.7</u>
Less amount representing interest . . . . .	1.0	1.9
Present value of net minimum lease payments . . . . .	\$ 9.9	\$13.8
Current portion of obligations under capital lease . . . . .	2.9	3.9
	<u>\$ 7.0</u>	<u>\$ 9.9</u>

**9. RECLAMATION AND REMEDIATION OBLIGATIONS**

The Company conducts its operation so as to protect the public health and the environment, and to comply with all applicable laws and regulations governing protection of the environment. Kinross has made, and will continue to undertake these reclamation and remediation activities. Reclamation and remediation obligations arise throughout the life of each mine. The Company estimates future reclamation costs based on the level of current mining activity and estimates of costs required to fulfill the Company's future obligation. The following table details the items that affect the reclamation and remediation obligations:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Balance at January 1, . . . . .	<b>\$175.9</b>	\$131.7	\$130.3
Additions resulting from acquisitions <sup>(a)</sup> . . . . .	<b>0.1</b>	—	5.4
Dispositions <sup>(b)</sup> . . . . .	<b>(4.9)</b>	—	—
Reclamation spending . . . . .	<b>(22.8)</b>	(24.0)	(17.9)
Accretion and reclamation expenses . . . . .	<b>33.5</b>	56.0	21.4
Foreign exchange . . . . .	—	—	0.8
Asset retirement cost . . . . .	<b>(13.4)</b>	12.2	(6.7)
Other . . . . .	—	—	(1.6)
Balance at December 31, . . . . .	<u><b>\$168.4</b></u>	<u>\$175.9</u>	<u>\$131.7</u>
Current portion . . . . .	<u><b>28.8</b></u>	<u>36.3</u>	<u>23.6</u>
Long term balance at December 31 . . . . .	<u><b>\$139.6</b></u>	<u>\$139.6</u>	<u>\$108.1</u>

(a) Reflects the 2006 acquisition of Crown and the 2004 acquisition of the remaining interest in RPM.

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**9. RECLAMATION AND REMEDIATION OBLIGATIONS (Continued)**

(b) *Reflects the disposal of the Aquarius and New Britannia mines (see Note 4 — Acquisitions and divestitures).*

Included in the December 31, 2006 accretion expense is a \$23.3 million charge reflecting revised estimated fair values of costs that support the reclamation and remediation obligation for properties that have been closed. The undiscounted cash flows, before inflation adjustments, estimated to settle the reclamation and remediation obligations as at December 31, 2006 is approximately \$263.8 million. The majority of the expenditures are expected to occur from 2007 to 2035. The credit adjusted risk-free rates used in estimating the site restoration cost obligation were 7%, 7% and 6% and the inflation rates used were 2%, 2.5% and 2% for the years ended December 31, 2006, 2005 and 2004, respectively.

Regulatory authorities in certain jurisdictions require that security be provided to cover the estimated reclamation and remediation obligations. As at December 31, 2006, letters of credit totaling \$120.6 million (2005 — \$110.3 million) had been issued to various regulatory agencies to satisfy financial assurance requirements for this purpose. The letters of credit were issued against the Company's revolving credit facility.

**10. REDEEMABLE RETRACTABLE PREFERRED SHARES**

The redeemable retractable preferred shares entitled the holder to receive a CDN \$0.80 per share fixed cumulative annual preferential cash dividend, payable in equal quarterly installments and was entitled at any time to convert all or any part of the redeemable retractable preferred shares into common shares on the basis of 2.7518 common shares for each redeemable retractable preferred share so converted, subject to anti-dilution adjustments. The Company could redeem all or any part of the redeemable retractable preferred shares at a price of CDN \$10.00 per share, together with unpaid dividends accrued to the date of redemption at any time, upon a minimum thirty day notice. The holder of the redeemable retractable preferred shares was entitled to require the Company to redeem for cash all or any part of the redeemable retractable preferred shares at this price. These redeemable retractable preferred shares were outstanding and held by a former senior officer and director of the Company. As at December 31, 2005, there were 311,933 redeemable retractable preferred shares outstanding. There were no conversions during 2005. During 2006, all 311,933 redeemable preferred shares outstanding were converted into 858,388 common shares, based on the stated exchange ratio.

**11. CONVERTIBLE PREFERRED SHARES OF SUBSIDIARY COMPANY**

The convertible preferred shares of a subsidiary company consist of \$3.75 Series B Convertible Preferred Shares of Kinam ("Kinam Preferred Shares") which are exchangeable into common shares of the Company at a conversion rate of 1.6171 common shares for each Kinam Preferred Share, subject to adjustment in certain events.

Annual cumulative dividends of \$3.75 per share are payable quarterly on each February 15, May 15, August 15 and November 15, as and if declared by Kinam's Board of Directors. Dividend payments on these shares were suspended in accordance with their terms in August 2000 and continue to remain suspended. No dividends were declared or paid on the Kinam Preferred Shares during 2006, 2005 or 2004. The cumulative dividends in arrears on the Kinam Preferred Shares owned by non-affiliated shareholders of \$5.0 million and \$4.2 million as at December 31, 2006 and 2005, respectively, have been accrued and included in the carrying value of the convertible preferred shares of subsidiary company. These convertible preferred shares are also considered as a form of non-controlling interests.

During 2006, 100 Kinam Preferred Shares, net of adjustments, were exchanged into 161 common shares of the Company. During 2005, 506 Kinam Preferred Shares, net of adjustments, were exchanged into 1,000 common shares of the Company. During 2004, 1,722 Kinam Preferred Shares were exchanged into 2,781 common shares of the Company. There were 204,855 and 204,955 Kinam Preferred Shares held by non-affiliated shareholders as at December 31, 2006 and 2005, respectively. If all the Kinam Preferred Shares owned by non-affiliated shareholders were exchanged, an additional 331,265 common shares of the Company would be issued.

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**12. COMMON SHARE CAPITAL AND COMMON SHARE PURCHASE WARRANTS**

The authorized share capital of the Company is comprised of an unlimited number of common shares. A summary of common share transactions for each of the years in the three-year period ended December 31, 2006 is as follows:

	2006		2005		2004	
	Number of shares (000's)	Amount \$	Number of shares (000's)	Amount \$	Number of shares (000's)	Amount \$
<b>Common shares</b>						
Balance, January 1, . . . . .	345,417	\$ 1,768.2	345,066	\$ 1,766.4	345,638	\$ 1,774.1
Issued (cancelled):						
Issued on acquisition of Crown . . . . .	14,657	\$ 205.4	—	—	—	—
Repurchase and cancellations <sup>(a)</sup> . . . . .	—	—	—	—	(1,609)	(11.8)
Under employee share purchase plan . . . . .	151	1.6	213	1.4	218	1.4
Under stock option and restricted share plan . . . . .	1,621	14.5	137	0.5	616	3.2
Expiry of TVX and Echo Bay options . . . . .	—	(0.1)	—	(0.1)	—	(1.1)
Conversions:						
Kinam Preferred Shares . . . . .	—	—	1	—	3	—
Redeemable retractable preferred shares <sup>(b)</sup> . . . . .	858	2.7	—	—	200.0	0.6
Balance, December 31, . . . . .	<u>362,704</u>	<u>\$ 1,992.3</u>	<u>345,417</u>	<u>\$ 1,768.2</u>	<u>345,066</u>	<u>\$ 1,766.4</u>
<b>Common share purchase warrants<sup>(c)</sup></b>						
Balance, January 1, . . . . .	8,333	\$ 9.4	8,333	\$ 9.4	8,333	\$ 9.4
Balance, December 31, . . . . .	<u>8,333</u>	<u>\$ 9.4</u>	<u>8,333</u>	<u>\$ 9.4</u>	<u>8,333</u>	<u>\$ 9.4</u>
Total common share capital . . . . .		<u>\$ 2,001.7</u>		<u>\$ 1,777.6</u>		<u>\$ 1,775.8</u>

(a) On November 26, 2004, the Company held a special meeting of its shareholders and approved an amendment to the Company's articles to effect a consolidation (reverse split) of its common shares on a 100:1 basis, followed by an immediate deconsolidation (split) of such shares on a 1:100 basis. The effective date for the consolidation was December 5, 2004 and with the deconsolidation to follow immediately on December 6, 2004 to allow Kinross common shares to begin trading under its new CUSIP number. Shareholders holding less than 100 pre-consolidation shares received a cash payment of CDN \$9.71 or \$8.19 per share an amount equal to the weighted average trading price per share on the Toronto Stock Exchange for the five trading days prior to November 26, 2004. Shareholders holding 100 or more pre-consolidation shares were not affected by the consolidation/deconsolidation except for the change in CUSIP numbers. As a result of this transaction, the Company repurchased 1,608,844 of its common shares for \$11.8 million.

(b) During 2006, all the remaining 311,933 redeemable retractable preferred shares outstanding were converted into 858,388 common shares of the Company, based on the stated exchange ratio.

(c) There are 25.0 million common share purchase warrants outstanding. The common share purchase warrants can be exercised on or before December 5, 2007 for one common share at an exercise price of CDN \$15.00. The fair value of the common share purchase warrants was \$9.4 million.

Shareholders' rights plan

On March 27, 2006, the Company's Board of Directors adopted a shareholders' rights plan (the "Plan") to ensure that all shareholders are treated fairly in any transaction involving a change of control of the Company. The Plan addresses the Company's concern that existing legislation does not permit sufficient time for the Board of Directors and shareholders of the Company to properly evaluate a take-over bid or pursue alternatives with a view to maximize shareholder value.

The Plan is not intended to prevent take-over bids. "Permitted Bid" provisions of the Plan do not invoke the dilutive effects of the Plan if a bid meets certain requirements intended to protect the interests of all shareholders. A bid will constitute a Permitted Bid if it is made by the way of a take-over bid circular, remains open for a minimum of 60 days and otherwise complies with the Permitted Bid provisions of the Plan. The Plan will be invoked by an acquisition, other than pursuant to a Permitted Bid, of 20% or more of the outstanding common shares of the Company or the commencement of a take-over bid that is not a Permitted Bid.

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**12. COMMON SHARE CAPITAL AND COMMON SHARE PURCHASE WARRANTS (Continued)**

Under the Plan, one right is issued for each common share of the Company. The rights will trade together with the common shares and will not be separable from the common shares or exercisable unless a take-over bid is made that does not comply with the Permitted Bid requirements. In such event, such rights will entitle shareholders, other than shareholders making the take-over bid, to purchase additional common shares of the Company at a substantial discount to the market price at the time. The Plan was ratified by shareholders of the Company at the Company's 2006 annual and special meeting of shareholders.

**13. STOCK-BASED COMPENSATION**

Stock-based compensation recorded during the years ended December 31 was as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Stock option plan expense . . . . .	\$ 4.0	\$2.7	\$1.4
Employer portion of stock purchase plan . . . . .	0.5	0.5	0.5
Restricted share plan expense . . . . .	5.0	1.3	0.7
Deferred share units expense . . . . .	0.7	0.4	0.3
Total stock-based compensation . . . . .	<u>\$10.2</u>	<u>\$4.9</u>	<u>\$2.9</u>

Share purchase plan

The Company has an ESPP whereby North American employees of the Company have the opportunity to contribute up to a maximum of 10% of their annual base salary to purchase common shares. Since 2004, the Company contributes 50% of the employees' contributions. The Company issues common shares equal to the employees' contribution and the Company's contribution from treasury each quarter. The common shares are purchased based on the weighted average price on the last twenty trading sessions prior to the end of the quarter. The number of shares issued by the Company and the average of the price per share for the years ending December 31 are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Common shares issued . . . . .	151	213	218
Average price of shares issued . . . . .	\$10.86	\$6.89	\$6.36

Restricted share plan

On February 15, 2001, the Company adopted a restricted share plan. The restricted share plan provides that restricted share units may be granted to employees, officers, directors and consultants of the Company. A restricted share unit is exercisable into one common share entitling the holder to acquire the common share for no additional consideration. Restricted share units vest over a three-year period. The current maximum number of common shares issuable under the restricted share plan is 4.0 million. There were 897,619 and 457,547 restricted share units granted and outstanding as at December 31, 2006 and 2005, respectively.

Deferred share unit plan

On October 1, 2003, the Company adopted a DSU Plan for its outside directors. The DSU plan provides that each outside director receives, on the date in each quarter which is two business days following the publication by the Company of its earnings results for the previous quarter, or year in the case of the first quarter, that number of DSUs having a value equal to 50% of the compensation of the outside director for the current quarter. The number of DSUs granted to an outside director is based on the closing price of the Company's common shares on the Toronto Stock Exchange on the business day immediately preceding the date of grant. At such time as an outside director ceases to be a director, the Company will make a cash payment to the outside director, equal to the market value of a Kinross common share on the date of departure, multiplied by the number of DSUs held on that date. There were 124,897 and 95,845 DSUs outstanding as at December 31, 2006 and 2005, respectively.

Stock option plan

The Company has a stock option plan for officers and employees, enabling them to purchase common shares. The total number of options outstanding at any time cannot exceed 10% of the total number of outstanding common shares. Each option granted under the plan is for a maximum term of five years. All options granted before January 31, 2003, vested immediately pursuant to the combination of Kinross, TVX and Echo Bay Mines Limited ("Echo Bay"). Effective November 24, 2003, one-third of the options are exercisable each year commencing one year after the date of grant. The exercise price is determined by the Company's Board of Directors at the time the option is granted, subject to regulatory approval

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**13. STOCK-BASED COMPENSATION (Continued)**

and may not be less than the closing market price of the common shares on the last trading day prior to the grant of the option. The stock options outstanding at December 31, 2006 expire at various dates to 2010. As at December 31, 2006, 3,968,462 common shares, in addition to those outstanding at year end, were available for granting of options.

Section 3870 outlines a fair value based method of accounting required for stock-based transactions, effective January 1, 2002 and applied to awards granted on or after that date.

Adoption of the fair value based method for all awards impacted the Company's method of accounting for stock options. As a result, stock option compensation of \$2.5 million (pre-tax) was recorded as the cumulative effect of the adoption as an adjustment to the opening accumulated deficit as at January 1, 2004, in the consolidated statements of common shareholders' equity and \$0.2 million was recorded as an increase in the value of common shares on the exercise of options on adoption.

A summary of the status of the stock option plan and changes during the years ended December 31, 2006, 2005 and 2004, are as follows:

<u>Canadian \$ denominated options</u>	2006		2005		2004	
	(000's)		(000's)		(000's)	
Opening balance . . . . .	2,368	\$18.72	3,488	\$17.18	3,431	\$14.04
Exercised . . . . .	(1,180)	8.33	(134)	3.91	(579)	6.16
Granted . . . . .	1,891	12.69	—	—	1,229	9.53
Cancelled/expired . . . . .	(564)	16.23	(986)	15.27	(593)	6.01
Outstanding at December 31, . . . . .	<u>2,515</u>	<u>\$12.53</u>	<u>2,368</u>	<u>\$18.72</u>	<u>3,488</u>	<u>\$17.18</u>

<u>US \$ denominated options</u>	2006		2005		2004	
	(000's)		(000's)		(000's)	
Opening balance . . . . .	6	\$16.32	9	\$19.38	20	\$21.09
Exercised . . . . .	(41)	9.15	—	—	—	—
Granted . . . . .	—	—	—	—	—	—
Adjustment . . . . .	66	14.86	—	—	—	22.50
Cancelled/expired . . . . .	—	19.90	(3)	25.62	(11)	—
Outstanding at December 31, . . . . .	<u>31</u>	<u>\$22.40</u>	<u>6</u>	<u>\$16.32</u>	<u>9</u>	<u>\$19.38</u>

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2006:

<u>Exercise price range</u>	<u>Options outstanding</u>			<u>Options exercisable</u>		
	<u>Number outstanding</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual life</u>	<u>Number exercisable</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual life</u>
	(000's)	(\$)	(years)	(000's)	(\$)	(years)
<i>Exercisable in Canadian dollars:</i>						
\$7.60 – \$11.39 . . . . .	863	\$10.14	2.54	592	\$10.25	2.29
\$11.40 – \$17.09 . . . . .	1,590	12.81	3.63	208	12.89	3.05
\$17.10 – \$25.64 . . . . .	18	20.79	1.80	18	20.79	1.80
\$38.48 – \$46.16 . . . . .	44	46.15	0.36	44	46.15	0.36
	<u>2,515</u>	<u>\$12.53</u>	<u>3.19</u>	<u>862</u>	<u>\$12.94</u>	<u>2.37</u>
<i>Exercisable in United States dollars:</i>						
\$9.15 . . . . .	2	\$ 9.15	1.01	2	\$ 9.15	1.01
\$23.43 . . . . .	29	\$23.43	0.01	29	\$23.43	0.01
	<u>31</u>	<u>\$22.40</u>	<u>0.08</u>	<u>31</u>	<u>\$22.40</u>	<u>0.08</u>



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**13. STOCK-BASED COMPENSATION (Continued)**

The following weighted average assumptions were used in computing the fair value of stock options granted during the last three fiscal years ended December 31:

	<u>2006</u>	<u>2005<sup>(a)</sup></u>	<u>2004</u>
<b>Black-Scholes weighted-average assumptions</b>			
Expected dividend yield . . . . .	0.0%	—	0.0%
Expected volatility . . . . .	36.3%	—	40.4%
Risk-free interest rate . . . . .	4.8%	—	3.2%
Estimated forfeiture rate . . . . .	3.0%	—	N/A
Expected option life in years . . . . .	3.5	—	3.5
Weighted average fair value per stock option granted . . . . .	<b>\$4.21</b>	—	<b>\$3.18</b>

(a) There were no stock options granted during 2005.

**14. EARNINGS (LOSS) PER SHARE**

Earnings (loss) per share ("EPS") has been calculated using the weighted average number of shares outstanding during the year. Diluted EPS is calculated using the treasury stock method with the exception of all preferred shares which use the if-converted method. The following table details the weighted average number of outstanding common shares for the purposes of computing basic and diluted earnings (loss) per common share for the following years:

<i>(Number of common shares in 000's)</i>	<u>2006</u>	<u>2005<sup>(a)</sup></u>	<u>2004<sup>(a)</sup></u>
Basic weighted average shares outstanding: . . . . .	<b>352,097</b>	345,237	346,034
Weighted average shares dilution adjustments:			
Dilutive stock options <sup>(b)</sup> . . . . .	<b>119</b>	—	—
Restricted shares . . . . .	<b>937</b>	—	—
Diluted weighted average shares outstanding . . . . .	<b>353,153</b>	345,237	346,034
Weighted average shares dilution adjustments — exclusions: <sup>(c)</sup>			
Stock options . . . . .	<b>258</b>	2,189	—
Restricted shares . . . . .	—	458	230
Redeemable preferred shares . . . . .	—	858	858
Kinam Preferred Shares . . . . .	<b>331</b>	331	335

(a) As a result of the net loss for the years ended December 31, 2005 and 2004, diluted earnings per share was calculated using the basic weighted average shares outstanding because to do otherwise would have been anti-dilutive.

(b) Dilutive stock options were determined by using the Company's average share price for the period. For the years ended December 31, 2006, 2005 and 2004 the average share price used was \$11.36, \$6.56 and \$6.57 per share, respectively.

(c) These adjustments were excluded, as they were anti-dilutive for the years ended December 31, 2006, 2005 and 2004, respectively.

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**15. INCOME AND MINING TAXES**

(i) *Income and mining taxes (expense) recovery*

The following table shows the (provision for) recovery of income and mining taxes:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>Income taxes</u>			
Current			
Canada <sup>(a)</sup> . . . . .	\$ —	\$ (0.5)	\$ (0.5)
Foreign . . . . .	(43.9)	(1.3)	(17.3)
Future			
Foreign . . . . .	19.9	5.7	28.2
<u>Mining taxes</u>			
Current — Canada . . . . .	(0.2)	(0.3)	—
Future — Canada . . . . .	(1.7)	9.3	1.1
	<u>\$ (25.9)</u>	<u>\$ 12.9</u>	<u>\$ 11.5</u>

(a) *Represents Large Corporations Tax.*

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rate is as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Combined statutory income tax rate . . . . .	36.1%	38.1%	39.1%
Increase (decrease) resulting from:			
Mining taxes . . . . .	1.0%	4.1%	1.4%
Resource allowance and depletion . . . . .	(11.5%)	5.2%	16.3%
Difference in foreign tax rates . . . . .	(1.7%)	3.0%	23.6%
Benefit of losses not recognized . . . . .	0.8%	(45.0%)	(64.2%)
Recognition of tax attributes not previously benefited . . . . .	(10.8%)	0.0%	0.0%
Other . . . . .	(0.4%)	0.3%	(0.7%)
Effective tax rate . . . . .	<u>13.5%</u>	<u>5.7%</u>	<u>15.5%</u>

(ii) *Future income taxes*

The following table summarizes the components of future income taxes:

	<u>2006</u>	<u>2005</u>
<u>Future tax assets</u>		
Accrued expenses and other . . . . .	\$ 34.2	\$ 15.9
Reclamation and remediation obligations . . . . .	22.4	36.8
Alternative minimum tax credits . . . . .	15.8	23.8
Non-capital loss carryforwards . . . . .	261.5	318.5
Inventory capitalization . . . . .	0.6	0.4
Property, plant and equipment . . . . .	164.0	140.3
Valuation allowance . . . . .	(368.7)	(521.2)
	<u>129.8</u>	<u>14.5</u>
<u>Future tax liabilities</u>		
Property, plant and equipment . . . . .	244.2	144.1
Future tax liabilities — net . . . . .	<u>\$ 114.4</u>	<u>\$ 129.6</u>

During 2005, the Chilean Congress passed a tax bill imposing a maximum 5% tax on mine operating profits, effective January 1, 2006. MDO, the operator of the La Coipa mine, has been granted a reduced tax rate of 4% for a period of 12 years. CMM, the operator of the Refugio mine,

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**15. INCOME AND MINING TAXES (Continued)**

has a tax stability agreement in place, whereby, the new mining tax will not apply to Refugio unless CMM elects to opt out of the tax stability agreement in the future. The final regulations relating to this new mining tax have yet to be issued, thus the Company cannot determine the exact impact of the change at this time.

(iii) *Non-capital losses*

The following table summarizes the Company's non-capital losses that can be applied against future taxable income:

<u>Country</u>	<u>Type</u>	<u>Amount</u>	<u>Expiry Date</u>
Canada <sup>(a)</sup> . . . . .	Net operating losses	\$156.0	2007 – 2026
United States <sup>(b)</sup> . . . . .	Net operating losses	459.5	2007 – 2024
United States <sup>(b)</sup> . . . . .	Alternative minimum tax	228.4	2007 – 2024
Chile . . . . .	Net operating losses	206.7	No expiry
Australia . . . . .	Net operating losses	13.4	2007 – 2024

(a) *Approximately \$67.5 million are limited in their deduction to income from specific operations.*

(b) *Utilization of the U.S. loss carry forwards will be limited in any year as a result of previous changes in ownership.*

**16. SEGMENTED INFORMATION**

The Company operates primarily in the gold mining industry and its major product is gold. Its activities include gold production, acquisition, exploration and development of gold properties. The Company's primary mining operations are in the United States, Canada, Brazil, Russia, and Chile. The reported segments are those operations whose operating results are reviewed by the Chief Executive Officer as were those operations that pass certain quantitative measures. Operations whose revenues, earnings or losses or assets exceed 10% of the total consolidated revenue, earnings or losses, or assets are reportable segments. Properties that are in development or have not reached commercial production levels are reported as other operations. Properties that are under care and maintenance are shut down and are in reclamation, non-mining and other operations are reported in Corporate and other. At December 31, 2006, the Company's reportable segments reflect the recommissioning of the Refugio mine in 2005 and the acquisition of Crown Resources Corporation, which is included with Kettle River. As at December 31, 2005, the Company's reportable segments reflected the reduction in mining operations at Kubaka, which is classified within Other operations, and properties in care and maintenance or disposed such as Lupin, New Britannia and Aquarius which are now part of Corporate and other. Prior year segment information has been revised to reflect the 2006 and 2005 classifications.

Operating results by segments:

The following tables set forth information by segment for the following periods:

	<u>Metal sales</u>	<u>Cost of sales<sup>(a)</sup></u>	<u>Accretion</u>	<u>DD&amp;A<sup>(b)</sup></u>	<u>Exploration</u>	<u>Impairment</u>	<u>Other<sup>(c)</sup></u>	<u>Segment operating earnings (loss)</u>
<b>For the year ended December 31, 2006:</b>								
<b>Operating segments</b>								
Fort Knox . . . . .	\$208.3	\$102.9	\$ 1.3	\$ 25.0	\$ 1.4	\$ —	\$ 0.5	\$ 77.2
Round Mountain . . . . .	211.7	99.4	1.7	11.9	5.0	—	—	93.7
La Coipa . . . . .	94.0	47.6	0.9	16.9	2.0	—	1.5	25.1
Crixás . . . . .	57.0	17.7	0.2	11.2	1.5	—	0.2	26.2
Paracatu . . . . .	104.1	57.7	0.9	12.5	1.5	—	5.5	26.0
Musselwhite . . . . .	43.0	31.9	0.2	10.4	1.7	—	—	(1.2)
Porcupine Joint Venture . . . . .	97.5	59.9	2.0	11.8	4.9	—	0.3	18.6
Refugio . . . . .	69.7	39.3	(1.0)	7.0	1.8	—	0.5	22.1
Kettle River . . . . .	2.5	0.8	—	—	0.2	—	5.8	(4.3)
Other operations . . . . .	23.9	23.9	2.7	—	3.5	—	13.6	(19.8)
Corporate and other <sup>(e)</sup> . . . . .	(6.1)	0.6	24.6	1.6	15.9	10.5	2.8	(62.1)
<b>Total . . . . .</b>	<u>\$905.6</u>	<u>\$481.7</u>	<u>\$33.5</u>	<u>\$108.3</u>	<u>\$39.4</u>	<u>\$10.5</u>	<u>\$30.7</u>	<u>\$201.5</u>

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**16. SEGMENTED INFORMATION (Continued)**

	<u>Metal sales</u>	<u>Cost of sales<sup>(a)</sup></u>	<u>Accretion</u>	<u>DD&amp;A<sup>(b)</sup></u>	<u>Exploration</u>	<u>Impairment</u>	<u>Other<sup>(c)</sup></u>	<u>Segment operating earnings (loss)</u>
<b>For the year ended December 31, 2005:</b>								
<b>Operating segments</b>								
Fort Knox . . . . .	\$143.1	\$ 88.1	\$ 1.1	\$ 34.8	\$ 0.6	\$141.8	\$ 0.8	\$(124.1)
Round Mountain . . . . .	164.0	93.7	1.8	39.5	2.4	—	—	26.6
La Coipa . . . . .	60.3	45.4	0.4	15.8	1.1	—	—	(2.4)
Crixás . . . . .	41.5	14.1	0.1	12.3	0.3	3.4	—	11.3
Paracatu . . . . .	79.0	50.0	0.7	17.0	5.2	—	0.7	5.4
Musselwhite . . . . .	34.9	26.4	0.1	12.5	1.6	2.0	—	(7.7)
Porcupine Joint Venture . . . . .	80.8	50.7	11.8	14.8	3.5	—	0.9	(0.9)
Refugio . . . . .	14.6	9.6	0.2	0.2	—	—	2.9	1.7
Kettle River . . . . .	31.7	18.9	6.5	8.8	0.4	—	1.8	(4.7)
Other operations . . . . .	68.0	44.9	2.9	9.6	2.3	—	4.5	3.8
Corporate and other <sup>(e)</sup> . . . . .	7.6	6.3	30.4	2.4	9.2	37.5	42.0	(120.2)
<b>Total . . . . .</b>	<b>\$725.5</b>	<b>\$448.1</b>	<b>\$56.0</b>	<b>\$167.7</b>	<b>\$26.6</b>	<b>\$184.7</b>	<b>\$53.6</b>	<b>\$(211.2)</b>

	<u>Metal sales</u>	<u>Cost of sales<sup>(a)</sup></u>	<u>Accretion</u>	<u>DD&amp;A<sup>(b)</sup></u>	<u>Exploration</u>	<u>Impairment</u>	<u>Other<sup>(c)</sup></u>	<u>Segment operating earnings (loss)</u>
<b>For the year ended December 31, 2004:</b>								
<b>Operating segments</b>								
Fort Knox . . . . .	\$143.9	\$ 89.2	\$ 1.3	\$ 35.9	\$ 0.6	\$ —	\$ 0.3	\$ 16.6
Round Mountain . . . . .	154.1	82.3	1.9	43.3	0.8	—	—	25.8
La Coipa . . . . .	59.0	39.7	0.4	16.8	0.5	—	0.7	0.9
Crixás . . . . .	38.2	12.2	0.1	12.8	0.3	—	—	12.8
Paracatu <sup>(d)</sup> . . . . .	38.2	20.6	0.5	9.5	—	2.1	2.6	2.9
Musselwhite . . . . .	32.1	21.1	0.1	12.5	2.0	—	0.2	(3.8)
Porcupine Joint Venture . . . . .	78.8	44.4	2.3	22.7	3.2	—	0.5	5.7
Refugio . . . . .	3.8	2.0	—	—	—	—	1.7	0.1
Kettle River . . . . .	37.6	21.8	0.4	11.8	2.2	—	0.5	0.9
Other operations . . . . .	53.6	36.4	0.4	6.9	2.8	42.5	2.5	(37.9)
Corporate and other <sup>(e)</sup> . . . . .	27.5	32.7	14.0	(2.1)	8.0	15.3	51.5	(91.9)
<b>Total . . . . .</b>	<b>\$666.8</b>	<b>\$402.4</b>	<b>\$21.4</b>	<b>\$170.1</b>	<b>\$20.4</b>	<b>\$59.9</b>	<b>\$60.5</b>	<b>\$(67.9)</b>

(a) Cost of sales excludes accretion, depreciation, depletion and amortization.

(b) Depreciation, depletion and amortization is referred to as "DD&A" in the tables above.

(c) Other includes Other operating costs, General and administrative expenses and (Gain) loss on disposals of assets.

(d) Operating results for the year ended December 31, 2004 include the Company's 49% share of Paracatu. On December 31, 2004, the Company acquired the remaining 51% interest in RPM; thereafter, owning 100% of the property.

(e) Includes corporate, shutdown operations and other non-core operations.

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**16. SEGMENTED INFORMATION (Continued)**

Segment assets and Capital expenditures:

The following table details the segment assets and capital expenditures for the following years:

	Segment assets		Capital expenditures		
	As at December 31,		Years ended December 31,		
	2006	2005	2006	2005	2004
<b>Operating segments</b>					
Fort Knox . . . . .	\$ 183.1	\$ 161.4	\$ 49.9	\$ 44.6	\$ 58.7
Round Mountain . . . . .	157.3	174.6	28.3	5.9	8.8
La Coipa . . . . .	177.2	156.0	7.8	4.9	1.0
Crixás . . . . .	96.0	96.2	7.8	6.2	3.6
Paracatu <sup>(a)</sup> . . . . .	600.4	550.9	61.8	21.3	5.8
Musselwhite . . . . .	113.2	119.5	4.7	5.7	3.9
Porcupine Joint Venture . . . . .	107.7	103.3	19.5	24.7	24.5
Refugio . . . . .	116.4	87.7	4.7	26.2	43.4
Kettle River . . . . .	269.4	26.7	16.7	1.7	1.6
Other operations <sup>(c)</sup> . . . . .	75.6	96.9	—	0.2	17.0
Corporate and other <sup>(b)(c)</sup> . . . . .	157.2	124.9	1.7	1.0	1.2
<b>Total</b> . . . . .	<b>\$2,053.5</b>	<b>\$1,698.1</b>	<b>\$202.9</b>	<b>\$142.4</b>	<b>\$169.5</b>

(a) Segment assets in 2006 and 2005 reflect the 100% interest in the assets of Paracatu as a result of the acquisition of the remaining 51% interest in the Paracatu mine.

(b) Includes Corporate, shutdown operations and other non-core operations. Also includes \$99.5 million and \$63.5 million in cash and cash equivalents held at the Corporate level as at December 31, 2006 and December 31, 2005, respectively.

(c) Included in these categories during 2004 were Aquarius (Other operations), Norseman and E-Crete (Corporate and other). Norseman and E-Crete were subsequently sold during 2005.

**Metal sales and Property, plant and equipment by geographical regions:**

	Metal sales			Property, plant & equipment	
	Years ended December 31,			As at December 31,	
	2006	2005	2004	2006	2005
<b>Geographic information:</b>					
United States . . . . .	\$422.5	\$338.8	\$335.6	449.8	\$ 173.8
Canada . . . . .	134.4	123.3	138.4	177.9	195.2
Brazil . . . . .	161.1	120.5	76.4	571.7	552.7
Chile . . . . .	163.7	74.9	62.8	131.6	143.0
Russia . . . . .	23.9	68.0	53.6	—	—
<b>Total</b> . . . . .	<b>\$905.6</b>	<b>\$725.5</b>	<b>\$666.8</b>	<b>\$1,331.0</b>	<b>\$1,064.7</b>

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**16. SEGMENTED INFORMATION (Continued)**

The following table represents sales to individual customers exceeding 10% of annual metal sales:

<u>Rank</u>	<u>Sales of customers greater than 10% of total Metal sales</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
1 . . . . .	<b>\$217.9</b>	\$183.8	\$190.2
2 . . . . .	<b>132.5</b>	96.0	108.5
3 . . . . .	<b>130.7</b>	93.2	98.5
4 . . . . .	<b>99.1</b>	71.8	88.4
Total . . . . .	<b>\$580.2</b>	\$444.8	\$485.6
<b>% of Total Sales</b> . . . . .	<b>64.1%</b>	61.3%	72.8%

The Company is not economically dependent on a limited number of customers for the sale of its product because gold can be sold through numerous commodity market traders worldwide.

**17. EMPLOYEE PENSION AND POST-RETIREMENT BENEFIT PLANS**

**Defined contribution pension and retirement plans**

The Company has several defined contribution retirement plans covering substantially all employees in North America and certain foreign countries. Under these plans, the Company either contributes a set percentage of the employee's salary or matches a percentage of the employee's contributions. The employees are able to direct the contributions into a variety of investment funds offered by the plans.

In 2004, the Company adopted an Executive Retirement Allowance Plan ("ERAP") to bring the Company's retirement arrangements for executives in line with industry standards. Executives, both in the U.S. and Canada, participating in the ERAP do not receive Company contributions under the Company's other retirement plans. The Company has issued a letter of credit for the ERAP plan of \$1.8 million. As of December 31, 2006, the liability associated with this plan was \$1.4 million.

The Company's expense related to these plans was \$6.3 million in 2006, \$7.1 million in 2005, and \$6.0 million in 2004.

**Defined benefit pension plans**

In the United States, defined benefit plans cover former employees of the Candelaria and DeLamar mines, and certain U.S. employees of the mines previously owned by Kinam. Prior to the Kinam acquisition, all employees in the U.S. employed by Kinam were covered by a non-contributory defined benefit pension plan. That plan was frozen on June 1, 1998, and all active employees were transferred into the Company's defined contribution retirement plan. Benefits under these plans are based on either the employees' compensation prior to retirement or stated amounts for each year of service with the Company. The Company makes annual contributions to the U.S. plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

The date of the actuarial valuation was December 31, 2006.

**Other benefit plans**

The Company provides certain health care benefits to retired employees in the United States. The retiree plan covers the former employees of the Candelaria and DeLamar mines as well as former Kinam employees. Following the acquisition of the Candelaria and DeLamar mines in August 1993, that retiree plan was frozen and employees who retired after August 1993 were not eligible to participate in the plan. Following the merger with Kinam in June 1998 that retiree plan was also frozen and employees who retired after June 1998, were not eligible to participate in the plan, absent special circumstances. The post-retirement health plans are contributory in certain cases based upon years of service, age and retirement date. The Company does not fund post-retirement benefits other than pensions and may modify the plan provisions at its discretion.

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**17. EMPLOYEE PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)**

The following tables summarize the change in benefit obligations and fair value of assets as at December 31:

	Defined benefit plans		Other benefits	
	2006	2005	2006	2005
<i>Change in benefit obligation</i>				
Benefit obligation, beginning of year . . . . .	\$14.9	\$13.0	\$ 3.1	\$ 2.6
Interest costs . . . . .	0.9	0.8	0.1	0.2
Plan participants' contributions . . . . .	—	—	0.1	0.1
Actuarial loss (gain) . . . . .	(0.5)	1.6	0.1	0.6
Benefits paid . . . . .	(0.4)	(0.5)	(0.6)	(0.4)
Benefit obligation, end of year . . . . .	<u>\$14.9</u>	<u>\$14.9</u>	<u>\$ 2.8</u>	<u>\$ 3.1</u>
<i>Change in plan assets</i>				
Fair value of plan assets, beginning of year . . . . .	\$10.8	\$10.6	\$ —	\$ —
Actual return on plan assets . . . . .	1.0	0.7	—	—
Employer contributions . . . . .	0.7	—	0.5	0.3
Plan participant contributions . . . . .	—	—	0.1	0.1
Benefits paid . . . . .	(0.3)	(0.5)	(0.6)	(0.4)
Fair value of plan assets, end of year . . . . .	<u>\$12.2</u>	<u>\$10.8</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status . . . . .	(2.7)	(4.1)	(2.8)	(3.1)
Unrecognized net actuarial loss . . . . .	3.4	4.4	0.7	0.7
Unrecognized prior service cost . . . . .	—	—	—	—
Net amount recognized . . . . .	<u>\$ 0.7</u>	<u>\$ 0.3</u>	<u>\$ (2.1)</u>	<u>\$ (2.4)</u>

The following table summarizes components of net periodic pension expense for the years December 31:

	Defined benefit plans			Other benefits		
	2006	2005	2004	2006	2005	2004
Interest cost . . . . .	\$ 0.9	\$ 0.8	\$ 0.7	\$ 0.1	\$ 0.2	\$ 0.1
Expected return on plan assets . . . . .	(0.7)	(0.6)	(0.6)	—	—	—
Amortization of actuarial loss . . . . .	0.2	0.2	0.2	—	—	—
Net periodic cost . . . . .	<u>\$ 0.4</u>	<u>\$ 0.4</u>	<u>\$ 0.3</u>	<u>\$ 0.1</u>	<u>\$ 0.2</u>	<u>\$ 0.1</u>

The following table summarizes the assumptions used in measuring the Company's benefit obligation:

	Defined benefit plans		Other benefits	
	2006	2005	2006	2005
Discount rate . . . . .	5.95%	5.75%	5.80%	5.60%
Expected long-term return on plan assets . . . . .	7.50%	7.00%	n/a	n/a
Rate of compensation increase . . . . .	n/a	n/a	n/a	n/a

The expected long-term rate of return on assets was determined using a weighted average calculation for the various investments of the plans. This weighted average is based on the expected yield on bonds, based on the Moody's AA year end rate, on current short-term investment rates, the yield on cash investments, and for equities, based on current forecasts and the plans' historical return on equities. In 2006 and 2005, this weighted average was determined to be 7.5% and 7.0%, respectively.

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**17. EMPLOYEE PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)**

The following table summarizes the assumed health care trend rates at December 31:

	<u>2006</u>	<u>2005</u>
Health care cost trend rate assumed for next year . . . . .	9.60%	9.95%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate) . . . . .	5.50%	5.50%
Year that the rate reaches the ultimate trend rate . . . . .	2018	2018

The assumed health care cost trend rates can have a significant effect on the amounts reported for the health care plans:

	<u>2006</u>	<u>2005</u>
Effect on total of service and interest cost		
1% increase . . . . .	\$ —	\$ —
1% decrease . . . . .	\$ —	\$ —
Effect on post-retirement benefit obligation		
1% increase . . . . .	\$ 0.3	\$ 0.4
1% decrease . . . . .	\$(0.3)	\$(0.3)

Plan assets

The allocation of plan assets is set forth in the Investment Policy Statement. The Investment Policy Statement delegates authority to the Kinross Gold U.S.A., Inc. Employee Benefits Committee (the "Committee") to maintain and establish investment policies relating to the defined benefit and defined contribution pension plans. The Kinross Gold U.S.A., Inc. Board of Directors approves these policies and any material changes to these policies.

In 2004, the Committee requested an actuarial evaluation of the feasibility and advisability of terminating the DeLamar/Candelaria Retirement Plan and the Retirement Plan for Non-Exempt Employees of AMAX Gold (collectively, the "Plans") on behalf of Kinross Gold U.S.A., Inc. and Kinam Gold, Inc., the companies that sponsor the respective Plans. The companies, as sponsor of the respective Plans, ultimately determine whether or not to terminate the Plans. During the evaluation period and pending receipt of analysis regarding termination of the Plans, investments did not conform to the written investment policy and guidelines established for the Plans. The Plans remained in fixed income and cash positions so as to be in a position to readily liquidate Plan assets in the event a termination occurred. In November 2004, following the conclusion of the evaluation, no Plan terminations occurred. In light of the determination to continue the Plans, the Committee reviewed the asset allocation and investment policy in effect and determined to recommend changes to the Kinross Gold U.S.A., Inc. Board to provide more flexibility to address the returns for the plans in light of their on-going status. The Board approved the revised allocations and investment policy on January 11, 2005. Asset allocations were altered in 2005 so as to conform to the revised asset allocation and investment policy guidelines. Discussion concerning the termination of the plans resulted in late 2006, with a decision expected in 2007.

In 2006, the Committee retained a financial advisor to review the investments of the defined benefit plans and to recommend changes to lower risk and maximize return. The advisor will also recommend fund lineup changes to both the defined benefit and defined contribution plans in the U.S. Additionally the advisor will assist the Committee in negotiating administrative fees and providing additional data for the Committee's periodic review of the plans.

The Company has adopted the following standards for the Committee to follow when deciding how to invest the plan assets.

Assets shall be invested:

- In the sole interest of the plan participants and beneficiaries;
- With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and of like aims in compliance with Section 404(A) of ERISA, and other applicable provisions of ERISA; and
- By diversifying the investments so as to minimize the risk of large losses as well as provide a reasonable rate of return on the assets.



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**17. EMPLOYEE PENSION AND POST-RETIREMENT BENEFIT PLANS (Continued)**

The following table summarizes the target asset allocation as of December 31:

<u>Asset category</u>	<u>2006</u>	<u>2005</u>
Equities . . . . .	40% – 60%	40% – 60%
Fixed income . . . . .	40% – 60%	40% – 60%
Cash and other investments . . . . .	0% – 20%	0% – 20%

The following table summarizes the defined benefit plan asset weighted-average asset allocation percentages by asset category:

<u>Asset category</u>	<u>2006</u>	<u>2005</u>
Equities . . . . .	47%	46%
Fixed income . . . . .	44%	47%
Cash and other investments . . . . .	9%	7%

Contributions

The Company has requirements under ERISA to contribute to its defined benefit pension plans. Additionally the Company also has the option to make voluntary contributions. The Company expects to contribute \$0.7 million to its post-retirement benefit plans in 2007.

Estimated future benefit payments

The following table summarizes the expected future benefit payments by the years indicated:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012-2016</u>
Defined benefit plan . . . . .	\$0.4	\$0.5	\$0.6	\$0.5	\$0.8	\$4.0
Other benefits . . . . .	0.2	0.2	0.2	0.2	0.2	1.0

**Post-employment benefits**

The Company has a number of post-employment plans covering severance and disability income. At December 31, 2006 and 2005, the Company's liability for post-employment benefits totaled \$4.6 million (\$1.7 million in current liabilities) and \$5.5 million (\$0.3 million in current liabilities), respectively.

**18. OPERATING LEASES**

The Company has a number of operating lease agreements involving office space and equipment. The operating leases for equipment provide that the Company may, after the initial lease term, renew the lease for successive yearly periods or may purchase the equipment at its fair market value. One of the operating leases for office facilities contains escalation clauses for increases in operating costs and property taxes. A majority of these leases are cancelable and are renewable on a yearly basis. Future minimum lease payments required to meet obligations that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2006 are as follows:

<u>Minimum lease payments</u>						
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Thereafter</u>	<u>Total</u>
\$2.5	1.7	1.5	1.2	—	—	\$6.9

Rent expense was \$3.6 million, \$5.4 million and \$2.1 million in 2006, 2005 and 2004, respectively.

**19. RELATED PARTY TRANSACTION**

During 2004, the Company entered into a shareholders' agreement providing for the incorporation of Kinross Forrest Ltd. ("KF Ltd.") and the issuance of 35% of the shares of KF Ltd. to the Company, 25% to a company controlled by Arthur H. Ditto, a former director and officer of the

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**19. RELATED PARTY TRANSACTION (Continued)**

Company, and 40% to an unrelated third party. Mr. Ditto paid the Company his share of the total expenses incurred in the amount of approximately \$0.3 million related to KF Ltd. The cost of the Company's 35% investment in KF Ltd. was less than \$0.1 million.

KF Ltd. is incorporated under the laws of the Territory of the British Virgin Islands and is a party to a joint venture with La Générale des Carrières et des Mines ("Gecamines"), a Congolese state-owned mining enterprise. The 75% KF Ltd. – 25% Gecamines joint venture was formed for the purpose of exploiting the Kamoto Copper Project (the "Project") located in the Democratic Republic of Congo (the "DRC").

On July 29, 2005, the Company and the other shareholders of KF Ltd. entered into an agreement (the "Option Agreement") with Balloch Resources Ltd. ("Balloch") giving Balloch the option to purchase all of the shares of KF Ltd. by funding a feasibility study ("Feasibility Study"), obtaining equity commitments to fund development of the first stage of the Project and issuing a number of common shares pro rata to each KF Ltd. shareholder in proportion to their holdings in KF Ltd. The number of Balloch shares to be issued to the KF Ltd. shareholders was to have been based on a formula dependent on the Net Present Value of the Project as determined by the Feasibility Study.

Balloch is a public company whose shareholders include Mr. Ditto and Mr. Robert M. Buchan, both former officers and directors of the Company.

On September 2, 2005, in keeping with the Company's strategy to divest of its non-core interests and focus on precious metals properties, the Company agreed to sell 23.33% of the shares of KF Ltd. to Balloch and retain the balance of its KF Ltd. holdings. Following the satisfaction of various conditions, including regulatory approvals and the completion of a private placement by Balloch, consideration of \$4.7 million was received. Based on an original cost of less than \$0.1 million, the Company recorded a gain on sale of \$4.7 million.

In October 2005, Balloch disclosed Mr. Ditto's holdings as 1,000,000 shares of Balloch (17.1% of issued and outstanding shares) and Mr. Buchan's holdings as 500,000 shares of Balloch (8.6% of issued and outstanding shares). Additionally, Balloch disclosed that Mr. Buchan had purchased one half of the shares in KF Ltd. previously owned by a company controlled by Mr. Ditto.

On November 30, 2005, Balloch changed its name to Katanga Mining Ltd. ("Katanga").

On March 15, 2005, the shareholders of KF Ltd. agreed to amend the Option Agreement waiving the requirement for Katanga to obtain equity funding for the first stage of development of the Project and fixing the number of shares of Katanga to be received by each shareholder of KF Ltd. on exercise of the option. The Company was to receive 5,751,500 such shares of Katanga on exercise of the option.

On June 27, 2006, Katanga exercised its option, and accordingly Kinross received 5,751,500 shares of Katanga. At the time of the exercise of the option Kinross held an 11.67% interest in KF Ltd.

On September 8, 2006, Kinross sold the 5,751,500 shares in Katanga through a private placement for proceeds of \$31.4 million. A gain of \$31.3 million was recorded on disposal.

**20. COMMITMENTS AND CONTINGENCIES**

General

Estimated losses from loss contingencies are accrued by a charge to earnings when information available prior to the issuance of the financial statements indicates that it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Other legal matters

The Company is involved in legal proceedings from time to time, arising in the ordinary course of its business. Typically, the amount of ultimate liability with respect to these actions will not, in the opinion of management, materially affect Kinross' financial position, results of operations or cash flows.

The Company has settled various litigations. Included in the statement of operations were \$0.3 million in 2006, \$nil in 2005 and \$10.0 million in 2004 related to legal claims. The settlement of the Hellenic litigation in 2005 was accrued in the prior year.

Kinam Preferred Shares

The Company was named as a defendant in a Class Action Complaint filed on or about April 26, 2002 (the "Complaint"), entitled Robert A. Brown, et al. v. Kinross Gold U.S.A., Inc., et al., Case No. CV-S-02-0605-PMP-RJJ, in the United States District Court for the District of Nevada. The Complaint named as defendants the Company, its subsidiaries, Kinross Gold U.S.A., Inc. and Kinam Gold, Inc. ("Kinam"), and Robert M. Buchan, former President and C.E.O. of the Company. The Complaint was filed on behalf of one potential class and three subclasses, i.e., those who tendered their Kinam \$3.75 Series B Preferred Stock (the "Kinam Preferred") into the tender offer for the Kinam Preferred made by the Kinross Gold U.S.A.,

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**20. COMMITMENTS AND CONTINGENCIES (Continued)**

those who did not tender their Kinam Preferred but later sold it directly to the Company or any of its controlled entities after closure of the tender offer and delisting of the Kinam Preferred, and those who continue to hold Kinam Preferred. The Complaint alleged, among other things, that amounts historically advanced to Kinam should be treated as capital contributions rather than loans, that the purchase of Kinam Preferred from certain institutional investors in July 2001 constituted a constructive redemption of the Kinam Preferred, an impermissible amendment to the conversion rights of the Kinam Preferred, or the commencement of a tender offer, that the Company and its subsidiaries have intentionally taken actions for the purpose of minimizing the value of the Kinam Preferred, and that the amount offered in the tender offer of \$16.00 per share was not a fair valuation of the Kinam Preferred. The Complaint alleged breach of contract based on the governing provisions of the Kinam Preferred; breach of fiduciary duties; violations of the "best price" rule under Section 13(e) of the Securities Exchange Act of 1934, as amended, and the New York Stock Exchange rules; federal securities fraud in violation of Section 10(b) and 14(c) of the Securities Exchange Act of 1934, as amended, and Rules 10b-5 and 14c-6(a) thereunder; violation of Nevada's anti-racketeering law; and control person liability under Section 20A of the Securities Exchange Act of 1934, as amended.

A second action seeking certification as a class action and based on the same allegations was also filed in the United States District Court for the District of Nevada on or about May 22, 2002. It named the same parties as defendants. This action has been consolidated into the Brown case, and the Brown plaintiffs have been designated as lead plaintiffs.

Among other remedies, the plaintiffs in both actions seek damages ranging from \$9.80 per share, plus accrued dividends, to \$39.25 per share of Kinam Preferred or, in the alternative, the issuance of 26.875 to 80.625 shares of the Company for each Kinam Preferred. The Company brought a motion for judgment on the pleadings with respect to the federal securities fraud claims. On September 29, 2003, the Court ruled that plaintiffs had failed to adequately state any federal securities fraud claim, but allowed the Plaintiffs an opportunity to file an amended complaint. In response, the plaintiffs filed an Amended Class Action Complaint (the "Amended Complaint"), and the Company again moved for judgment on the pleadings on the federal securities fraud claims. On November 2, 2004, the Court granted the second motion, dismissing with prejudice the federal securities claims. Subsequently, the Company moved for judgment on the pleadings on the best price rule and the Nevada RICO claims of the Amended Complaint. The Plaintiffs opposed the motion and filed a cross motion for summary judgment on the best price rule. On May 27, 2005, the Court denied Plaintiff's motion for summary judgment and granted the Company's motion and dismissed these counts from the Amended Complaint. On June 14, 2005, the Court granted the plaintiffs' unopposed motion for certification of the class and three subclasses.

The Company intends to continue to vigorously defend this litigation and it believes it has substantial defenses to the claims asserted in the lawsuit. However, the Company cannot reasonably predict the outcome of this action, and the amount of loss, if any, cannot be reasonably estimated. This class action relates to the Corporate and other segment (see Note 16).

Hellenic Gold Properties

Pursuant to an October 14, 1998 judgment of the Ontario Court (General Division), Kinross had been holding a 12% carried interest in the Hellenic Gold Properties as constructive trustee for the Alpha Group. The Alpha Group commenced an action for damages against TVX and Kinross alleging among other things, a breach of trust arising from Kinross' decision to return the Hellenic Gold Properties to the Greek Government and place TVX Hellas into bankruptcy. In November 2005, Kinross entered into a settlement agreement with the Alpha Group pursuant to which Kinross paid the Alpha Group \$8.0 million inclusive of legal costs and the parties exchanged mutual releases which brings all litigation between Kinross and the Alpha Group to an end.

1235866 Ontario Inc. ("1235866"), the successor to Curragh Resources Inc. commenced an action against the Alpha Group and TVX in 1998 relating to the Hellenic Gold Properties. The action alleged that members of Alpha Group had used confidential Curragh information in their pursuit of the Hellenic Gold Properties and that Alpha and TVX held their respective interest in these properties in trust for 1235866.

On July 28, 1999, TVX entered into an agreement with 1235866 whereby 1235866 agreed to limit any claim against TVX and diligently pursue its claim against the Alpha Group. In the event that 1235866 was successful in its actions against the Alpha Group, it would become entitled to a 12% carried interest as defined in the agreement and the right to acquire a 12% participating interest upon payment of 12% of the aggregate amounts expended by TVX and its subsidiaries in connection with the acquisition, exploration, development and operation of the Hellenic mines to the date of the exercise of the right to acquire the participating interest.

As a result of Kinross' decision to return the Hellenic Mining Properties to the Greek Government, place TVX Hellas into bankruptcy and settle with the Alpha Group, 1235866 threatened to revive its action against Kinross for breach of trust, and claim for breach of the agreement. On December 14, 2006, 1235866 brought a motion for leave to (i) substitute Kinross as a defendant in place of TVX and (ii) amend its Fresh Amended Statement of Claim in accordance with the threatened litigation. Notwithstanding Kinross' refusal to consent to the proposed amendment, the order was granted. Kinross delivered its Statement of Defence on February 28, 2007. Documentary production has not been completed and examinations for discovery will be scheduled for later this year.

While Kinross believes that it has substantial defences to this claim, it is too early in the process to predict the final outcome with any certainty.

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**20. COMMITMENTS AND CONTINGENCIES (Continued)**

Summa Corporation/Howard Hughes Corporation

In September 1992, Summa Corporation ("Summa") commenced a lawsuit against Echo Bay Exploration Inc. and Echo Bay Management Corporation (together, the "Subsidiaries"), 100% owned subsidiaries of Echo Bay, alleging improper deductions in the calculation of royalties payable over several years of production at the McCoy/Cove and Manhattan mines (the "Royalty Lawsuit"). The Manhattan mine is no longer in production and the McCoy/Cove mine was sold in January 2003. The assets and liabilities of the Subsidiaries are included under the heading Corporate and other in the segmented information (see Note 16). The first trial was conducted in the Eighth Judicial District Court ("District Court") of Nevada during April 1997, with Summa claiming more than \$13.0 million in unpaid royalties and accrued interest. In September 1997, judgment was entered on behalf of the Subsidiaries and the Subsidiaries were awarded approximately \$0.3 million in attorneys' fees and litigation costs. Summa appealed this judgment to the Nevada Supreme Court and, in April 2002, the Supreme Court, sitting *en banc*, reversed the judgment of the trial court and returned the action to the District Court for further proceedings.

In September 2004, the District Court ordered that a new trial be conducted in February 2005. In the new trial, Summa updated its claim for unpaid royalties and accrued interest to the approximate amount of \$25.0 million. In May 2005, judgment was again entered in favour of the Subsidiaries, with Summa receiving nothing by way of its complaint. The Subsidiaries' Motions for Litigation Costs and Attorneys' Fees for both trial proceedings were granted, resulting in a judgment against Summa in the approximate amount of \$0.7 million. Summa's appeal was heard on February 9, 2007 with the Nevada Supreme Court reserving judgment. A decision is expected within the next few months. Whatever the result, the party that does not prevail may petition the court for an *en banc* rehearing of the appeal before the entire five-justice court.

In March, 2004, Summa's successor in interest, The Howard Hughes Corporation ("Hughes"), filed an action in District Court against Kinross, and the Subsidiaries and Echo Bay Mines Ltd. (collectively, the "Echo Bay Entities"), as well as Newmont Mining Corporation ("Newmont"), more than thirty current and former directors of the Echo Bay Entities, Kinross and Newmont ("Director and Officer Defendants") and fifty Doe defendants (collectively, the "Defendants"). The lawsuit alleges claims based upon a general allegation of a scheme or artifice to defraud, in which it is alleged that the Defendants, at various indeterminate times, diverted and distributed the assets of the Echo Bay Entities to render them insolvent, so Summa would be unable to collect any judgment it might obtain against the Echo Bay Entities in the Royalty Lawsuit. The parties have engaged in extensive motion practice in this action, including a motion by Kinross and the Echo Bay Entities demanding a change of venue. The District Court denied the motion, and the Nevada Supreme Court has affirmed that decision.

The result of the remaining motions is that all claims from Hughes' Complaint have been dismissed, except for its claim under the Nevada Uniform Fraudulent Transfer Act. The court has stayed that claim pending the outcome of the appeal in the Royalty Lawsuit. The only defendants remaining are the Echo Bay Entities, Kinross, Newmont, and five of the individual Defendants. A favourable result in the appeal of the Royalty Lawsuit will dispose of the claims asserted against Kinross and the other Defendants in the lawsuit by Hughes. While the Company cannot reasonably predict the outcome of the Royalty Lawsuit, it believes that the Echo Bay Entities have substantial defenses to Summa's claims and intends to continue to vigorously defend against the claims.

Kettle River — Buckhorn Permitting

In November 2005, the Kettle River mill was temporarily shut down as all mining activities had been completed. Efforts are underway to get the Buckhorn mine operational. The Buckhorn property was acquired in the Crown transaction. On September 27, 2006, Washington State regulatory agencies issued permits that allowed construction of the Buckhorn mine to commence. On October 17, 2006, the Okanogan Highlands Alliance ("OHA") filed an administrative appeal of the water rights and stormwater permits issued by the Washington State Department of Ecology and the reclamation permit issued by the Washington State Department of Natural Resources. The appeal asserts that the permits were improperly issued and that the Supplemental Environmental Impact Statement ("EIS") prepared by the State supporting the permits is inadequate. The balance of the permits for the project are expected to be issued mid-year 2007, with appeals of some or all of those expected to be filed sometime thereafter.

On January 17, 2007, the Okanogan/Wenatchee National Forest Supervisor issued a Record of Decision ("ROD") and Final EIS in respect of the Company's request for authorizing road access, power/utility lines, treated water pipelines and infiltration gallery, fences, and monitoring wells on national forest lands to serve the Buckhorn mine. On March 22, 2007, the OHA filed a written administrative appeal to the USDA Forest Service Regional Forester (the "Federal Appeal") stating that it appeals the ROD, the Final EIS, "and associated special use permits and/or authorizations (including any approval of any mining plan of operations)" for the "Buckhorn Access Project". The issues argued in the Federal Appeal include assertions that the ROD and Final EIS violate: 1) statute and Forest Service regulation requirements regarding access rights, mining plans of operations, right-of-way authorizations, minimization of environmental effects, and bonding; 2) the federal Clean Water Act; 3) federal reserved water rights for springs; 4) National Forest Management Act Forest Plan requirements; and 5) National Environmental Policy Act.

While it would be premature to predict the outcome of the appeals at this stage of the proceedings, the Company believes it has substantial defenses to these appeals, including any motion for a stay of operations.

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**20. COMMITMENTS AND CONTINGENCIES (Continued)**

Income taxes

The Company operates in numerous countries around the world and accordingly is subject to, and pays annual income taxes under the various regimes in countries in which it operates. These tax regimes are determined under general corporate income tax laws of the country. The Company has historically filed, and continues to file, all required income tax returns and to pay the taxes reasonably determined to be due. The tax rules and regulations in many countries are complex and subject to interpretation. From time to time the Company will undergo a review of its historic tax returns and in connection with such reviews, disputes can arise with the taxing authorities over the Company's interpretation of the country's income tax rules. As at December 31, 2006 the Company had the following significant disputes and has not accrued any additional tax liabilities in relation to the disputes listed below:

Brazil

Mineracao Serra Grande, S.A. ("MSG"), the Company's 50% joint venture with AngloGold, which owns the Crixás mine, received four tax reassessments since November 2003 from the Minas Gerais State and Goias State IRS. The reassessment disallowed the claiming of certain sales tax credits and assessed interest and penalties of which the Company's 50% share totals \$10.2 million. The Company and its joint venture partner believe that this reassessment will be resolved without any material adverse effect on its financial position, results of operations or cash flows. This reassessment relates to the Crixás business segment (see Note 16).

In September 2005, MSG received assessments relating to payments of sales taxes on exported gold deliveries from tax inspectors for the State of Goias. The Company's share of the assessments is approximately \$29.0 million. The counsel for MSG believes the suit is in violation of Federal legislation on sales taxes and that there is a remote chance of success for the State of Goias. The assessment has been appealed. This reassessment relates to the Crixás operating segment.

In October 2006, MSG received an assessment from the Goias State IRS relating to remittance of gold from Crixás to Nova Lima in Minas Gerais for export purposes. Since May 2006, the Goias State signed an authorization (TARE) to this procedure. The Company's share of this assessment is approximately \$17.9 million. The Company and its joint venture partner believe that this reassessment will be resolved without any material adverse effect on its financial position, results of operations or cash flows.

**Other commitments and contingencies**

Financial assurance

As part of its ongoing business and operations, the Company and its affiliates are required to provide financial assurance in the form of letters of credit for environmental and site restoration costs, exploration permitting, workers' compensation and other general corporate purposes. As at December 31, 2006, there were \$127.5 million (December 31, 2005 — \$117.6 million) letters of credit issued pursuant to the syndicated credit facility further described in Note 8. The obligations associated with these instruments are generally related to performance requirements that the Company addresses through its operations including post closure site restoration. Upon completion of the underlying performance requirement, the beneficiary of the associated letter of credit cancels and returns the letter of credit to the issuing entity. Some of the instruments associated with long-lived assets will remain outstanding until closure. Generally, financial assurance requirements associated with environmental regulations are becoming more restrictive. The Company believes it is in compliance with all applicable financial assurance requirements and will be able to satisfy all future financial assurance requirements.

**21. SUBSEQUENT EVENTS**

Acquisition of Bema Gold Corporation

On November 6, 2006, the Company announced its intentions to acquire Bema Gold Corporation ("Bema"). On January 30, 2007, the shareholders of Bema voted to approve the acquisition of Kinross and on February 20, 2007, the Company agreed to waive the conditions as set out in the Purchase Agreement. These conditions related to classification of the land upon which the Kupol project in Russia is located and long-term leases relating to this property. The acquisition was completed on February 27, 2007 ("Acquisition Date"). As consideration, the Company issued 216.0 million common shares. As a result, Kinross has acquired a 75% interest in the Kupol mine project and a 90% interest in the Julietta mine, both of which are located in Eastern Russia. The acquisition also included the 50% interest in CMM that Kinross did not already own. The properties will be included with Kinross' consolidated results commencing on the Acquisition Date. Kinross also acquired an approximately 30% interest in Pamozdi Gold Limited, a public South African company that owns the Petrex mine. The Aldebaron Property (Cerro Casale Deposit), an exploration property in Chile is now owned 49% by Kinross as part of the acquisition of Bema. The business combination will be accounted for as a purchase transaction with the Company as the acquirer of Bema. The allocation of the purchase price is yet to be determined.

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**21. SUBSEQUENT EVENTS (Continued)**

*Disposition of Lupin Mine*

On February 28, 2007, the Company and Wolfden Resources Inc. ("Wolfden") finalized the agreement of June 19, 2006 whereby Kinross agreed to sell the Lupin mine in the Territory of Nunavut to Wolfden in exchange for Wolfden assuming certain of the mine's liabilities. Under the terms of this agreement, Wolfden owns the mine and the related property and Kinross retired the letters of credit and promissory notes related to reclamation obligations at Lupin. The Company delivered a CDN \$3.0 million standby letter of credit to Wolfden and agreed to reimburse Wolfden for CDN \$1.7 million of fuel costs in 2007. If the Lupin mill is demolished by Wolfden without restarting the mill, the Kinross letter of credit will be drawn on to help fund the demolition costs. Kinross has also agreed to pay up to CDN \$1.0 million for reclamation and closing of the tailings facility if the mill is restarted, and up to CDN \$4.0 million if the mill is not restarted, provided the work is performed before the end of 2008. The agreement also provides that Kinross is to be paid a 1% royalty on future production if the price of gold exceeds \$500 per ounce.

**MINERAL RESERVE AND RESOURCE STATEMENT  
PROVEN & PROBABLE MINERAL RESERVES<sup>(1,3,5,6,7)</sup>**

**Kinross Gold Corporation's Share at December 31, 2006**

**Gold Price (US\$/oz) \$ 475**

**GOLD**

Property	Location	Kinross Interest	Proven			Probable			Proven and Probable		
			Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
		(%)	(× 1,000)	(g/t)	(× 1,000)	(× 1,000)	(g/t)	(× 1,000)	(× 1,000)	(g/t)	(× 1,000)
<b>NORTH AMERICA</b>											
Musselwhite <sup>(11)</sup>	Canada	31.9%	1,267	5.87	239	1,504	6.74	326	2,771	6.34	565
Porcupine JV <sup>(11)</sup>	Canada	49%	12,983	1.40	586	17,186	2.03	1,123	30,169	1.76	1,709
Fort Knox <sup>(13)</sup>	USA	100%	85,704	0.46	1,270	73,969	0.60	1,435	159,673	0.53	2,705
Kettle River <sup>(9),(16)</sup>	USA	100%	39	11.17	14	1,814	15.98	932	1,853	15.88	946
Round Mountain <sup>(14)</sup>	USA	50%	36,706	0.72	845	65,843	0.52	1,107	102,549	0.59	1,952
<b>SUBTOTAL</b>			<b>136,699</b>	<b>0.67</b>	<b>2,954</b>	<b>160,316</b>	<b>0.96</b>	<b>4,923</b>	<b>297,015</b>	<b>0.82</b>	<b>7,877</b>
<b>SOUTH AMERICA</b>											
Crixas <sup>(10)</sup>	Brazil	50%	1,647	4.57	242	1,005	5.91	191	2,652	5.08	433
Paracatu	Brazil	100%	1,180,809	0.41	15,394	81,264	0.38	995	1,262,073	0.40	16,389
La Coipa <sup>(12)</sup>	Chile	50%	7,003	1.43	323	3,133	1.08	109	10,136	1.33	432
Refugio	Chile	50%	69,771	0.80	1,789	41,554	0.70	931	111,325	0.76	2,720
<b>SUBTOTAL</b>			<b>1,259,230</b>	<b>0.44</b>	<b>17,748</b>	<b>126,956</b>	<b>0.55</b>	<b>2,226</b>	<b>1,386,186</b>	<b>0.45</b>	<b>19,974</b>
<b>TOTAL GOLD</b>			<b>1,395,929</b>	<b>0.46</b>	<b>20,702</b>	<b>287,272</b>	<b>0.77</b>	<b>7,149</b>	<b>1,683,201</b>	<b>0.51</b>	<b>27,851</b>

**MINERAL RESERVE AND RESOURCE STATEMENT  
PROVEN & PROBABLE MINERAL RESERVES<sup>(1,3,5,6,7)</sup>**

**Kinross Gold Corporation's Share at December 31, 2006**

**Silver Price (US\$/oz) \$ 7.00**

**SILVER**

Property	Location	Kinross Interest	Proven			Probable			Proven and Probable		
			Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
		(%)	(× 1,000)	(g/t)	(× 1,000)	(× 1,000)	(g/t)	(× 1,000)	(× 1,000)	(g/t)	(× 1,000)
<b>SOUTH AMERICA</b>											
La Coipa Area <sup>(12)</sup>	Chile	50.0%	7,003	84.5	19,033	3,133	86.9	8,750	10,136	85.3	27,783
<b>SUBTOTAL</b>			<b>7,003</b>	<b>84.5</b>	<b>19,033</b>	<b>3,133</b>	<b>86.9</b>	<b>8,750</b>	<b>10,136</b>	<b>85.3</b>	<b>27,783</b>
<b>TOTAL SILVER</b>			<b>7,003</b>	<b>84.5</b>	<b>19,033</b>	<b>3,133</b>	<b>86.9</b>	<b>8,750</b>	<b>10,136</b>	<b>85.3</b>	<b>27,783</b>

Rounding differences may occur

**MINERAL RESERVE AND RESOURCE STATEMENT**
**MEASURED & INDICATED MINERAL RESOURCES (excludes Proven & Probable Reserves)<sup>(2,3,4,6,7,8)</sup>**

Kinross Gold Corporation's Share at December 31, 2006

Gold Price (US\$/oz)

**\$ 525**
**GOLD**

Property	Location	Kinross Interest (%)	Measured			Indicated			Measured and Indicated		
			Tonnes (× 1,000)	Grade (g/t)	Ounces (× 1,000)	Tonnes (× 1,000)	Grade (g/t)	Ounces (× 1,000)	Tonnes (× 1,000)	Grade (g/t)	Ounces (× 1,000)
<b>NORTH AMERICA</b>											
Musselwhite <sup>(11)</sup>	Canada	31.9%	403	5.40	70	666	5.65	121	1,069	5.56	191
Porcupine JV <sup>(11)</sup>	Canada	49%	3,424	2.02	222	34,793	1.72	1,926	38,217	1.75	2,148
Fort Knox <sup>(13)</sup>	USA	100%	9,653	0.68	210	61,631	0.69	1,363	71,284	0.69	1,573
Round Mountain <sup>(14)</sup>	USA	50%	4,353	0.74	103	7,500	0.66	160	11,853	0.69	263
<b>SUBTOTAL</b>			<b>17,833</b>	<b>1.06</b>	<b>605</b>	<b>104,590</b>	<b>1.06</b>	<b>3,570</b>	<b>122,423</b>	<b>1.06</b>	<b>4,175</b>
<b>SOUTH AMERICA</b>											
Crixas <sup>(10)</sup>	Brazil	50%	—	—	—	114	3.55	13	114	3.55	13
Gurupi <sup>(17)</sup>	Brazil	100%	—	—	—	47,050	1.08	1,632	47,050	1.08	1,632
Paracatu	Brazil	100%	48,476	0.35	545	19,003	0.29	177	67,479	0.33	722
La Coipa <sup>(12)</sup>	Chile	50%	7,232	0.87	203	4,234	1.19	161	11,466	0.99	364
Refugio	Chile	50%	15,790	0.72	367	26,685	0.67	578	42,475	0.69	945
<b>SUBTOTAL</b>			<b>71,498</b>	<b>0.49</b>	<b>1,115</b>	<b>97,086</b>	<b>0.82</b>	<b>2,561</b>	<b>168,584</b>	<b>0.68</b>	<b>3,676</b>
<b>ASIA</b>											
Kubaka <sup>(15)</sup>	Russia	98.1%	—	—	—	376	13.07	158	376	13.07	158
<b>SUBTOTAL</b>			<b>—</b>	<b>—</b>	<b>—</b>	<b>376</b>	<b>13.07</b>	<b>158</b>	<b>376</b>	<b>13.07</b>	<b>158</b>
<b>TOTAL GOLD</b>			<b>89,331</b>	<b>0.60</b>	<b>1,720</b>	<b>202,052</b>	<b>0.97</b>	<b>6,289</b>	<b>291,383</b>	<b>0.85</b>	<b>8,009</b>

**MINERAL RESERVE AND RESOURCE STATEMENT**
**MEASURED & INDICATED MINERAL RESOURCES (excludes Proven & Probable Reserves)<sup>(2,3,4,6,7,8)</sup>**

Kinross Gold Corporation's Share at December 31, 2006

Silver Price (US\$/oz)

**\$ 8.00**
**SILVER**

Property	Location	Kinross Interest (%)	Measured			Indicated			Measured and Indicated		
			Tonnes (× 1,000)	Grade (g/t)	Ounces (× 1,000)	Tonnes (× 1,000)	Grade (g/t)	Ounces (× 1,000)	Tonnes (× 1,000)	Grade (g/t)	Ounces (× 1,000)
<b>SOUTH AMERICA</b>											
La Coipa <sup>(12)</sup>	Chile	50.0%	7,232	31.5	7,313	4,234	25.7	3,494	11,466	29.3	10,807
<b>SUBTOTAL</b>			<b>7,232</b>	<b>31.5</b>	<b>7,313</b>	<b>4,234</b>	<b>25.7</b>	<b>3,494</b>	<b>11,466</b>	<b>29.3</b>	<b>10,807</b>
<b>ASIA</b>											
Kubaka Area <sup>(15)</sup>	Russia	98.1%	—	—	—	376	14.3	173	376	14.3	173
<b>SUBTOTAL</b>			<b>—</b>	<b>—</b>	<b>—</b>	<b>376</b>	<b>14.3</b>	<b>173</b>	<b>376</b>	<b>14.3</b>	<b>173</b>
<b>TOTAL SILVER</b>			<b>7,232</b>	<b>31.5</b>	<b>7,313</b>	<b>4,610</b>	<b>24.7</b>	<b>3,667</b>	<b>11,842</b>	<b>28.8</b>	<b>10,980</b>

**Statement of Inferred Resources**

In addition to the reported Measured and Indicated Mineral Resources estimated at a gold price of \$525, Inferred Mineral Resources of gold total 130,658,000 tonnes at an average grade of 0.92 grams per tonne gold. Inferred Mineral Resources of silver total 754,000 tonnes at an average grade of 26.6 grams per tonne using a \$8.00 silver price.



## NOTES — 2006 MINERAL RESERVE & RESOURCE STATEMENTS

- (1) Unless otherwise noted, the Company's reserves are estimated using appropriate cut-off grades derived from an assumed gold price of \$US 475 per ounce, and a silver price of \$US 7.90 per ounce. Reserves are estimated using appropriate process recoveries, operating costs and mine plans that are unique to each property and include estimated allowances for dilution and mining recovery. Reserves are reported in contained units and are estimated based on the following foreign exchange rates:

\$CAD to \$US	1.23
Rubles to \$US	28.00
Chilean Peso to \$US	580.00
Brazilian Reais to \$US	2.62

- (2) Unless otherwise noted, the Company's resources are estimated using appropriate cut-off grades derived at a gold price of \$US 525 per ounce, a silver price of \$US 8.75 per ounce and the following foreign exchange rates:

\$CAD to \$US	1.23
Rubles to \$US	28.00
Chilean Peso to \$US	580.00
Brazilian Reais to \$US	2.62

- (3) The Company's reserves and resources as at December 31, 2006 are classified in accordance with the Canadian Institute of Mining Metallurgy and Petroleum's "CIM Standards on Mineral Resources and Reserves, Definition and Guidelines" as per Canadian Securities Administrator's National Instrument 43-101 ("the Instrument") requirements.
- (4) Cautionary note to US investors concerning estimates of Measured, Indicated and Inferred Resources. US investors are advised that use of the terms "Measured Resource", "Indicated Resource" and "Inferred Resource" are recognized and required by Canadian Securities regulations. These terms are not recognized by the U.S. Securities and Exchange Commission. **U.S. investors are cautioned not to assume that all or any part of mineral deposits in these categories will ever be converted into reserves.**
- (5) The mineral reserves presented herein comply with the reserve categories of Industry Guide 7 applied in the United States by the Securities and Exchange Commission.
- (6) Mineral resource and reserve estimates were completed under the supervision of Mr. R. Henderson, P. Eng, an officer of Kinross, who is a qualified person as defined by Canada's National Instrument 43-101.
- (7) The Company's normal data verification procedures have been used in collecting, compiling, interpreting and processing the data used to estimate reserves and resources. Independent data verification has not been performed.
- (8) Resources, unlike reserves, do not have demonstrated economic viability.
- (9) Undeveloped property, development assumes successful permitting allowing mining operations to be conducted.
- (10) The mine is operated by AngloGold Ashanti Ltd. Mineral reserves are reported at a gold price of \$US 550 per ounce. Mineral resources are reported at a gold price of \$US 650 per ounce. Mineral Resources and reserves are reported using the following foreign exchange rate: Brazilian Reais to \$US 2.20
- (11) Operated by Goldcorp Inc. and assumes the following commodity prices and foreign exchange rates:
- |   |
|---|
| Reserves — Gold price of \$US 450 per ounce, Silver price of \$US 7.00 per ounce  |
| Resources — Gold price of \$US 525 per ounce, Silver price of \$US 8.00 per ounce |
| \$CAD to \$US 1.15  |
- (12) Operated by Goldcorp Inc. and assumes the following commodity prices and foreign exchange rates:
- |   |
|---|
| Reserves — Gold price of \$US 450 per ounce, Silver price of \$US 7.00 per ounce  |
| Resources — Gold price of \$US 525 per ounce, Silver price of \$US 8.00 per ounce |
| Chilean Peso to \$US 550.00   |
- (13) Includes mineral resources and reserves from the Fort Knox heap leach project which requires successful permitting. Includes mineral resources from the undeveloped Gil deposit in which the company holds an 80% interest.
- (14) Includes mineral reserves and resources from the undeveloped Gold Hill deposit, exploitation of which is dependent on successful permitting. For the Gold Hill Project, mineral reserves are reported at a gold price of \$US 400 per ounce. Mineral resources are reported at a gold price of \$US 450 per ounce. Mineral resources and reserves are reported using the following foreign exchange rate: \$CAD to \$US 1.25
- (15) Includes mineral resources from the Birkachan and Tsokol deposits. Mining at Birkachan and Tsokol will require successful permitting. For the Tsokol and Birkachan Projects, mineral resources are reported at a gold price of \$US 450 per ounce and a silver price of \$US 7.00 per ounce using the following foreign exchange rate: Rubles to \$US 29.00
- (16) Includes mineral reserves and resources from the undeveloped Buckhorn Mountain deposit, exploitation of which is dependent on successful permitting. Inferred resources at Buckhorn are reported at cut-off grades derived from an assumed gold price of \$US 475 per ounce.
- (17) Mining at Gurupi will require successful permitting. For the Gurupi Project, mineral resources are reported at a gold price of \$US 450 per ounce. Mineral resources and reserves are reported using the following foreign exchange rate: Brazilian Reais to \$US 3.00

## ***Reserve & Resource Definitions***

A “**Mineral Reserve**” is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

A “**Probable Mineral Reserve**” is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

A “**Proven Mineral Reserve**” is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

A “**Mineral Resource**” is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

An “**Inferred Mineral Resource**” is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An “**Indicated Mineral Resource**” is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

A “**Measured Mineral Resource**” is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

## Summarized Five Year Review

	2006	2005	2004	2003 <sup>(2)</sup>	2002 <sup>(2,3)</sup>	2001 <sup>(2,3)</sup>
<b>Operating results</b> (in millions of U.S. dollars)						
Revenue . . . . .	\$ 905.6	\$ 725.5	\$ 666.8	\$ 571.9	\$261.0	\$282.9
Net earnings (loss) for the year . . . . .	165.8	(216.0)	(63.1)	(437.7)	(22.8)	(36.3)
Net earnings (loss) attributable to common shareholders . . . . .	—	—	—	(427.7)	(30.1)	(44.0)
Cash flow provided from operating activities . . . . .	292.0	133.7	161.2	89.5	56.7	74.5
Capital expenditures . . . . .	202.9	142.4	169.5	73.4	22.6	30.4
<b>Financial position</b> (in millions of U.S. dollars)						
Cash and cash equivalents . . . . .	\$ 154.1	\$ 97.6	\$ 47.9	\$ 245.8	\$170.6	\$ 81.0
Working capital . . . . .	85.3	64.0	27.6	251.8	172.4	62.0
Total assets . . . . .	2,053.5	1,698.1	1,834.2	1,794.5	598.0	577.6
Long-term debt <sup>(1)</sup> . . . . .	89.9	159.3	122.9	30.1	57.9	90.1
Common shareholders' equity . . . . .	1,468.0	1,076.1	1,287.1	1,382.4	418.9	331.6
Debt to capitalization . . . . .	6%	15%	10%	2%	14%	27%
<b>Per share data</b> (U.S. dollars)						
Net earnings (loss) — basic . . . . .	\$ 0.47	\$ (0.63)	\$ (0.18)	\$ (1.39)	\$ (0.25)	\$ (0.42)

(1) Long-term debt includes debt plus current portion of long-term debt.

(2) Financial position as at December 31, 2003, 2002 and 2001 and operating results for the years ended December 31, 2002 and 2001 do not reflect the change in accounting policy related to convertible debentures adopted by the Company in 2005.

(3) Financial position as at December 31, 2002 and 2001 and operating results for the year ended December 31, 2001 do not reflect the change in accounting policy related to asset retirement obligations adopted by the Company in 2004.

## Kinross Share Trading Data

	2006		2005	
	High	Low	High	Low
	(CDN dollars)		(U.S. dollars)	
<b>TSX</b> (Cdn dollars)				
First quarter . . . . .	\$13.68	\$10.21	\$ 8.87	\$7.12
Second quarter . . . . .	\$14.49	\$ 9.92	\$ 7.57	\$6.17
Third quarter . . . . .	\$17.00	\$11.78	\$ 9.39	\$6.76
Fourth quarter . . . . .	\$15.40	\$12.26	\$11.00	\$7.63
<b>NYSE</b> (U.S. dollars)				
First quarter . . . . .	\$11.94	\$ 8.77	\$ 7.33	\$5.87
Second quarter . . . . .	\$13.12	\$ 8.92	\$ 6.20	\$4.61
Third quarter . . . . .	\$15.39	\$10.30	\$ 8.05	\$5.52
Fourth quarter . . . . .	\$13.64	\$10.87	\$ 9.42	\$6.49

## Supplementary Data

	2005				2006			
	Mar. 31	Jun. 30	Sept. 30	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Dec. 31
Metal sales . . . . .	\$ 179.8	\$ 174.6	\$ 181.1	\$ 190.0	\$ 198.3	\$ 252.3	\$ 223.6	\$ 231.4
Cost of sales . . . . .	113.1	111.0	113.1	110.9	121.5	125.4	115.6	\$ 119.2
Accretion and reclamation expense . . . . .	3.3	2.6	3.1	47.0	3.0	2.9	25.8	\$ 1.8
Depreciation, depletion and amortization . . . . .	44.3	44.6	41.3	37.5	29.2	27.0	25.0	\$ 27.1
Other operating costs . . . . .	3.5	0.9	0.7	9.2	4.6	2.7	8.5	\$ 10.2
Impairment of goodwill . . . . .	—	—	6.7	2.0	—	—	—	\$ —
Impairment of long-lived assets . . . . .	—	—	30.1	141.8	—	—	—	\$ —
Impairment of investments . . . . .	0.6	—	0.1	3.4	—	—	—	\$ 10.5
Operating earnings (loss) . . . . .	—	(0.7)	(34.1)	(176.4)	22.4	73.1	60.8	\$ 45.2
Income and mining taxes recovery (loss) . . . . .	(2.6)	(0.9)	(0.5)	16.9	(0.6)	(8.1)	(11.0)	\$ (6.2)
Net earnings (loss) . . . . .	(0.9)	(16.4)	(44.4)	(154.3)	8.9	65.6	50.3	\$ 41.0
<b>Earnings (loss) per share</b>								
Basic . . . . .	\$ —	\$ (0.05)	\$ (0.13)	\$ (0.45)	\$ 0.03	\$ 0.19	\$ 0.14	\$ 0.11
Diluted . . . . .	\$ —	\$ (0.05)	\$ (0.13)	\$ (0.45)	\$ 0.03	\$ 0.19	\$ 0.14	\$ 0.11
Cash flow provided from operating activities	26.8	30.6	52.5	23.8	20.1	94.9	85.8	\$ 91.2
Current assets . . . . .	205.4	207.9	234.0	241.9	241.9	294.3	271.5	\$ 293.0
Current liabilities . . . . .	157.2	149.7	159.3	177.9	171.9	173.7	188.7	\$ 207.7
Total assets . . . . .	1,837	1,846.3	1,821.6	1,698.1	1,712.2	1,785.8	2,005.4	\$2,053.5
Reclamation and remediation obligations . . . . .	129.6	129.1	122.10	175.9	175.8	174.8	193.5	\$ 168.4
Long-term debt . . . . .	139.0	157.8	157.4	159.3	158.7	163.2	88.2	\$ 89.9
Common shareholders' equity . . . . .	1,287.5	1,272.5	1,229.3	1,698.1	1,089.7	1,162.9	1,423.8	\$1,468.0

# Shareholder Information

## Executive Management Committee

### **Tye W. Burt**

President and Chief Executive Officer

### **Timothy C. Baker**

Executive Vice President and Chief Operating Officer

### **Thomas M. Boehlert**

Executive Vice President and Chief Financial Officer

### **Hugh A. Agro**

Senior Vice President, Corporate Development

### **Geoffrey P. Gold**

Senior Vice President and Chief Legal Officer

### **Ronald W. Stewart**

Senior Vice President, Exploration

### **Lisa M. Zangari**

Senior Vice President, Human Resources

## Other Officers

### **Richard A. Baker**

Senior Vice President Environmental, Health and Safety

### **Christopher T. Hill**

Senior Vice President and Treasurer

### **W. Alan Ahlgren**

Vice President, Finance

### **Bradley J. Boland**

Vice President and Controller

### **Robert D. Henderson**

Vice President, Technical Services

### **Shelley M. Riley**

Vice President, Administration and Corporate Secretary

## Corporate Information

### **Corporate Office**

Scotia Plaza, 52nd Floor  
40 King Street West  
Toronto, ON M5H 3Y2 Canada  
Telephone: 416-365-5123  
Fax: 416-365-6622  
Toll-Free: 1-866-561-3636

### **U.S. Office**

670 Sierra Rose Drive  
Reno, NV 89511 USA  
Telephone: 775-829-1000  
Fax: 775-829-1666

### **Transfer Agent & Registrar**

*Computershare Investor Services Inc.*  
Toronto, ON Canada  
Toll-Free: 1-800-564-6253  
  
*Computershare Trust Company (N.A.)*  
Denver, CO USA  
Toll-Free: 1-800-962-4284

### **Legal Counsel**

*Blake, Cassels & Graydon LLP*  
Toronto, ON Canada

*Cassels, Brock & Blackwell LLP*  
Toronto, ON Canada

*Osler, Hoskin & Harcourt LLP*  
Toronto, ON Canada

*Parr Waddoups Brown Gee & Loveless*  
Salt Lake City, UT USA

### **Auditors**

*KPMG LLP*  
Toronto, ON Canada

### **Annual and Special Shareholders' Meeting**

The Annual and Special Meeting of Shareholders will be held at 9:00 a.m. EST on Wednesday, May 2, 2007, at the Metro Toronto Convention Centre, Rooms D and F, North Building, 255 Front Street West, Toronto, ON, M5V 2W6, Canada.

### **Investor Relations**

E-mail: [info@kinross.com](mailto:info@kinross.com)  
Website: [www.kinross.com](http://www.kinross.com)  
Toll-Free: 1-866-561-3636

*Tracey M. Thom*

Director, Investor Relations and Corporate Communications  
Telephone: 416-365-1362

### **Trading Data**

*TSX*  
K – common  
K.U – U.S. dollar traded common  
K.WT – warrants (exp. 12/07/07)  
K.WT.A – warrants (exp. 10/22/07)  
K.WT.B – warrants (exp. 09/07/11)

*NYSE*

KGC – common

### **Additional Information**

Copies of Kinross publications available at [www.kinross.com](http://www.kinross.com) or from the Company include the Management Information Circular, the Annual Information Form (AIF) and a Corporate Brochure.

### **Please Note:**

There are also certain differences between the corporate governance practices applicable to Kinross and those applicable to U.S. companies under NYSE listing standards. A summary of the significant differences can be found at [www.kinross.com/corporate/governance-corp.html](http://www.kinross.com/corporate/governance-corp.html).



The cover and pages 1-16 of this Annual Report were produced on Plainfield containing FSC certified fiber. FSC (Forest Stewardship Council) certification is the world's highest endorsement for environmentally and socially responsible forestry practices. Pages 17-96 were printed on Hi Value 40lb text.

KINROSS