

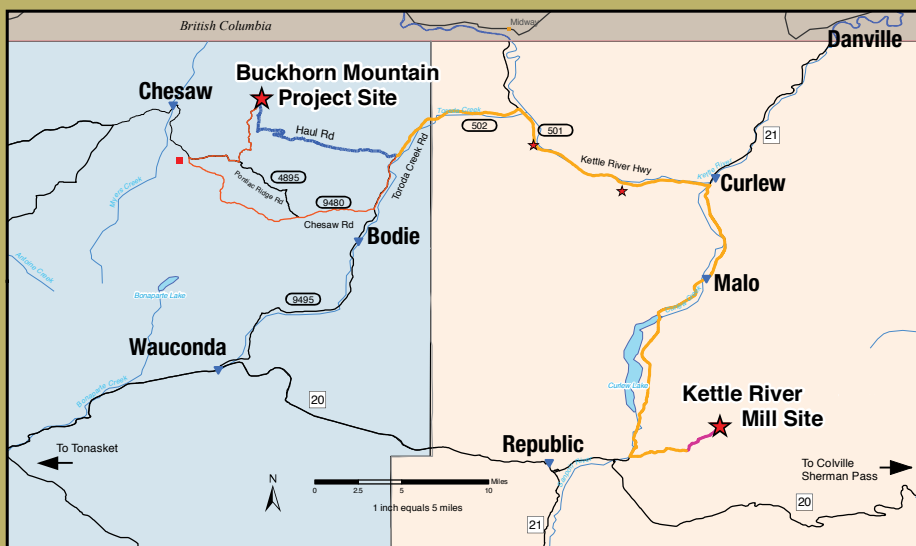
Socioeconomic Impacts of the Kettle River-Buckhorn Mine and Mill Closure

Kinross Gold Corporation’s Kettle River-Buckhorn gold mine and mill operation is . . .

an important contributor to quality of life in the area through its responsible values-based mining business, involvement in the community, and the jobs and economic contribution through local businesses and taxes. The Buckhorn mine is scheduled to close in 2016 followed by the closure of the Kettle River mill shortly thereafter. Not all operations will cease, however; environmental monitoring, reclamation, closure and exploration will continue, and Kettle River-Buckhorn will also continue to work with the community throughout the transition.



Kettle River-Buckhorn Area Map



Impacts of Kettle River-Buckhorn Closure:

- ▶ Loss of high-paying, year-round jobs
- ▶ Population out-migration
- ▶ Lower local spending by employee households
- ▶ Reduced property tax revenue to local government
- ▶ Reduced business sales and sales tax revenues
- ▶ Increased tax burden on local residents and businesses
- ▶ Potential impacts on local government services
- ▶ Decreased school enrollment as employees with children move away

Anticipated Impacts on Local Jobs and Income

Direct Impacts

With closure, a loss of 225 direct jobs and \$21.5 million in direct annual wages can be expected.

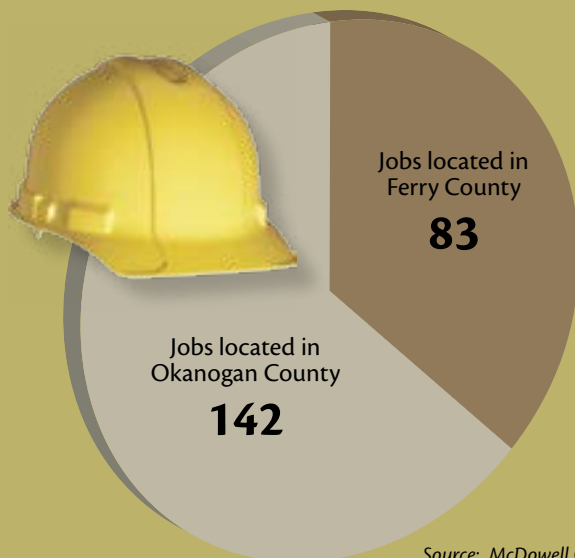
- ▶ In **Okanogan County**, approximately **142 jobs** (1% of all jobs) and **\$13.6 million in wages** (3% in total wages) **will be lost at the mine site**, including jobs held by Okanogan County residents and others living elsewhere in the region.
- ▶ In **Ferry County**, approximately **83 jobs** (5% of all jobs) and **\$7.9 million in wages** (14% in total wages) will be lost at the mill site, including jobs held by Ferry County residents and others.
- ▶ Average annual wages in the local economy are expected to fall about 2% in Okanogan County and 9% in Ferry County.
- ▶ **Local vendors** in Okanogan and Ferry counties can **expect a loss of \$5 million** in annual business sales. Vendors in the construction, automotive, services, retail, and local hotel accommodations will experience the highest drop in business sales after Kettle River-Buckhorn closes.

Anticipated Kettle River-Buckhorn Wage Losses In Okanogan And Ferry Counties, 2016



Source: McDowell Group Estimates

Anticipated Kettle River-Buckhorn Job Losses In Okanogan And Ferry Counties, 2016



Source: McDowell Group Estimates

Total Impacts

Total employment impacts include jobs lost due to a decline in spending with local businesses (indirect impacts) and reduced local spending by employee households (induced impacts). These indirect and induced impacts will occur over a longer term than the loss of direct jobs at Kettle River-Buckhorn.

- ▶ **460 jobs may be lost in Ferry and Okanogan counties**; a decline of 2% in jobs in Okanogan County (290 jobs) and 10% in Ferry County (170 jobs).
- ▶ **Total wages paid** (direct, indirect, and induced) of **\$30 million may be lost in Ferry and Okanogan counties annually**, representing a loss of 4% of local wages in Okanogan County (\$19 million) and 18% (\$11 million) in Ferry County.



Other Impacts



Local Population

- ▶ Of the 225 expected jobs lost at Kettle River-Buckhorn, **approximately 190 jobs are held by locals** living in Ferry County (152) and Okanogan County (38).
- ▶ Based on employees' expectations of their actions after Kettle River-Buckhorn closes (from the 2012 Kettle River-Buckhorn Employee Survey):
 - **85 Kettle River-Buckhorn employees** and their households **may leave the local area**, including 68 employee households in Ferry County and 17 in Okanogan County.
 - **100 employees may seek new employment opportunities** in the Ferry and Okanogan counties, and surrounding areas.
 - **25 employees may retire** in the local area (Ferry and Okanogan counties, and surrounding areas).
- ▶ Kettle River-Buckhorn employee out-migration may lead to a **population decline** of:
 - **48 people** (including 20 school-age children) in **Okanogan County** (0.1% of population and 0.3% of school enrollment)
 - **190 people** (including 78 school-age children) in **Ferry County** (3% of population and 7% of school enrollment)

Local Government

- ▶ About **\$1.8 million in property tax revenues to Okanogan County** (4.4% of Okanogan's property tax revenues) will be affected as the assessed value of the mine will drop significantly after removal of roads, power, and other infrastructure. A loss of property taxes will **impact funding for school bond repayments** (such as the Oroville School District), **Fire and EMS districts**, and other essential services. Due to the decline in tax revenues from the Kettle River-Buckhorn closure, there is the potential that this revenue loss may lead to a tax increase.
- ▶ About **\$0.3 million in property tax revenues to Ferry County** (4.5% of Ferry County's property tax revenues) **will be affected** as the assessed value of the mill will decline over time. However, as much of the mill infrastructure is expected to remain, this

decline may not have a significant effect on revenue or property tax rates in Ferry County, at least in the near-term.

- ▶ To the extent housing values decline due to population out-migration, property tax revenues may drop further.
- ▶ The loss of Ferry County's Public Utility District's largest consumer (40% of the average load and 70% of the industrial consumer use) will have cost impacts to remaining customers.
- ▶ Kettle River-Buckhorn will no longer fund a Ferry County police officer. Other road maintenance funds paid by Kettle River-Buckhorn will also be lost.

Housing

- ▶ As Kettle River-Buckhorn workers leave the local area, approximately **52 homes may become available for sale and 33 for rent** in Okanogan or Ferry counties, representing 0.4% of all occupied housing in the two counties.
- ▶ **The longer-term population impacts** of all lost jobs (direct, indirect, and induced) may result in **300 homes (rented and owned) becoming vacant** (2% of all occupied housing).

Charitable Contributions

- ▶ Dozens of local nonprofit organizations can expect to **lose around \$300,000 annually in Kettle River-Buckhorn corporate contributions**. Kettle River-Buckhorn employee household giving is also expected to drop.



Preparing for a Changing Economy

Kinross, as a proud member of the community, is committed to facilitating an informed transition related to the social and economic impacts of the closure of the Buckhorn mine.

Preparing Employees

Kettle River-Buckhorn has initiated a number of programs to mitigate the loss of jobs and income, including:

- ▶ Programs to ease workers into retirement
- ▶ Support for transitions into a new job with another Kinross property or elsewhere
- ▶ Training programs
- ▶ Severance and retention packages

Preparing the Local Community

Kettle River-Buckhorn is:

- ▶ Conducting community meetings to keep local stakeholders informed about the closure plan and prepare for impacts after closure
- ▶ Meeting one-on-one with local business vendors to inform and prepare business leaders
- ▶ Meeting with government officials, such as tax assessors, to prepare for potential impacts on local government revenue and programs
- ▶ Providing fully-sponsored business and entrepreneur workshops



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www.kinross.com/operations/operation-kettle-river-buckhorn-usa.aspx



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