Report of Management's Accountability

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in the annual report and reflect the corporation's business transactions and financial position.

Management is also responsible for the information disclosed in the management's discussion and analysis including responsibility for the existence of appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

The integrity and reliability of Centerra's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and appropriate delegation of authority and division of responsibilities. Internal accounting controls are monitored by the internal auditor. Centerra's code of ethics, which is communicated throughout the organization, requires employees to maintain high standards in their conduct of the corporation's affairs.

Our shareholders' independent auditors, KPMG LLP, whose report on their examination follows, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The Board of Directors annually appoints an Audit Committee comprised of directors who are not employees of the corporation. This committee meets regularly with management, the internal auditor and the shareholders' auditors to review significant accounting, reporting and internal control matters. Both the internal and shareholders' auditors have unrestricted access to the Audit Committee. The Audit Committee reviews the financial statements, the report of the shareholders' auditors, and management's discussion and analysis and submits its report to the Board of Directors for formal approval.

Original signed by Leonard A. Homeniuk
President and Chief Executive Officer

Original signed by David M. Petroff
Executive Vice President and
Chief Financial Officer

January 25, 2005

Auditors' Report

To the Shareholders of Centerra Gold Inc.

We have audited the consolidated balance sheets of Centerra Gold Inc. as at December 31, 2004 and 2003 and the consolidated statements of earnings and retained earnings (deficit) and cash flows for each of the years in the three-year period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
January 25, 2005
(except for note 17 which is as of February 28, 2005)

Original signed by KPMG LLP
Chartered Accountants

Consolidated Balance Sheets

(In US$ thousands) *As at December 31,*		2004	2003
Assets	Notes		
Current assets			
Cash		**$ 152,591**	$ 10,101
Accounts receivable		**2,596**	6,232
Inventories	3	**22,161**	1,603
Supplies and prepaid expenses	4	**47,578**	11,441
Current portion of long-term receivables, investments and other	6	**—**	36,472
		224,926	65,849
Property, plant and equipment	5	**267,557**	142,404
Goodwill	15	**155,520**	—
Long-term receivables, investments and other	6	**12,456**	32,205
Future income taxes	12	**—**	926
		435,533	175,535
Total assets		**$ 660,459**	$ 241,384
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 32,023**	$ 19,447
Current portion of long-term debt	7	**—**	38,351
		32,023	57,798
Long-term debt	7	**—**	18,140
Provision for reclamation	8	**18,868**	7,112
Future income taxes	12	**5,407**	—
		56,298	83,050
Minority interest		**2,410**	8,770
Shareholders' equity			
Share capital	9	**522,383**	120,831
Contributed surplus		**29,503**	29,503
Retained earnings (deficit)		**49,865**	(770)
		601,751	149,564
Total liabilities and shareholders' equity		**$ 660,459**	$ 241,384

Commitments and contingencies (notes 8, 17, 19)

Subsequent event (note 17)

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

Consolidated Statements of Earnings and Retained Earnings (Deficit)

(In US$ thousands) *Years Ended December 31,*		2004	2003	2002
Revenue from	Notes			
Gold sales		**$ 245,421**	$ 78,557	$ 52,383
Management fees		**1,642**	3,485	3,078
		247,063	82,042	55,461
Expenses				
Cost of sales		**109,920**	47,102	37,087
Depreciation, depletion and reclamation		**53,763**	15,195	12,673
Exploration		**15,000**	6,574	5,872
Interest and other	11	**(7,582)**	952	174
Administration		**11,544**	3,861	5,231
		182,645	73,684	61,037
Earnings (loss) from operations		**64,418**	8,358	(5,576)
Other expense		**8,541**	—	—
Earnings (loss) before income taxes and minority interest		**55,877**	8,358	(5,576)
Income tax expense (recovery)	12	**(156)**	1,452	(2,072)
Minority interest		**5,398**	(2,158)	(931)
Net earnings (loss)		**$ 50,635**	$ 9,064	$ (2,573)
Deficit, beginning of year		**(770)**	(9,834)	(7,261)
Retained earnings (deficit), end of year		**$ 49,865**	$ (770)	$ (9,834)
Basic and diluted earnings per common share	10	**$ 0.91**	$ 0.24	$ (0.07)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(In US$ thousands) *Years Ended December 31,*	2004	2003	2002
Operating activities			
Net earnings (loss)	**$ 50,635**	$ 9,064	$ (2,573)
Items not requiring (providing) cash:			
Depreciation, depletion and reclamation	**53,763**	15,195	12,673
Deferred charges recognized	**6,979**	6,655	1,687
Loss on settlement of debt	**9,084**	—	—
Future income tax expense (recovery)	**(1,041)**	1,276	(2,202)
Other expense	**(543)**	—	—
Minority interest	**5,398**	(2,158)	(931)
Other operating items	**(35,798)**	(5,585)	7,226
Cash provided by operations	**88,477**	24,447	15,880
Investing activities			
Acquisition of net business assets, net of cash acquired	**(2,697)**	—	—
Additions to property, plant and equipment	**(11,785)**	(60,605)	(20,804)
Pre-commissioning revenues	**4,223**	—	—
Proceeds from loan receivable	**—**	—	9,733
Redemption of shares, Cameco Ireland	**22,900**	—	15,700
Cash provided by (used in) investing	**12,641**	(60,605)	4,629
Financing activities			
Proceeds of share issue	**84,746**	—	—
Increase in long-term debt	**—**	10,000	889
Repayment of long-term debt	**(41,509)**	(20,842)	(6,000)
Advances from (to) parent company	**(1,865)**	36,836	3,964
Cash provided by (used in) financing	**41,372**	25,994	(1,147)
Increase (decrease) in cash during the year	**142,490**	(10,164)	19,362
Cash at beginning of the year	**10,101**	20,265	903
Cash at end of the year	**$ 152,591**	$ 10,101	$ 20,265
Supplemental cash flow disclosure			
Interest paid	**$ 1,637**	$ 1,403	$ 2,361
Income taxes paid	**$ 71**	$ 137	$ 269

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2004

1. Basis of Presentation

The consolidated financial statements of Centerra Gold Inc. ("Centerra", or "the Company") have been prepared by management in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements have been prepared to reflect the transactions described below with respect to the transfer of assets from Cameco Gold Inc. ("Cameco Gold"), considered the predecessor company of Centerra for purposes of financial reporting, the restructuring agreement between Cameco Gold and Kyrgyzaltyn JSC ("Kyrgyzaltyn"), the acquisition of substantially all of the minority interest in AGR Limited ("AGR"), a subsidiary previously controlled by Cameco Gold through a 56% ownership interest, and the initial public offering of Centerra.

Under the terms of the restructuring agreement referred to above, Cameco Gold contributed its one-third interest in Kumtor Gold Company ("KGC"), its subordinated shareholder loan to KGC, a controlling interest in AGR, whose primary asset is a 95% interest in the Boroo gold project, its shareholder loan to AGR, a 73% ownership interest in the Gatsuurt property in Mongolia, a 62.14% ownership interest in the REN project in Nevada and $11.0 million in cash. Kyrgyzaltyn contributed its two-thirds interest in KGC.

In accordance with Canadian generally accepted accounting principles relating to transfers of assets between entities under common control, the book values reflected on the Centerra financial statements for the assets contributed from Cameco Gold will be equal to the carrying value of those assets in the Cameco Gold financial statements.

In addition, for periods prior to the transactions described above, the financial position, results of operations and cash flows of Centerra reflect the financial position, results of operations and cash flows of Cameco Gold.

2. Significant Accounting Policies

A summary of significant accounting policies of Centerra follows the notes to the consolidated financial statements.

3. Inventories

($ thousands)	2004	2003
Broken ore	**$ 4,971**	$ 754
Gold in-circuit	**6,679**	619
Gold doré	**10,511**	230
Total	**$ 22,161**	$ 1,603

4. Supplies and Prepaid Expenses

($ thousands)	2004	2003
Supplies	**$ 34,635**	$ 8,495
Prepaid expenses	**12,943**	2,946
Total	**$ 47,578**	$ 11,441

5. Property, Plant and Equipment

($ thousands)	Cost	Accumulated Depreciation and Depletion	2004 Net	2003 Net
Mine buildings	$ 23,238	$ 11,011	**$ 12,227**	$ 3,813
Plant and equipment	210,775	102,325	**108,450**	32,041
Mineral properties	151,921	37,834	**114,087**	19,418
Mobile equipment	41,402	16,628	**24,774**	5,437
Construction in process	8,019	—	**8,019**	81,695
Total	$ 435,355	$ 167,798	**$ 267,557**	$ 142,404

6. Long-Term Receivables, Investments and Other

($ thousands)	2004	2003
Subordinated loan to KGC (note 15(b))	**$ —**	$ 42,441
Investment in Cameco Ireland Company	**—**	22,900
Reclamation trust fund (note 8)	**4,065**	1,240
Deferred charges	**8,220**	1,816
Other long-term receivables	**171**	280
Total	**12,456**	68,677
Less current portion	**—**	(36,472)
Net	**$ 12,456**	$ 32,205

Cameco Ireland Company is a wholly-owned subsidiary of Cameco Corporation ("Cameco"). A subsidiary of the Company held 22,900,000 non-voting preferred shares that were redeemed in 2004.

All forward sales agreements have been closed. The deferred charges, relating to the closing of the hedges, will be recognized in future periods as follows:

($ thousands)	
2005	$ 5,397
2006	2,266
2007	557
	$ 8,220

7. Long-Term Debt

($ thousands)	2004	2003
Loan from related company	$ —	$ 35,000
Senior debt	—	5,666
Subordinated debt (note 15(d))	—	6,667
Equipment loan	—	9,158
	—	56,491
Less current portion	—	(38,351)
Total	$ —	$ 18,140

The loan from a related company was outstanding under an unsecured promissory note with UUS Inc., a subsidiary of Cameco. The loan was settled prior to the restructuring (note 15).

The senior debt was settled with cash in March 2004 and the subordinated debt obligations were extinguished at the time of the restructuring (note 15).

The equipment loan was repayable in 17 quarterly instalments of $421,000, with a final payment of $2.0 million in 2008. Interest was charged at the rate of LIBOR plus 2%. This loan was not transferred from Cameco Gold to Centerra as part of the restructuring (note 15).

8. Provision for Reclamation

($ thousands)	2004	2003
Kumtor gold mine	**$ 16,701**	$ 5,210
Boroo gold mine	**2,167**	1,902
Total	**$ 18,868**	$ 7,112

Centerra's estimates of future asset retirement obligations are based on reclamation standards that meet regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives.

The Company estimates its total future decommissioning and reclamation costs for its operating assets to be $23.0 million. The Company's technical personnel formally review this estimate at least every two years.

Following is a summary of the key assumptions on which the carrying amount of the asset retirement obligations is based:

(i) Total undiscounted amount of the estimated cash flows are $23.0 million.

(ii) Expected timing of payment of the cash flows is based on the life of mine plans. The majority of expenditures are expected to occur after 2008.

(iii) Discount rates of 6.8% for Kumtor gold mine and 8.5% for the Boroo gold mine.

Following is a reconciliation of the total liability for asset retirement obligations:

($ thousands)	2004	2003	2002
Balance, beginning of year	**$ 7,112**	$ 6,672	$ 6,283
Additional liability assumed on restructuring (note 15)	**10,778**	—	—
Accretion expense	**978**	440	389
Balance, end of year	**$ 18,868**	$ 7,112	$ 6,672

In 1998, a Reclamation Trust Fund was established to cover the future costs of reclamation at the Kumtor gold mine, net of estimated salvage values of $14.9 million. This restricted cash is funded on the units of production method, annually in arrears, over the life of the mine and on December 31, 2004 was $4.1 million (2003 – $3.7 million with the Company's share at $1.2 million).

9. Share Capital

Centerra is authorized to issue an unlimited number of common shares, Class A non-voting shares and preference shares with no par value. At December 31, 2004, only common shares had been issued as follows:

Number Issued	2004 *(Number of Shares)*	2004 *($ thousands)*
Balance, January 1, 2002, 2003 and 2004	**38,149,071**	**$ 120,831**
Adjustment on restructuring (note 15(a))	**—**	**36,975**
Issued to Kyrgyzaltyn (note 15(b))	**18,789,717**	**200,783**
Issued to AGR shareholders (note 15(c))	**5,204,605**	**55,615**
Issued to subordinated debt holders (note 15(d))	**3,061,212**	**34,433**
Initial public offering (note 15(e))	**6,875,000**	**73,746**
Balance, December 31, 2004	**72,079,605**	**$ 522,383**

The adjustment to share capital related to Cameco Gold reflects the increase from Cameco Gold's historical share capital value to the carrying value of the assets and liabilities transferred from Cameco Gold as part of the restructuring agreement. As described in note 1, Cameco Gold is considered the predecessor company to Centerra, and therefore the shares issued of 38,149,071 are considered to be outstanding in previous periods.

10. Earnings per Share Amounts

The weighted average number of shares outstanding is comprised of the shares issued under the restructuring (note 9), reflected on a continuity of interests basis, plus the incremental effect of the shares issued under the transactions described in note 15.

Basic and diluted earnings per share is determined by dividing net earnings by the basic and diluted weighted average number of common shares outstanding respectively during the year.

	2004	2003	2002
Basic weighted average number of common shares outstanding (thousands)	**55,604**	38,149	38,149
Diluted weighted average number of common shares outstanding (thousands)	**55,622**	38,149	38,149
Basic and diluted earnings (loss) per common share	**$ 0.91**	$ 0.24	$ (0.07)

11. Interest and Other

($ thousands)	2004	2003	2002
Interest income	**$ (1,546)**	$ (3,038)	$ (3,728)
Interest expense on long-term debt	**1,146**	1,992	1,127
Financing charges and other interest	**82**	2,477	1,102
Mark-to-market loss (gold hedging activity)	**—**	—	1,153
Foreign exchange loss (gain)	**(7,264)**	492	520
Capitalized interest	**—**	(971)	—
Net	**$ (7,582)**	$ 952	$ 174

As a result of the KGC pit wall failure in 2002, certain gold contracts designated as hedges of KGC's gold production were no longer effective. Mark-to-market losses on these contracts were expensed in 2002.

12. Income Taxes

The significant components of future income tax assets and liabilities at December 31 are as follows:

Future tax assets

($ thousands)	2004	2003
Property, plant and equipment	**$ 26,990**	$ 17,580
Foreign exploration and development	**726**	3,944
Tax loss carryforwards	**14,664**	7,369
Other	**—**	—
Future income tax assets before valuation allowance	**42,380**	28,893
Valuation allowance	**(29,531)**	(27,080)
Future income tax assets, net of valuation allowance	**$ 12,849**	$ 1,813

Future tax liabilities

($ thousands)	2004	2003
Property, plant and equipment	**$ 16,617**	$ —
Deferred hedge losses	**1,078**	887
Inventory	**561**	—
Future income tax liabilities	**$ 18,256**	$ 887
Net future income tax assets (liabilities)	**$ (5,407)**	$ 926

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes. The reasons for these differences are as follows:

($ thousands)	2004	2003	2002
Earnings (loss) before income taxes and			
minority interest	**$ 55,877**	$ 8,358	$ (5,576)
Combined federal and provincial tax rate	**36.1%**	37.0%	39.0%
Computed income tax expense (recovery)	**20,172**	3,092	(2,175)
Increase (decrease) in taxes resulting from:			
Permanent differences and other	**404**	1,760	2,331
Valuation allowance	**(4,911)**	60	(4,136)
Tax loss expired	**1,029**	—	—
Difference between Canadian rate and rates			
applicable to subsidiaries in other countries	**(16,855)**	(3,467)	1,901
Large corporations and other taxes	**5**	7	7
Income tax expense (recovery)	**$ (156)**	$ 1,452	$ (2,072)

Income tax expenses (recovery) is comprised of:

($ thousands)	2004	2003	2002
Current income taxes	**$ 885**	$ 176	$ 130
Future income taxes (recovery)	**(1,041)**	1,276	(2,202)
Net	**$ (156)**	$ 1,452	$ (2,072)

13. Joint Ventures

Centerra's gold joint-venture interests are comprised of:

- prior to the restructuring, as described in note 15(a), a 33.33% interest in the Kumtor gold mine; and
- a 62.14% participation interest in the REN project which is currently in the exploration stage and has zero book value.

The Company's share of the assets and liabilities, revenue and expenses, and cash flows relating to its joint ventures was as follows:

($ thousands)	2004	2003
Current assets	**$ —**	$ 23,720
Property, plant and equipment	**—**	49,672
	$ —	$ 73,392
Current liabilities	**$ —**	$ 26,207
Long-term liabilities	**—**	19,309
Equity	**—**	27,876
	$ —	$ 73,392

($ thousands)	2004	2003	2002
Revenues	**$ 41,718**	$ 78,557	$ 52,383
Expenses	**(33,850)**	(74,988)	(58,334)
Net earnings (loss)	**$ 7,868**	$ 3,569	$ (5,951)
Cash provided by (used in)			
Operating activities	**$ 14,882**	$ 25,084	$ 6,523
Investing activities	**(930)**	(3,181)	(2,584)
Financing activities	**(5,667)**	(22,465)	(10,666)
Increase (decrease) in cash during the year	**$ 8,285**	$ (562)	$ (6,727)

14. Property and Business Acquisitions

(a) AGR Limited

On March 5, 2002, Centerra acquired a 52% interest in AGR, an Australia-based exploration company whose principal asset is a 95% interest in the Boroo gold deposit located in Mongolia. The purchase price was financed with $12.0 million in cash and the contribution of a neighbouring property. The acquisition was accounted for using the purchase method and the results of operations are included in Centerra's consolidated financial statements from the effective date of the purchase.

The values assigned to the net assets acquired are as follows:

($ thousands)	
Cash and other working capital	**$ 8,609**
Property, plant and equipment	**16,821**
Minority interest	**(11,802)**
Net assets acquired	**$ 13,628**
Financed by:	
Cash	**$ 12,000**
Property, at carrying value	**1,628**
	$ 13,628

In 2003, Centerra provided an additional $3.0 million of further exploration in the area in exchange for an incremental 4% interest in AGR, increasing its total interest to 56% at December 31, 2003. Centerra acquired substantially all of the remaining interest in AGR as part of the restructuring described in note 15.

(b) REN Property

On July 31, 2003, Centerra purchased a 62.14% interest in the REN Joint Venture from a subsidiary of Cameco and was financed by a promissory note for $35.0 million. The REN Joint Venture is comprised of an exploration property located in Nevada. The acquisition, between commonly-controlled entities, was accounted for at the carrying value of the property of $nil. The difference between the carrying value of the asset acquired and the note payable was offset against contributed surplus.

15. Restructuring of Centerra

(a) Transfer of gold interests from Cameco Gold

Pursuant to the restructuring agreement between Cameco Gold and Kyrgyzaltyn, the major assets contributed to Centerra by Cameco Gold included its one-third interest in KGC, a 56% interest in AGR, shareholder loans to KGC and AGR, a 73% interest in the Gatsuurt exploration property in Mongolia, a 62.14% interest in the REN exploration project in Nevada and $11.0 million in cash.

Assets and liabilities totaling $27.2 million, included in Cameco Gold's financial statements, were not contributed to Centerra as part of the reorganization. The share capital of Centerra has been adjusted to reflect these assets and liabilities, as noted below.

In addition to the transfer of assets from Cameco Gold, Cameco converted $64.2 million of Centerra's inter-company debt and advances into equity.

($ thousands)

Share capital of Cameco Gold, presented on a continuity of interests basis	**$120,831**
Adjustment for net assets retained by Cameco Gold	**(27,205)**
Conversion of inter-company debt and advances to equity	**64,180**
	$157,806

(b) Acquisition of two-thirds interest in KGC

Pursuant to the restructuring agreement between Cameco Gold and Kyrgyzaltyn, Centerra acquired an additional two-thirds interest in KGC, resulting in KGC becoming a wholly-owned subsidiary. The purchase price consisted of $11.0 million in cash, the contribution of a promissory note receivable from Kyrgyzaltyn and common shares of Centerra. The acquisition was accounted for using the purchase method and the results of operations are included, as to 100%, in the consolidated financial statements from June 22, 2004. Previously, Cameco Gold's one-third interest was accounted for by the proportionate consolidation method.

The values assigned to the net assets acquired are as follows:

($ thousands)

Cash and other working capital	**$ 31,820**
Property, plant and equipment	**139,643**
Goodwill	**129,705**
Subordinated debt	**(32,135)**
Future income tax liability	**(9,257)**
Net assets acquired	**$259,776**
Financed by:	
Cash	**$ 11,000**
Note receivable from Kyrgyzaltyn	**4,000**
Settlement of shareholder subordinated loan (note 6)	**43,993**
Common shares	**200,783**
	$259,776

(c) Acquisition of additional 43.8% in AGR Limited

Effective June 30, 2004, Centerra acquired an additional 43.8% interest in AGR, raising the Company's interest in AGR to 99.9% and resulting in a 100% interest in the Gatsuurt exploration property in Mongolia. The purchase price was satisfied through the issuance of Centerra common shares. The acquisition was accounted for as a step purchase and the results of operations are already included as it was already a consolidated subsidiary.

Subsequent to June 30, 2004, the Company acquired the remaining ownership interests in AGR, making it a wholly-owned subsidiary.

The values assigned to the net assets acquired are as follows:

($ thousands)	
Reduction of minority interest	$ 12,011
Mark-to-market loss on hedge contracts	(5,766)
Property, plant and equipment	25,136
Goodwill	25,815
Future income tax liability	(1,430)
Net assets acquired	$ 55,766
Financed by:	
Cash	$ 151
Common shares	55,615
	$ 55,766

(d) Exchange of KGC subordinated debt

Effective June 30, 2004, Centerra exchanged common shares and $13.8 million in cash in exchange for the subordinated debt of KGC.

($ thousands)	
Fair value of exchange amount:	
Common shares issued	$ 34,433
Cash	13,770
	48,203
Net book value of subordinated debt acquired	(39,119)
Loss on exchange of debt	$ 9,084

The loss is included in other expense on the Statement of Earnings.

(e) Initial Public Offering

Under its initial public offering, Centerra issued 5,000,000 common shares to the public on June 30, 2004 for net proceeds of $53.4 million after deducting the underwriter's fees of 5%. On July 28, 2004, the underwriters to the initial public offering of Centerra exercised their over-allotment option to acquire an additional 1,875,000 shares for net proceeds of $20.3 million.

16. Stock-Based Compensation

Centerra Plan

(a) Centerra has established a stock option plan under which options to purchase common shares may be granted to officers and employees of the Company. Options granted under the plan have an exercise price of not less than the weighted average trading price of the common shares where they are listed for the five trading days prior to the date of the grant. The options vest over five years and expire after eight years from the date granted. Options may be granted with a related share appreciation right. In these circumstances, the participant can elect to either exercise the stock option or to receive payment in shares equal to the equivalent gain in the stock price. Centerra, at its discretion, can require any holder who has exercised a share appreciation right to exercise their option instead, or can elect to satisfy the cash amount owing upon exercise of a share appreciation right with common shares.

A maximum of 6,000,000 common shares are available for issuance upon the exercise of options granted under the plan. Certain restrictions on grants will apply, including that the maximum number of shares that may be granted to any individual within a 12-month period will not exceed 5% of the outstanding common shares.

Centerra stock option transactions during the year were as follows:

(number of options)	2004
Beginning of year	—
Options granted	**107,527**
End of year	**107,527**
Award price for options granted (Cdn$/share)	**$ 15.50**

For 2004, $160,547 has been recognized in the income statement in respect of the Centerra stock-based compensation plan.

The terms of the options outstanding as at December 31, 2004 are as follows:

Award Date	Award Price	Expiry Date	Number of options
2004	$15.50 Cdn	2012	107,527

(b) Centerra has established a performance share unit plan for employees and officers of the Company. A performance share unit represents the right to receive the cash equivalent of a common share or, at the Company's option, a common share purchased on the market. Performance share units will vest three years after December 31 of the year in which they were granted. If dividends are paid, each participant will be allocated additional performance share units equal in value to the dividend paid on the number of common shares equal to the number of performance share units held by the participant. At December 31, 2004, the number of units outstanding was 61,051.

(c) Centerra has established a deferred share unit plan for directors of the Company to receive all or a portion of their director's compensation as deferred share units. Deferred share units are paid in full to a director no later than December 31 in the calendar year that immediately follows the calendar year following termination of the director's Board service. A deferred share unit represents the right to receive the cash equivalent of a common share or, at the Company's option, a common share purchased on the market. Deferred share units vest immediately. If dividends are paid, each director will be allocated additional deferred share units equal in value to the dividend paid on the number of common shares equal to the number of deferred share units held by the director. At December 31, 2004, the number of units outstanding was 17,291.

Cameco Plan

On January 1, 2001, prior to the establishment of the Centerra stock plan, Cameco established a stock-based compensation plan under which stock options convertible to a cash amount were granted to eligible employees of the Company. Options granted under the plan cannot be converted to shares and have an award price of not less than the closing price quoted on the TSX for the common shares of Cameco on the trading day prior to the date on which the option is granted. Upon redemption the options are convertible to a cash amount based on the excess of the closing price quoted on the TSX for the common shares of Cameco on the last trading date prior to the redemption date over the award price. The options vest over three years and expire eight years from the date granted. No further grants to Centerra employees are expected to occur under the Cameco plan.

The market price of Cameco common shares as at December 31, 2004 was $41.95 Cdn per share (December 31, 2003 – $24.39 Cdn per share).

Transactions under the Cameco plan for the respective years were as follows:

(Number of options)	2004	2003
Beginning of year	**229,500**	212,700
Options granted	**124,200**	106,200
Options exercised	**(72,300)**	(65,700)
Options cancelled	**(109,200)**	(23,700)
End of year	**172,200**	229,500
Award price for options granted	**$ 17.47**	$ 9.09
Award price for options exercised	**$7.98–$12.14**	$7.43–$11.29

For 2004, $1.4 million (2003 – $1.6 million) has been recognized in the income statement in respect of the stock-based compensation plan.

The terms of the options outstanding as at December 31 are as follows:

Award date	Award price	Expiry date	2004	2003
			(Number of options)	
2001	$ 7.43	2009	**4,200**	44,700
2002	11.29	2010	**25,500**	91,200
2003	9.09	2011	**53,400**	93,600
2004	5.82	2012	**89,100**	—
			172,200	229,500

17. Commitments and Contingencies

An action against Cameco, Centerra, Kumtor Operating Company ("KOC") and certain other parties was filed in a Canadian court by certain dependents of nine persons seeking damages, in the amount of Cdn $20.7 million ($17.2 million) plus interest and costs including punitive damages in connection with the death of the said nine persons in a helicopter accident in the Kyrgyz Republic on October 4, 1995. This action is being defended by the insurers of Cameco.

On February 3, 2005, the lawsuit was settled with no financial impact on Centerra.

Kumtor operations

KGC entered into a priority power supply agreement with the State Joint Stock Energy Holding Company ("SJEHC") commencing May 1, 1997, the date commercial production commenced at the Kumtor mine. Under the terms of the agreement, power will be supplied by SJEHC for payment at the lesser of (a) the Kyrgyz Industrial Tariff multiplied by a coefficient of 1.3 or (b) $0.04 per kwh together with the principal and interest payments associated with the loan SJEHC utilized to finance the construction of the power facilities. The amounts for the current life of mine plan and the current estimated annual payments under the agreement are $7.0 million.

Under the Investment Agreement, the Company agreed to spend $2.5 million during 2004 and 2005 on underground exploration to investigate the feasibility of developing that portion of the Kumtor deposit located below the current ultimate design. During 2004, $0.9 million was spent under this commitment.

Boroo operations

The Company has agreed to reimburse the Government of Mongolia for certain prior exploration expenditures. The remaining balance of these payments discounted at an effective interest cost of 8.5% is approximately $1.3 million payable in quarterly instalments to September 2007.

Corporate

The Company has entered into a seven-year lease obligation for its corporate offices in Toronto, Canada. The lease including operating costs is expected to be approximately $560,000 Cdn per annum for the first year and approximately $665,000 Cdn by the end of the term.

The Company also remains under lease obligations for its former office in Toronto, Canada, which has been sub-leased. The commitment until the lease terminates on April 30, 2006 is $54,000 Cdn after recovery of lease payments from the sub-lessee.

18. Financial Instruments

Fair values of financial instruments

The carrying values of cash and cash equivalents (which include investments with remaining maturities of less than 90 days on purchase), accounts receivable and other, accounts payable and accrued liabilities and in the consolidated balance sheets approximate fair values due to the short-term maturities of these instruments.

Commodity

Centerra has historically hedged price risk for future gold sales from the Kumtor and the Boroo gold mines. In 2004, all forward sales contracts were closed leaving Centerra completely unhedged at December 31, 2004. From these closed contracts, $7.0 million was charged to the income statement during 2004 while $8.2 million of these charges are deferred at December 31, 2004 and will be recognized in future periods as described in note 6.

	2004			2003		
Property	Ounces of Gold Hedged	Average Expected Price	Mark-to-Market Loss	Ounces of Gold Hedged	Average Expected Price	Mark-to-Market Loss
		($/ounce)	*($ thousands)*		*($/ounce)*	*($ thousands)*
Kumtor *(100% basis)*	—	$ —	$ —	278,300	$ 332	$ 24,574
Boroo	—	—	—	200,000	315	21,300
Total	—	$ —	$ —	478,300	$ 326	$ 45,874

19. Related-Party Transactions

Cameco owned 100% of the Company until the restructuring. At December 31, 2004, Cameco owned 52.7% of the Company's common stock. The table following summarizes 100% of the charges made by Cameco to Centerra. For periods prior to the restructuring, the Centerra financial statements reflect one-third of these charges in accordance with the accounting described in note 13.

Paid to Cameco

($ thousands)	2004	2003	2002
Senior debt guarantee fee	**$ 85**	$ 1,440	$ 1,672
Credit support fee	**58**	284	44
Administration fee	**359**	—	—
Total	**$ 502**	$ 1,724	$ 1,716

The Senior debt guarantee fee was paid to Cameco in return for providing a guarantee supporting the principal and accrued interest balances due to senior lenders of KGC. The amount was prepaid by KGC semi-annually, based on the expected level of debt during the period. The guarantee fee and hedge margin fee were included as financing charges and other interest. This arrangement terminated upon repayment of the senior debt in 2004.

In return for a fee, Cameco provided credit support to a maximum of $130 per ounce to the counterparties of KGC and AGR under hedging facilities. This arrangement was terminated in 2004.

Effective April 1, 2004, Centerra entered into an administrative services agreement with Cameco whereby Cameco has agreed to provide services and expertise to the Company in return for reimbursement for all its direct and indirect costs relating to those services.

Centerra and its subsidiaries maintain inter-company advances to and from Cameco and several of its subsidiaries to fund operations. These advances, which are non-interest bearing and payable on demand, will be repaid in the ordinary course of business.

As a result of the above items, the balance owing to Cameco at December 31, 2004 was $3.7 million and $359,000 of services was provided by Cameco under the services agreement during the year.

In addition, the Company has entered into a consulting agreement with Ms. Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr. Homeniuk. Pursuant to this agreement, Ms. Stephens provides certain designated legal and business advisory services related to the international operations. In return for these services, Ms. Stephens receives a sum of $200,000 Cdn per year. The agreement also provides that Ms. Stephens will receive $275 per hour for any additional services she provides to the Company, as authorized by the Chairman of the Board. In 2004, Ms. Stephens received $375,137 in aggregate. This agreement replaces earlier consulting agreements pursuant to which Ms. Stephens provided similar legal and business advisory services to KOC and Cameco, for which she was paid aggregate amounts of $508,687 in 2003 and $331,000 in 2002.

Kyrgyzaltyn and the Government of the Kyrgyz Republic

Revenues from the Kumtor gold mine are subject to a management fee of $1.50 per ounce based on sales volumes, payable to Kyrgyzaltyn, a shareholder of the Company.

The table below summarizes 100% of the management fees, royalties and concession payments paid by KGC to Kyrgyzaltyn or the Government of the Kyrgyz Republic and the amounts paid by Kyrgyzaltyn to KGC according to the terms of a gold and silver sales agreement. For periods prior to the restructuring, the Centerra financial statements reflect one-third of these charges in accordance with the accounting described in note 13.

Related parties in the Kyrgyz Republic

($ thousands)	2004	2003	2002
Management fees to Kyrgyzaltyn	**$ 949**	$ 813	$ 745
Royalty and concession payments to Kyrgyz Republic	**2,531**	3,875	2,878
	$ 3,480	$ 4,688	$ 3,623
Gross gold and silver sales to Kyrgyzaltyn	**$ 257,739**	$ 258,908	$ 161,337
Deduct: refinery and financing charges	**(2,766)**	(3,220)	(2,615)
Net sales revenue received from Kyrgyzaltyn	**$ 254,973**	$ 255,688	$ 158,722

20. Segmented Information

Centerra has three reportable segments. The Kyrgyz Republic segment involves the operations of the Kumtor Gold Project and local exploration activities, and the Mongolian segment involves the operations of the Boroo Gold Project and local exploration activities. The North American segment involves the head office located in Toronto, loans to each of the mine operations, as well as exploration activities on North American projects.

Year ended December 31, 2004 ($ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	**$ 159.2**	**$ 87.9**	**$ —**	**$ 247.1**
Expenses				
Cost of sales	**81.2**	**28.7**	**—**	**109.9**
Depreciation, depletion and reclamation	**31.9**	**21.8**	**0.1**	**53.8**
Exploration	**6.0**	**4.4**	**4.6**	**15.0**
Interest and other	**7.2**	**0.5**	**(15.3)**	**(7.6)**
Administration	**1.3**	**2.7**	**7.6**	**11.6**
Other expense	**—**	**—**	**8.6**	**8.6**
Earnings (loss) before income taxes	**31.6**	**29.8**	**(5.6)**	**55.8**
Income tax expense (recovery)	**(0.3)**	**—**	**0.1**	**(0.2)**
Minority interest	**—**	**5.4**	**—**	**5.4**
Net earnings (loss)	**$ 31.9**	**$ 24.4**	**$ (5.7)**	**$ 50.6**
Assets (excluding goodwill)	**$ 239.8**	**$ 132.6**	**$ 132.6**	**$ 505.0**
Goodwill	**129.7**	**25.8**	**—**	**155.5**
Capital expenditures for the year	**$ 4.7**	**$ 7.1**	**$ —**	**$ 11.8**

Year ended December 31, 2003 ($ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	$ 82.0	$ —	$ —	$ 82.0
Expenses				
Cost of sales	47.1	—	—	47.1
Depreciation, depletion and reclamation	15.2	—	—	15.2
Exploration	0.3	1.9	4.4	6.6
Interest and other	6.2	1.6	(6.9)	0.9
Administration	0.5	0.8	2.5	3.8
Earnings (loss) before income taxes	12.7	(4.3)	—	8.4
Income tax expense	1.3	—	0.2	1.5
Minority interest	—	(2.2)	—	(2.2)
Net earnings (loss)	$ 11.4	$ (2.1)	$ (0.2)	$ 9.1
Assets	$ 99.6	$ 97.2	$ 44.6	$ 241.4
Capital expenditures for the year	$ 3.9	$ 56.7	$ —	$ 60.6

Year ended December 31, 2002 ($ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	$ 55.5	$ —	$ —	$ 55.5
Expenses				
Cost of sales	37.1	—	—	37.1
Depreciation, depletion and reclamation	12.7	—	—	12.7
Exploration	0.6	2.1	3.2	5.9
Interest and other	5.8	0.3	(5.9)	0.2
Administration	0.4	2.0	2.8	5.2
Loss before income taxes	(1.1)	(4.4)	(0.1)	(5.6)
Income tax expense (recovery)	(2.2)	—	0.1	(2.1)
Minority interest	—	(0.9)	—	(0.9)
Net earnings (loss)	$ 1.1	$ (3.5)	$ (0.2)	$ (2.6)
Assets	$ 108.0	$ 55.4	$ 72.6	$ 236.0
Capital expenditures for the year	$ 2.9	$ 17.7	$ 0.2	$ 20.8

Geographic Segmentation of Revenue

All production from the Kumtor Gold Project is sold to the Kyrgyzaltyn refinery in the Kyrgyz Republic while production from the Boroo Gold Project is sold to a refinery that is located in Ontario, Canada.

21. Comparative Information

Certain prior year balances have been reclassified to conform with the current year presentation.

Summary of Significant Accounting Policies

The consolidated financial statements are prepared by management in accordance with accounting principles generally accepted in Canada. Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented, and in the disclosure of commitments and contingencies. Changes in estimates and assumptions will occur based on the passage of time and the occurrence of certain future events. This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements and is presented to assist the reader in interpreting the statements contained herein.

Consolidation principles

The consolidated financial statements include the accounts of Centerra and its subsidiaries. Interests in joint ventures are accounted for by the proportionate consolidation method. Under this method, the Company includes in its accounts the Company's proportionate share of assets, liabilities, revenues and expenses.

Foreign currency

The majority of the Company's business is transacted in United States dollars and, accordingly, the consolidated financial statements have been measured and expressed in that currency.

Monetary assets and liabilities denominated in currencies other than the United States dollar are translated into United States dollars at year-end rates of exchange. Revenue and expense items denominated in foreign currencies are translated at rates in effect at the time of the transaction. Any gains and losses are reflected in earnings.

Cash and cash equivalents

Cash and cash equivalents consists of balances with financial institutions and investments in money market instruments which have a term to maturity of three months or less at time of purchase.

Inventories

Inventories of broken ore, in-circuit gold, and gold doré are valued at the lower of cost and net realizable value. Cost includes direct materials, direct labour, operational overhead expenses and depreciation, depletion and reclamation.

Supplies

Consumable supplies and spares are valued at the lower of cost or replacement cost.

Investments

Investments in associated companies over which Centerra has the ability to exercise significant influence are accounted for by the equity method. Under this method the Company includes in earnings its share of earnings or losses of the associated company. Other long-term investments are carried at cost or at cost less amounts written off to reflect a decline in value that is other than temporary.

Exploration and development properties

The decision to develop a mine property within a project area is based on an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project area are deferred and carried at cost with the intention that these will be depleted by charges against earnings from future mining operations. No depreciation or depletion is charged against the property until commercial production commences.

Property, plant and equipment

Assets are carried at cost. Costs of additions and improvements are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in current earnings. Maintenance and repair expenditures are charged to cost of production. The carrying values of property, plant and equipment are periodically assessed by management and if management determines that the carrying values cannot be recovered, the unrecoverable amounts are written off against current earnings.

After a mine property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining life of the related assets.

Goodwill

Acquisitions are accounted for using the purchase method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition. The excess of the purchase price over such fair value is recorded as goodwill. Pursuant to CICA H.B. 3062 "Goodwill and Other Intangible Assets", goodwill is assigned to assets acquired and is not amortized.

The Company evaluates, on at least an annual basis, the carrying amount of goodwill to determine whether events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, the Company compares the fair value of reporting units, to which goodwill was allocated, to their carrying amounts. If the carrying value of a reporting unit were to exceed its fair value, the Company would perform a second step of the impairment test. In the second step, the Company would compare the implied fair value of the reporting unit's goodwill to its carrying amount and any excess of the carrying value over the fair value would be charged to earnings. Assumptions underlying fair value estimates are subject to risks and uncertainties.

Property evaluations

The Company reviews the carrying values of its properties when changes in circumstances indicate that those carrying values may not be recoverable. Estimated future net cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. An impairment loss is recognized when the carrying value of an asset held for use exceeds the sum of undiscounted future net cash flows. An impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value.

Capitalization of interest

Interest is capitalized on expenditures related to construction or development projects actively being prepared for their intended use. Capitalization is discontinued when the asset enters commercial operation or development ceases.

Depreciation and depletion

Mine buildings, plant and equipment, mineral properties including capital financing, interest and commissioning charges during the pre-operating period are depreciated or depleted according to the unit-of-production method. This method allocates the costs of these assets to each accounting period. For mining assets, the amount of depreciation or depletion is measured by the portion of the mine's economically recoverable proven and probable reserves that are recovered during the period.

Mobile equipment and other assets, such as offsite roads, buildings, office furniture and equipment are depreciated according to the straight-line method based on estimated useful lives which range from three to seven years.

Future income taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period which includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Environmental protection and reclamation costs

The fair value of the liability for an asset retirement obligation is recognized in the period incurred. The fair value is added to the carrying amount of the associated asset and depreciated over the asset's useful life. The liability is accreted over time through periodic charges to earnings and it is reduced by actual costs of decommissioning and reclamation. Centerra's estimates of reclamation costs could change as a result of changes in regulatory requirements and cost estimates. Expenditures relating to ongoing environmental programs are charged against earnings as incurred or capitalized and depreciated depending on their relationship to future earnings.

Revenue recognition

Centerra records revenue on the sale of gold when title passes and delivery is effected.

Derivative financial instruments and hedging transactions

Centerra uses derivative commodity instruments to reduce exposure to fluctuations in commodity prices. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various 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. Centerra also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Gains and losses related to hedging items are deferred and recognized in the same period as the corresponding hedged items. If derivative financial instruments are closed before planned delivery, gains or losses are recorded as deferred revenue or deferred charges and recognized on the planned delivery date. In the event a hedged item is sold, extinguished or matures prior to the termination of the related hedging instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in earnings.

Stock-based compensation

Centerra has a stock option plan that is described in note 16. Options granted under the plan with share appreciation rights are accounted for using the mark-to-market method. Under this method, the options granted are marked to market at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense or, if negative, a recovery.

Other options are accounted for using the fair value method, with compensation expense recognized over the vesting period.

For options granted under the Cameco stock option plan prior to January 1, 2003, no compensation expense was recognized when the stock options were granted. Options granted under this plan are marked to market at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense, or, if negative, a recovery. The consideration paid to employees on exercise of Cameco stock options is offset against the accrued obligation.

Earnings per share

Earnings per share amounts are calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method to compute the dilutive effect of stock options.

Reserves and Resources

Reserves[1]

(Tonnes and troy ounces in thousands)

	Proven			Probable			Total Proven and Probable Reserves				
Property	Tonnes	Grade *(g/t)*	Contained Gold *(oz)*	Tonnes	Grade *(g/t)*	Contained Gold *(oz)*	Tonnes	Grade *(g/t)*	Contained Gold *(oz)*	Centerra Share[2] *(oz)*	Mining Method[3]
Kumtor	20,087	3.3	2,099	10,902	3.3	1,150	30,989	3.3	3,249	3,249	OP
Boroo	830	2.5	68	10,981	3.1	1,104	11,811	3.1	1,172	1,113	OP
Total	20,917	3.2	2,167	21,883	3.2	2,254	42,800	3.2	4,421	4,362	

Measured and Indicated Resources

(Tonnes and troy ounces in thousands)

	Measured			Indicated			Total Measured and Indicated Resources				
Property	Tonnes	Grade *(g/t)*	Contained Gold *(oz)*	Tonnes	Grade *(g/t)*	Contained Gold *(oz)*	Tonnes	Grade *(g/t)*	Contained Gold *(oz)*	Centerra Share[2] *(oz)*	Mining Method[3]
Kumtor[4, 5]	9,395	3.3	997	8,195	3.5	917	17,590	3.4	1,914	1,914	OP&UG
Boroo[6]	—	—	—	2,595	2.3	194	2,595	2.3	194	184	OP
Gatsuurt[7]	—	—	—	8,100	3.4	890	8,100	3.4	890	890	OP
REN[8]	—	—	—	1,873	13.1	791	1,873	13.1	791	492	UG
Total	9,395	3.3	997	20,763	4.2	2,792	30,158	3.9	3,789	3,480	

Inferred Resources

(Tonnes and troy ounces in thousands)

	Inferred				
Property	Tonnes	Grade *(g/t)*	Contained Gold *(oz)*	Centerra Share[2] *(oz)*	Mining Method[3]
Kumtor[4, 5]	9,976	4.5	1,448	1,448	OP&UG
Boroo[6]	3,215	1.9	193	183	OP
Gatsuurt[7]	1,540	3.1	152	152	OP
REN[8]	1,261	12.7	516	321	UG
Total	15,992	4.5	2,309	2,104	

The reserve and resource estimates for Kumtor and Boroo were prepared by Centerra's geological and mining engineering staff under the supervision of Robert S. Chapman, M. Sc., P. Geo., Centerra's Vice President of Exploration who is a Qualified Person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects issued by the Canadian Securities Administrators ("NI 43-101"). The resource estimate for REN was prepared by Roscoe Postle Associates Inc. ("Roscoe Postle"), of Toronto, Canada, in collaboration with Robert S. Chapman. The Boroo estimate utilized an updated resource block model prepared by Geostat Systems International Inc. ("Geostat"). Richard E. Routledge, M. Sc., P. Geo., an employee of Roscoe Postle, and a Qualified Person, prepared the resource estimates for the Gatsuurt project.

(1) The reserves have been estimated based on a gold price of $375 per ounce.

(2) Centerra's equity interests are: Kumtor 100%, Gatsuurt 100%, Boroo 95% and REN 62%.

(3) "OP" means open pit and "UG" means underground.

(4) Open pit resources occur beneath the current ultimate pit design using a gold price of $375 per ounce and are contained within a larger, unengineered pit shell. Underground resources occur below the pit shell and are estimated based on a cut-off grade of 5.0 grams per tonne.

(5) The open pit resources at Kumtor are estimated based on a cut-off grade of 1.3 grams per tonne.

(6) The resources at Boroo are estimated based on a variable cut-off grade depending on the type of material and the associated mill recovery. The cut-off grades range from 0.9 grams per tonne to 1.1 grams per tonne.

(7) The resources at Gatsuurt are estimated based on a cut-off grade of 2.0 grams per tonne.

(8) The resources at REN are estimated based on a cut-off grade of 8.0 grams per tonne.

Definitions and Notes

Mineral Reserve

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.

Proven Mineral Reserve

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.

Probable Mineral Reserve

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.

Mineral Resource

A mineral resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material 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.

Measured Mineral Resource

A measured mineral resource is that part of a mineral resource for which quantity, grade or quality, density, 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.

Indicated Mineral Resource

An indicated mineral resource is that part of a mineral resource for which quantity, grade or quality, density, 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.

Inferred Mineral Resource

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.

Notes

In this mineral reserves and resources statement Centerra uses a definition of classes of mineralization taking into account a maximum number of parameters of various natures. These parameters are:

- the precision of the estimate;
- the economic feasibility of the project, which relates not only to grades but to the volume of the reserves, the location, the chemistry of the expected ore, the price of the product, etc.; and
- the legal status of the project and its possible evolution in the very near future. Centerra's mineral reserves include allowances for dilution and mining or in situ leaching recovery. No allowances have been applied to mineral resources. Stated mineral reserves and resources have been calculated based on estimated quantities of mineralized material recoverable by established mining methods. This includes only deposits with mineral values in excess of cut-off grades used in normal mining operations. Centerra's mineral reserves include material in place and on stockpiles. Only mineral reserves have demonstrated economic viability.

There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any reserve and resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgment. Results from drilling, testing and production, as well as material changes in gold prices, subsequent to the date of the estimate, may justify revision of such estimates.

Centerra's classification of mineral reserves and resources and the subcategories of each conforms to the definitions adopted by the CIM Council on August 20, 2000, which are incorporated by reference into the National Instrument 43-101 dated November 17, 2000, issued by the Canadian Securities Administrators. Centerra reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.