centerra GOLD

2004

All dollar amounts are expressed in United States dollars, except as otherwise indicated.

Additional information on Centerra, including the Company's Annual Information Form, is available on the Company's website at www.centerragold.com and at SEDAR at www.sedar.com.

Forward-Looking Statements

The following discussion provides a review of the financial position of Centerra Gold Inc. (Centerra or the Company) for the years ended December 31, 2004 and 2003, and the financial performance for the three years ending December 31, 2004. This discussion should be read in conjunction with the Company's audited financial statements and notes to those statements. In addition, this discussion contains certain forward-looking statements regarding Centerra's businesses and operations. Actual results may differ materially from those contemplated by these statements depending on such key factors, among others, as the gold price, production levels and reserve replacement.

Although Centerra believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this presentation. Centerra disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

EXCEPTIONAL ASSETS | PROVEN TRACK RECORD | UNIQUE EXPERTISE | VAST POTENTIAL | STRONG POSITION

Management's Discussion and Analysis

Overview

Nature of the business

Centerra is a growth-oriented Canadian-based gold company, focused on acquiring, exploring, developing and operating gold properties in Central Asia, the former Soviet Union and other emerging markets.

Centerra completed its initial public offering ("IPO") on June 30, 2004. It is the successor to substantially all of the gold business previously carried on by Cameco Gold Inc. ("Cameco Gold"), which is a wholly-owned subsidiary of Cameco Corporation ("Cameco") and now the controlling shareholder of Centerra.

Prior to Centerra's IPO, Cameco Gold held a one-third interest in the Kumtor mine in the Kyrgyz Republic, a 62% interest in the REN property in Nevada and, through its 56% interest in AGR Limited ("AGR"), a 53% interest in the Boroo mine and a 73% interest in the Gatsuurt exploration property, both located in Mongolia.

Prior to Centerra's IPO, Cameco Gold transferred substantially all of its gold assets to Centerra and Centerra acquired the remaining two-thirds of the Kumtor mine and the remaining 44% of AGR. As a result, Centerra's assets today consist of a 100% interest in the Kumtor mine, a 95% interest in the Boroo mine, a 62% interest in the REN property and a 100% interest in the Gatsuurt exploration property.

Substantially all of Centerra's revenues are derived from the sale of gold. The key drivers of revenues in the Company's business are production volumes from its mines and gold prices realized. Gold production from the Kumtor mine is purchased by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic while gold doré produced by the Boroo mine is exported and refined under a contract with a third party. Both sales agreements are based on spot prices.

In 2004, the Company's two mines produced 903,030 ounces of gold of which 610,287 ounces were attributable to Centerra. This level of production ranks Centerra as a leading North American gold producer.

The average spot price for gold in 2004 increased 13% over the average in 2003. This follows year-over-year increases of 20% in 2003 and 25% in 2002. A number of factors continue to support the strengthening gold price, including the weakness in the U.S. dollar, geopolitical uncertainties and an increase in the demand for gold for investment purposes.

The Company's cost of products sold is comprised primarily of the cash cost of producing gold from its two mines and secondarily from non-cash costs. There are many operating variables that affect the cash cost of producing an ounce of gold. In the mine, costs are influenced by the ore grade and the stripping ratio. In the mill, costs are dependent mainly on the metallurgical characteristics of the ore and the ore grade. For example, a higher ore grade or lower stripping ratio would typically contribute to a lower unit production cost. Both mining and milling costs are also affected by labour costs, which depend on both availability of qualified personnel in the regions where the operations are located and the wages in those markets. Mining and milling activities involve the use of many materials. The varying costs to buy and the amount of material purchased also influence the cash costs of mining. The non-cash costs are influenced by the amount of costs related to the mine's acquisition, development and ongoing capital requirements.

Over the life of each mine, another significant cost that must be planned for is the closure, reclamation and decommissioning of each operating site. In accordance with standard practices for Western-based mining companies, we carry out remediation and reclamation work during the operating period of the mine where feasible in order to reduce the final decommissioning costs. Nevertheless, the majority of rehabilitation work can only be performed following the completion of mining operations. Our practice is to establish a fund in concert with the local government to cover 100% of the estimated post-mining decommissioning and reclamation costs, and to fund these amounts from the revenues generated over the life of the mine.

Gold industry and key trends

The two principal uses of gold are product fabrication and bullion investment. A broad range of end uses is included within the fabrication category, the most significant of which is the production of jewelry. Other fabrication purposes include official coins, electronics, miscellaneous industrial and decorative uses, medals and medallions.

Currently, strong gold industry fundamentals support management's positive view on the gold price, the Company's growth strategy and its current policy of not entering into hedging arrangements.

Global gold industry production is expected to be flat to declining for the next few years after significant growth from 1995 to 2001. This is the result of, among other things, a material decline in global exploration funding from 1996 to 2002, which has led to relatively few material discoveries. In addition, Centerra believes the cost of gold production is rising globally due primarily to both U.S. dollar weakness and a declining quality of reserves at producing mines. The period of low gold prices from 1998 to 2002 also coincided with significant consolidation among senior gold producers, with approximately one-half of global production now controlled by the world's top 10 producers. Producers are being forced to explore new regions as their reserves are depleted in conventional locations for gold mining.

The supply factors internal to the industry that are described above are accompanied by other external factors that impact the gold price. Centerra believes the most important of these recently has been the trade-weighted U.S. dollar exchange rate. Since 2000, there has been a strong inverse correlation between the trade-weighted U.S. dollar exchange rate and the gold price and over a longer historical term, a positive gold price trend during extended periods of U.S. dollar weakness. The Company regards this strong inverse correlation and the recent extended period of U.S. dollar weakness as the single most important positive factor driving the gold price recovery over the last two years.

Other factors that have impacted the gold price recently include an increase in the demand for gold for investment purposes, primarily attributed to the Asian markets and underpinned by jewelry demand, de-hedging by gold producers, negative real U.S. treasury bill yields, the Washington Accord which has limited central bank gold sales, global reflationary pressures and a general increase in global geopolitical tensions.

Centerra expects the industry trends discussed above to continue to provide upward pressure on the gold price. The Company also expects increased competition for new reserves in all regions, including our principal area of geographic focus in Central Asia and the former Soviet Union. However, the Company believes that strong gold prices and renewed access to capital by junior exploration companies will foster increased exploration spending in all regions, which it expects will create increased acquisition opportunities.

The following table shows the average morning gold price fixing, by quarter, on the London Bullion Market for 2003 and 2004:

Quarter	Average Gold Price ($)	Quarter	Average Gold Price ($)
2003 Q1	$ 351	2004 Q1	$ 408
2003 Q2	347	2004 Q2	394
2003 Q3	364	2004 Q3	401
2003 Q4	392	2004 Q4	434

Sensitivities

Centerra's revenues, earnings and cash flows are sensitive to changes in the gold price. The Company estimates that a $10 per ounce change in the price of gold would change its revenues in 2005 by approximately $8 million and its earnings and cash flows by $6 million.

Strategy

Centerra's growth strategy is to increase its reserve base and expand its current portfolio of mining operations by:

- developing new reserves and resources at its existing mines from in-pit, adjacent and regional exploration and advancing the Gatsuurt property in Mongolia through a feasibility study;
- increasing the resources at the REN property on the Carlin Trend in Nevada;
- pursuing new gold properties through exploration programs focused primarily on Central Asia, the former Soviet Union and other emerging markets; and
- actively pursuing selective acquisitions, with a focus on mid- to advanced-stage exploration and development projects and operating properties primarily in Central Asia, the former Soviet Union and other emerging markets.

During 2004, the Company accelerated its drilling activities at all of its key exploration sites. At the end of the year, the Company updated its reserves estimates and added 1.1 million ounces of contained gold in proven and probable reserves at its two mines. Approximately 30% of the additional reserves is due to using the higher gold price of $375 per ounce as opposed to the $325 per ounce gold price used for the previous reserve estimate. The remainder is due to exploration drilling, changes in pit design, the reconciliation between the modeled reserve and mill feed, and lower operating costs. The reserve additions effectively replaced the 2004 production thereby extending the lives of both the Kumtor and Boroo mines by one year.

Additionally, the Gatsuurt resource base has been significantly expanded by recent drilling programs with most of the additional ounces attributable to the deeper drilling. At a 2.0 grams per tonne gold (g/t) cut-off grade and cutting high-grade values to 25 g/t gold, the indicated resources are currently estimated to be 8.1 million tonnes at an average grade of 3.4 g/t gold for a total of 890,000 ounces of contained gold with additional inferred resources estimated at 1.5 million tonnes at an average grade of 3.1 g/t gold for a total of 152,000 ounces of contained gold. The prior estimate, completed during late 2002, used a 1.2 g/t gold cut-off grade and estimated an indicated resource of 5.2 million tonnes at an average grade of 3.2 g/t gold for a total of 536,000 ounces of contained gold. Additional inferred resources were estimated at 0.9 million tonnes averaging 2.7 g/t gold for a total of 77,000 ounces of contained gold.

The REN resource base has also been substantially expanded by recent drilling programs. A large portion of the inferred ounces is attributable to the 69 Zone, a recently-identified mineralized area located about 600 metres to the northwest of the main mineralized area, the JB Zone. On a 100% project basis, using an 8.0 g/t gold cut-off grade and cutting high-grade values to 40 g/t gold, the indicated resources are currently estimated to be 1.9 million tonnes at an average grade of 13.1 g/t gold for a total of 791,000 ounces of contained gold. Additional inferred resources are estimated at 1.3 million tonnes at an average grade of 12.7 g/t gold for a total of 516,000 ounces of contained gold. The prior estimate, completed during mid-2003, estimated an inferred resource for the REN project of 1.9 million tonnes averaging 14.8 g/t gold for a total of 900,000 ounces of contained gold using an 8.5 g/t gold cut-off grade.

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.

The above-mentioned changes to the Company's proven and probable reserves, indicated resources and inferred resources are shown in the following tables:

Reconciliation of Gold Reserves and Resources on a 100% Project Basis

(in thousands of troy ounces)	December 31 2003 (1)	2004 Throughput (2)	2004 Addition (Deletion) (3)	December 31 2004	Centerra Share December 31 2004 (4)
Reserves – Proven					
Kumtor	2,330	**801**	**570**	**2,099**	**2,099**
Boroo	4	**4**	**68**	**68**	**65**
Total Proven Reserves	2,334	**805**	**638**	**2,167**	**2,164**
Reserves – Probable					
Kumtor	924	—	**226**	**1,150**	**1,150**
Boroo	1,154	**265**	**215**	**1,104**	**1,048**
Total Probable Reserves	2,078	**265**	**441**	**2,254**	**2,198**
Total Reserves	4,412	**1,070**	**1,079**	**4,421**	**4,362**
Resources – Measured					
Kumtor	880	—	**117**	**997**	**997**
Total Measured Resources	880	—	**117**	**997**	**997**
Resources – Indicated					
Kumtor	982	—	**(65)**	**917**	**917**
Boroo	228	—	**(34)**	**194**	**184**
Gatsuurt	536	—	**354**	**890**	**890**
REN	—	—	**791**	**791**	**492**
Total Indicated Resources	1,746	—	**1,046**	**2,792**	**2,483**
Total Measured and Indicated Resources	2,626	—	**1,163**	**3,789**	**3,480**
Resources – Inferred					
Kumtor	679	—	**769**	**1,448**	**1,448**
Boroo	83	—	**110**	**193**	**183**
Gatsuurt	77	—	**75**	**152**	**152**
REN	900	—	**(384)**	**516**	**321**
Total Inferred Resources	1,739	—	**570**	**2,309**	**2,104**

Centerra reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves.

(1) Reserves and resources as reported in Centerra's prospectus which incorporates an updated resource estimate for Kumtor completed during early 2004.

(2) Corresponds to millfeed. The discrepancy between the 2004 millfeed and 2004 ounces of gold produced is due to gold recovery in the mill.

(3) Changes in reserves or resources, as applicable, include an increase in the gold price, changes in pit designs, reconciliation between the mill and the resource model, changes to operating costs, results of information provided by drilling, and subsequent reclassification of reserves or resources, as applicable.

(4) Centerra equity interests as at December 31, 2004, were: Kumtor 100%, Gatsuurt 100%, Boroo 95% and REN 62%.

Exploration activities in 2005 are planned to total $22 million, an almost 50% increase over the 2004 program of $15 million.

Results of Operations

Comparative financial statements for 2003 and 2002 reflect the results of Centerra's predecessor company Cameco Gold. For accounting purposes, Centerra's 2004 results reflect, for the Kumtor and Boroo mines, proportional consolidation in the first and second quarters and fully consolidated interests in the third and fourth quarters, a 62% interest in REN and a fully consolidated interest in Gatsuurt.

Results of Operations for 2004, 2003 and 2002

Years Ended December 31

($ millions, unless otherwise specified)	2004	2003	2002
Revenue	**$ 247**	$ 82	$ 55
Cost of sales	**110**	47	37
Depreciation, depletion and reclamation	**54**	15	13
Exploration	**15**	7	6
Interest and other	**(8)**	1	—
Administration	**12**	4	5
	64	8	(6)
Other expenses	**8**	—	—
Income tax expense (recovery)	**—**	1	(2)
Minority interest	**5**	(2)	(1)
Net earnings (loss)	**$ 51**	$ 9	$ (3)
Earnings (loss) per common share	**$ 0.91**	$ 0.24	$ (0.07)
Total assets	**660**	241	236
Long-term debt, provision for reclamation and future income taxes	**24**	25	35
Operating Highlights			
Sales volume – *ounces* (1)	**618,843**	234,864	174,394
Ounces poured (1)	**640,779**	225,851	176,183
Average realized price – *$/oz*	**397**	334	300
Gold spot market price – *$/oz*			
Average for period	**409**	363	310
Total cash cost – *$/oz* (1), (2), (3)	**189**	191	216

(1) Comprising one-third of Kumtor to June 30, 2004 and 100% thereafter, and 100% of Boroo post-commissioning.

(2) Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP measure – Total cash cost".

(3) 2004 reflects 100% of Kumtor for the full year and 100% of Boroo post-commissioning.

Compared to 2003 and 2002, the 2004 results were positively affected by an increased share of production at Kumtor, the start-up of Boroo and an average 19% higher realized gold price.

Net earnings for the year ended December 31, 2004, were $50.6 million or $0.91 per share. The comparative results were net earnings of $9.1 million or $0.24 per share in 2003 and a net loss of $2.6 million or $0.07 per share in 2002.

Gross profit, defined as revenue less cost of sales and depreciation, depletion and reclamation, was $83 million in 2004, $20 million in 2003 and $5 million in 2002. The significant increases were attributable to:

- Revenues for the year ended December 31, 2004 increased by $165 million over 2003 and $192 million over 2002 on account of the increased share of production at Kumtor, the start-up of Boroo and higher realized gold prices. The higher realized prices resulted from a combination of an increase in the spot market prices and the elimination of the Company's hedge book. Centerra's current policy is to leave its production unhedged so that the Company can continue to benefit fully from increases in the spot market prices. In 2005, the Company expects that production from its two mines will total 762,000 ounces of gold of which 750,000 ounces will be attributable to Centerra. The forecast decrease in output is related to the expected lower ore grades at the Kumtor mine.

Slightly offsetting the increases in revenues were:

- Increases in the cost of sales to $110 million in 2004 from $47 million in 2003 and $37 million in 2002. The changes were due to an increased ownership in Kumtor, the start of commercial production at Boroo and the higher cost of consumables and employee remuneration. On a unit basis, the total cash cost per ounce in 2004 was $189 compared to $191 in 2003 and $216 in 2002. The decrease on a unit basis from 2003 to 2004, was attributable to the additional, lower-cost production from Boroo. Cash cost per ounce in 2002 was negatively affected by the highwall ground movement which led to a production shortfall in that year. In 2005, the unit cost of production is expected to increase to $230 per ounce of gold as a result of the lower ore grades at the Kumtor mine and higher cost of consumables.
- Increases in depreciation, depletion and reclamation to $54 million in 2004 from $15 million in 2003 and $13 million in 2002. On a per unit basis, depreciation, depletion and reclamation amounted to $84 per ounce in 2004 compared to $67 per ounce in 2003 and $74 per ounce in 2002. The primary reasons for the increase were the commencement of depreciation and amortization at Boroo and the amortization of purchase price adjustments related to the acquisitions that took place in the second quarter of 2004.

Exploration expenses of $15 million in 2004 compared with $7 million in 2003 and $6 million in 2002. This change reflects the Company's decision to accelerate the drilling activities as part of its growth strategy to increase its reserves. In 2005, the Company has budgeted $22 million for the exploration programs.

Interest income, net of other operating items amounted to $8 million compared to an expense of $1 million in 2003 and less than $1 million in 2002. The changes are primarily due to a $7 million foreign exchange gain on Centerra's Canadian cash balance which appreciated in value as the Canadian dollar strengthened compared to the U.S. dollar. The Company had no outstanding interest-bearing debt at the end of 2004.

Administration costs of $12 million in 2004 were $8 million higher than in 2003 and $7 million higher than in 2002, reflecting expenses related to the start-up of Centerra, its development as a stand-alone entity and the reclassification of insurance costs. In 2005, administration expenses are expected to amount to approximately $15 million.

Other expenses of $8 million in 2004 result largely from the restructuring of the Company and reflect the loss on the exchange of the Kumtor Gold Company ("KGC") subordinated debt for common shares of Centerra.

A small recovery of taxes was recorded during 2004 compared to an expense of $1 million in 2003 and a recovery of $2 million in 2002. In the near term, Centerra has minimal exposure to cash corporate income taxes due to the availability of tax loss carry-forwards to offset taxable income in the Kyrgyz Republic and a three-year tax holiday on income earned in Mongolia. At current gold prices and planned mining activity, the Company expects the loss carry-forwards, in the Kyrgyz Republic, to be fully utilized by the end of 2007. During 2004, the Company was in the first year of the three-year Mongolian tax holiday. After the expiry of the tax holiday, Centerra will be entitled to a 50% tax relief for the subsequent three-year period.

Minority interest expense of $5 million in 2004 compared with a recovery of $2 million and $1 million in 2003 and 2002 respectively. The change over the previous two years reflects the Company's higher profitability in 2004.

Quarterly consolidated financial results

The quarterly financial results for 2004 and 2003 are shown below:

Key results by quarter	2004				2003			
($ millions, except per share data)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	**26**	**47**	**86**	**88**	18	14	21	29
Net earnings (loss)	**8**	**(1)**	**29**	**15**	1	(2)	3	7
Earnings (loss) per share – basic and diluted – $	**0.20**	**(0.02)**	**0.40**	**0.21**	0.04	(0.05)	0.07	0.18
Cash provided by (used in) operations	**3**	**31**	**29**	**25**	9	1	15	(1)

Fourth quarter 2004 and 2003

Production at the Kumtor and Boroo mines, as reflected in the revenues of the Company, was 205,274 ounces for the fourth quarter and 640,779 ounces for the full year of 2004. These compare with 69,226 ounces and 225,851 ounces for the fourth quarter and the full year of 2003, respectively. The results for 2004 include operations at the Boroo mine and reflect a higher ownership interest in the Kumtor mine.

As a result of the higher production level and a 15% improvement in the realized gold price, revenues increased 196% year-over-year in the fourth quarter. For the year, the realized gold price improved 19% and revenues increased 201%.

On a unit basis, the total cash cost per ounce in the fourth quarter of 2004 was $240, up from $179 in 2003, mostly due to lower gold production at Kumtor reflecting lower grade ore fed to the mill.

Net income totaled $15 million or $0.21 per share in the fourth quarter of 2004 compared to $7 million or $0.18 per share in the same period of 2003.

The Company generated $25 million in cash from operations in the fourth quarter of 2004. In the fourth quarter of 2003, the result was a cash shortfall of $1 million.

Mine operations

Kumtor – 100% basis

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based producer. It is located in the Tien Shan Mountains, approximately 350 kilometres to the southeast of the national capital of Bishkek and about 60 kilometres to the north of the international boundary with the People's Republic of China. The mine has been operating since 1997. In 2004, it surpassed the production milestone of over five million ounces of gold produced.

Kumtor Operating Results

Years Ended December 31,	2004	2003	2002
Sales volume – *ounces*	**632,788**	704,593	523,182
Revenues – *$ millions* (1)	**159**	82	55
Tonnes mined – *000s*	**84,855**	77,708	54,325
Tonnes ore mined – *000s*	**3,303**	4,634	5,141
Tonnes milled – *000s*	**5,654**	5,631	5,611
Average mill head grade – *g/t* (2)	**4.4**	4.5	3.7
Recovery – *%*	**82.1**	82.6	78.1
Ounces of gold recovered	**657,523**	678,560	523,039
Ounces of gold poured	**657,329**	677,553	528,550
Total cash cost – *$/ounce* (3)	**202**	191	216
Exploration – *$ millions* (1)	**6**	—	2
Capital expenditures – *$ millions* (1)	**5**	4	9

(1) Represents Centerra share – one-third to June 30, 2004 and 100% thereafter.

(2) g/t means grams per tonne.

(3) Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP measure – Total cash cost".

Revenue

Sales volume of gold was 10% lower in 2004 compared to 2003 reflecting lower year-over-year production which resulted from lower average mill head grades and a carry-over of inventory which will be sold and recorded as revenue in 2005. Production in 2002 was negatively affected by the highwall ground movement which rendered the high-grade Stockwork Zone temporarily inaccessible to mining. When compared to 2002, sales volume in 2004 was 21% higher. Revenues in 2004, compared to the preceding two years, benefited from higher average realized prices due to higher gold spot prices and the elimination of hedges during the year. Kumtor's average realized price in 2004, net of charges to eliminate the hedge book, was $393 per ounce. The mine is expected to produce 512,000 ounces of gold in 2005.

Costs

Total cash cost to produce an ounce of gold was $202 in 2004, $191 in 2003 and $216 in 2002. The increase from 2003 to 2004 resulted from lower average grade fed to the mill and the higher cost of consumables and employee remuneration. The cash cost in 2002 reflects the lower production due to the highwall ground movement. Unit cost of production in 2005 is expected to increase to $255 per ounce due to the impact of lower grade and higher input costs.

Exploration

Exploration expenditures were $6 million in 2004. The expenditures relate primarily to ongoing drilling in the immediate vicinity of the open pit and in the Southwest Zone. The forecast expenditure for 2005 is expected to increase to $11 million as the Company increases drilling activities.

Capital expenditures

Capital expenditures of $5 million in 2004 were all related to maintenance of current operations. In 2005, capital expenditures are expected to total $24 million of which $20 million is allocated to projects to increase productivity including $8 million for an ultra-fine grinding circuit to improve gold recovery, $4 million for the development of the Southwest pit and $8 million for additional mobile equipment to increase mine production to facilitate the main Kumtor pit expansion and new production at the Southwest pit. Replacement of the regrind mill shell and head is planned in 2005 after the ultra-fine grinding mill is installed to minimize the production impact from the replacement.

Reserves

At December 31, 2004, the mine's proven and probable reserves estimate in the main pit, using a cut-off grade of 1.3 g/t gold and a $375 per ounce gold price, stood at 28.2 million tonnes averaging 3.3 g/t gold for a total of 2,966,000 ounces of contained gold, compared to 30.4 million tonnes averaging 3.3 g/t gold for a total of 3,254,000 ounces of contained gold at the end of 2003. In 2004, ore with 801,000 contained ounces of gold was fed to the mill, and 512,000 ounces of contained gold were added to the reserves. About 45% of the additional reserves is due to using the higher gold price of $375 per ounce as opposed to the $325 used for the previous reserve estimate. The remainder is due to changes in pit design and the reconciliation between the modeled reserve and mill feed. Measured and indicated resources are within a transitional area between the bottom of the designed pit and a larger unengineered pit shell. They are estimated at 16.3 million tonnes averaging 3.4 g/t gold for a total of 1,765,000 ounces of contained gold. These resources are not included in the reserves. Materials in this transitional area may be amenable to either open pit or underground mining. Using a 5.0 g/t gold cut-off grade, there are approximately 3.3 million tonnes of material averaging 8.4 g/t gold for a total of 906,000 ounces of contained gold within the measured and indicated resources quoted above.

At the Southwest Zone, a satellite deposit about three kilometres southwest of the Kumtor mill, probable reserves are estimated at 2.8 million tonnes averaging 3.2 g/t gold for a total of 283,000 ounces of contained gold. Indicated resources are estimated at 1.2 million tonnes averaging 3.8 g/t gold for a total of 149,000 ounces using the same cut-off grade. These resources are not included in the probable reserves nor in the Kumtor resources noted previously and are additional to them.

Together, the existing reserves of the Kumtor pit and the Southwest Zone should support mining activities for another six years at the operation.

Reserve and resource estimates 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 NI 43-101.

Boroo – 100% basis

The Boroo open pit gold mine began the commissioning phase in November 2003 and was brought into commercial production on March 1, 2004. The mine is located in the Republic of Mongolia about 110 kilometres to the northwest of the capital city of Ulaanbaatar and about 230 kilometres to the south of the international boundary with Russia.

Boroo Operating Results

Year Ended December 31,	2004
Sales volume – *ounces* (1)	**217,679**
Revenues – *$ millions* (1)	**88**
Tonnes mined – *000s*	**13,656**
Tonnes ore mined – *000s*	**1,884**
Tonnes milled – *000s*	**1,850**
Average mill head grade – *g/t* (2)	**4.5**
Recovery – *%*	**93.7**
Ounces of gold recovered	**251,740**
Ounces of gold poured (1)	**217,998**
Total cash cost – *$/ounce* (1), (3)	**149**
Exploration – *$ millions* (4)	**0.9**
Capital expenditures – *$ millions* (4)	**7**

(1) Does not include pre-commissioning production or sales volumes for January and February 2004 of 27,703 ounces.
(2) g/t means grams per tonne.
(3) Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP measure – Total cash cost".
(4) Does not include exploration or capital expenditures in January and February 2004 prior to commercial production.

Revenue

Sales for the 10 months of 2004 were 217,679 ounces of gold, with an average realized gold price, including hedging gains and losses, of $404 per ounce generating revenue of $88 million. Production of 217,998 poured ounces of gold was higher than anticipated from the ore reserve model because of higher ore grades. Additionally, since the start of commercial production, the mine has operated at or above design-capacity levels. Boroo is expected to produce 250,000 ounces of gold in 2005.

Costs

Total cash cost to produce an ounce of gold was $149 per ounce, post-commissioning. This is expected to increase to $179 per ounce in 2005, mostly as a result of equipment rebuilds, higher employee remuneration and the anticipated higher cost of consumables.

Exploration

Exploration expenditures, post-commissioning, were $0.9 million for the year to drill test targets in the immediate mine area. The Company expects to maintain that level of expenditures in 2005.

Capital expenditures

Capital expenditures of $7 million, post-commissioning, were all related to the maintenance of operations. These expenditures are expected to decrease to $4 million in 2005.

Reserves

The updated reserve estimate at December 31, 2004 was prepared using a gold price of $375 per ounce and variable cut-off grades ranging from 0.9 g/t gold to 1.1 g/t gold, depending upon the type of material and the associated gold recovery. The proven and probable reserves, including the stockpiles, are estimated at 11.8 million tonnes averaging 3.1 g/t gold for a total of 1,172,000 ounces of contained gold, compared to 10.2 million tonnes averaging 3.6 g/t gold for a total of 1,158,000 ounces of contained gold at the year-end 2003. In 2004, ore with 269,000 ounces of contained gold was fed to the mill, and 283,000 ounces of contained gold were added to the reserves. About 36% of the additional reserves is due to using the higher gold price of $375 as opposed to the $325 per ounce for the previous reserve estimate. The remainder is due to factors which include changes in pit designs and lower operating costs. Indicated resources are estimated at 2.6 million tonnes averaging 2.3 g/t gold for a total of 194,000 ounces of gold using the same variable cut-off grades as the reserve estimate. These resources are in addition to the proven and probable reserves. This is a decrease of about 35,000 ounces of contained gold from the 2003 year-end indicated resources.

At the planned rate of production, these existing reserves should support mining activities for another six years.

Geostat Systems International Inc. ("Geostat") updated the existing resource block model and completed a new resource estimate for the Boroo mine. Based on the updated block model, resource and reserve estimates 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 NI 43-101.

Outlook for 2005

The 2005 outlook discussed previously is summarized as follows:

	2004 Actual	2005 Forecast
Production *(ounces except where noted)*		
Kumtor production	**657,329**	512,000
Centerra's % share	**64%**	100%
Centerra's share of Kumtor's production	**422,781**	512,000
Boroo production	**245,701**	250,000
Centerra's % share	**76%**	95%
Centerra's share of Boroo's production	**187,506**	238,000
Centerra's share of total production	**610,287**	750,000
Unit cost *($ per ounce)*		
Kumtor	**$ 202**	$ 255
Boroo	**$ 149**	$ 179
Centerra consolidated	**$ 189**	$ 230
Expenses – Centerra consolidated *($ millions)*		
Administration	**12**	15
Exploration	**15**	22

Capital expenditures

The following table summarizes the capital expenditures incurred in 2004 and planned for in 2005:

($ millions)	2004 (1)	2005
Sustaining:		
Kumtor	**$ 5**	$ 4
Boroo	**7**	4
	12	8
Increase productivity:		
Kumtor – Ultra-fine grinding circuit	**—**	8
– Southwest pit development	**—**	4
– Mobile equipment for pit expansion	**—**	8
	—	20
	$ 12	$ 28

(1) Post-commissioning at Boroo operation.

Expenditures will be financed from the Company's available cash and cash flow from operations.

Liquidity and capital resources

Cash on hand was $153 million on December 31, 2004 of which $62 million was held in Canadian funds. Centerra has sufficient cash to carry out its business plan in 2005, including its exploration plans. To the extent that new property is acquired and/or developed, additional financial arrangements may be required. The Company's cash comes from the initial public offering of Centerra shares, operating cash flows and existing cash reserves. A summary of the Company's cash position and changes in cash is provided below:

($ millions)	2004	2003	2002
Cash provided by operating activities	**$ 89**	$ 24	$ 16
Cash provided by (used in) investing activities	**13**	(60)	4
Cash provided by (used in) financing activities	**41**	26	(1)
Cash provided (used) during the year	**143**	(10)	19
Cash and cash equivalents, beginning of the year	**10**	20	1
Cash and cash equivalents, end of the year	**$ 153**	$ 10	$ 20

Cash flow from operations was $89 million in 2004 compared to $24 million in 2003 and $16 million in 2002. The increase resulted from higher realized gold prices, the increased ownership at Kumtor and the start of commercial production at Boroo.

Cash provided by investing activities in 2004 of $13 million is net of $12 million of sustaining capital expenditures and the return of funds previously invested in the Cameco group of companies of $23 million. Capital expenditures of $60 million in 2003 were mostly related to the construction of the Boroo mine which began commercial operations in March 2004.

In 2005, the Company's expected capital expenditure requirement of $28 million and exploration program of $22 million will be funded from cash flow from operations and existing cash.

Contractual obligations

The following table summarizes Centerra's contractual obligations (including those of KGC at 100% and those related to the Boroo mine at 100%), including payments due for the next five years and thereafter, as of December 31, 2004.

($ millions)	Total	Due in Less Than One Year	Due in 1 to 3 Years	Due in 4 to 5 Years	Due After 5 Years
Kumtor debt facilities					
Shovel lease (1)	$ 1.3	$ 1.3	$ —	$ —	$ —
Exploration drill rigs lease (2)	1.0	1.0	—	—	—
Kumtor					
Underground mineral resources (3)	1.6	1.6	—	—	—
Reclamation trust deed (4)	16.3	0.3	1.1	14.9	—
Priority power supply agreement (5)	8.7	3.6	5.1	—	—
Boroo					
Reclamation (6)	2.7	0.5	1.4	0.8	—
Power supply agreement (7)	13.6	3.0	6.0	4.6	—
Mongolian exploration refund (8)	1.3	0.5	0.8	—	—
Total contractual obligations	$ 46.5	$ 11.8	$ 14.4	$ 20.3	$ —

(1) The Kumtor shovel lease is comprised of several equipment leases, which are secured by the leased equipment. The equipment becomes the property of KGC at the end of the leases.

(2) The Kumtor exploration drill rigs equipment lease, is secured by the leased equipment which becomes the property of KGC at the end of the lease.

(3) Under the Investment Agreement, Centerra has agreed to spend at least $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 pit design.

(4) In 1999, Centerra's future decommissioning and reclamation costs for the Kumtor mine were estimated to be $20.4 million. In 1996, a reclamation trust fund was established to cover the future costs of reclamation, net of expected salvage value which was estimated in 1998 at $14.9 million. At December 31, 2004, the balance in the fund was $4.1 million, with the remaining $1.4 million to be funded over the life of the mine.

(5) The Kumtor priority power supply agreement guarantees an uninterrupted source of electricity to the Kumtor mine site in return for payment by Centerra of a standard cost for electricity together with the principal and interest payments associated with the loan Kyrgyzenergo JSC utilized to finance the construction of the power facilities.

(6) A reclamation trust fund to cover the future decommissioning and reclamation costs for the Boroo mine has not yet been established but Boroo Gold Corporation ("BGC") has commenced discussions with governmental authorities about putting such an arrangement in place. A reclamation trust fund of approximately $500,000 per year is anticipated and would be funded with proceeds from gold sales.

(7) The Boroo five-year priority power supply agreement which expires June 30, 2009, guarantees the delivery of power to the Boroo mine site to meet forecasted demand levels. Power rates charged are as agreed in the contract or as re-negotiated from time to time. This contract is cancelable by Centerra with a 30-day notice. The information in the table reflects Centerra's estimate of payments under the agreement and is for the current life of mine plan.

(8) Centerra has agreed to reimburse the Government of Mongolia for certain prior exploration expenditures. The aggregate payments are shown on a discounted basis by imputing an effective interest cost of 8.5%. The remaining balance of these payments is approximately $1.3 million, payable in quarterly instalments to September 2007.

Balance sheet

Property, plant and equipment

The aggregate book value of property, plant and equipment at December 31, 2004 of $268 million is allocated as follows: Kumtor $163 million, Boroo $103 million and Corporate $2 million.

Goodwill

As a result of the acquisition and restructuring that took place during the second quarter of 2004, Centerra has recorded $156 million of goodwill allocated as follows: Kyrgyz Republic $130 million, Mongolia $26 million.

Share capital

As at December 31, 2004, Centerra had 72,079,605 shares outstanding and 200,183 share options outstanding under its stock-based incentive plans.

Gold hedging and off-balance sheet arrangements

Centerra does not enter into off-balance sheet arrangements with special purpose entities in the normal course of its business, nor does it have any unconsolidated affiliates. In the case of joint ventures, the Company's proportionate interest for consolidation purposes is equivalent to the economic returns to which it is entitled as a joint-venture partner.

During the year, all forward sales agreements have been closed and all related credit support, previously provided by Cameco, has been removed. Centerra currently intends that its gold production will remain unhedged.

The deferred charges, net of deferred revenue, related to the closing of the hedges, will be recognized in future periods. During 2004, a $7.0 million charge for the early closure of these hedges designated for 2004 was recorded on the income statement. At December 31, 2004, deferred charges totaled $8.2 million and are expected to be amortized as follows:

Recognition of Deferred Charges (net of deferred revenue)

($ millions)	Q1	Q2	Q3	Q4	Total
2005	2.2	1.0	1.1	1.1	5.4
2006	1.9	(0.6)	0.4	0.6	2.3
2007	0.5	—	—	—	0.5
Total					8.2

Related-party transactions

Cameco Corporation

Centerra and its subsidiaries maintain inter-company advances to and from Cameco, holder of 53% of the Company's outstanding shares, and several of its subsidiaries to fund operations, costs related to the Kumtor restructuring and the initial public offering of Centerra.

These advances, which are non-interest bearing and payable on demand, will be repaid in the ordinary course of business.

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

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 were provided by Cameco under the services agreement during the year.

Kyrgyzaltyn and the Government of the Kyrgyz Republic

The table below summarizes 100% of the management fees, royalties and concession payments paid by KGC to Kyrgyzaltyn, the holder of 16% of Centerra's outstanding shares, or the Government of the Kyrgyz Republic and the amounts paid by Kyrgyzaltyn to KGC according to the terms of the gold and silver sale agreement. For periods prior to the restructuring, the Centerra financial statements reflect one-third of the charges.

Years Ended December 31 ($ millions)	2004	2003	2002
Related Parties in the Kyrgyz Republic			
Management fees to Kyrgyzaltyn	**$ 1**	$ 1	$ 1
Royalty and concession payments to Kyrgyz Republic [1]	**2**	4	3
Total	**$ 3**	$ 5	$ 4
Gross gold and silver sales to Kyrgyzaltyn	**$ 258**	$ 259	$ 161
Deduct: refinery and financing charges	**(3)**	(3)	(2)
Net sales revenue received from Kyrgyzaltyn	**$ 255**	$ 256	$ 159

(1) The royalty was eliminated effective January 1, 2004 as part of the Kumtor restructuring.

Critical accounting estimates

Centerra prepares its consolidated financial statements in accordance with Canadian GAAP. In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented and in the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and various other factors believed to be reasonable under the circumstances.

Management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements.

Depreciation and depletion on property, plant and equipment is primarily calculated using the unit of production method. This method allocates the cost of an asset to each period based on current period production as a portion of total lifetime production or a portion of estimated recoverable ore reserves. Estimates of lifetime production and amounts of recoverable reserves are subject to judgment and could change significantly over time. If actual reserves prove to be significantly different than the estimates, there would be a material impact on the amounts of depreciation and depletion charged to earnings.

Significant decommissioning and reclamation activities are often not undertaken until substantial completion of the useful lives of the productive assets. Regulatory requirements and alternatives with respect to these activities are subject to change over time. A significant change to either the estimated costs or recoverable reserves would result in a material change in the amount charged to earnings.

If it is determined that carrying values of property, plant and equipment cannot be recovered, then the asset is written down to fair value. Similarly, goodwill is tested for impairment annually to ensure that the fair value remains greater than or equal to book value. Any excess of book value over fair value is charged to income in the period in which the impairment is determined. Recoverability and fair value assessments are dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and economically recoverable ore reserves. A material change in assumptions may significantly impact the potential impairment of these assets.

Non-GAAP measure

Total cash cost

This MD&A presents information about total cash cost of production of an ounce of gold for the operating properties of Centerra. Except as otherwise noted, total cash cost per ounce is calculated by dividing total cash costs, as determined using the industry standard published by the Gold Institute, by gold ounces produced for the relevant period.

Total cash costs, as defined in the Gold Institute Production Cost Standard, include mine operating costs such as mining, processing, administration, royalties and production taxes, but exclude amortization, reclamation costs, financing costs and capital, development and exploration costs.

Total cash cost per ounce has been included because certain investors use this information to assess performance and also to determine the ability of Centerra to generate cash flow for use in investing and other activities. The inclusion of total cash cost per ounce enables investors to better understand year-on-year changes in production costs, which in turn affect profitability and cash flow.

Total cash cost per ounce can be reconciled as follows:

	2004		
($ millions, unless otherwise specified)	**Kumtor (Kyrgyz Republic)**	**Boroo (Mongolia)**	**Total**
Cost of sales, as reported	**$ 81.2**	**$ 28.7**	**$ 109.9**
Adjust for:			
Refining fees	**1.8**	**0.1**	**1.9**
By-product credits	**—**	**(0.2)**	**(0.2)**
Non-operating costs	**(1.8)**	**0.7**	**(1.1)**
Inventory movement	**9.4**	**3.2**	**12.6**
Pre-acquisition operating costs (1)	**42.3**	**—**	**42.3**
Total cash cost *– 100%*	**$ 132.9**	**$ 32.5**	**$ 165.4**
Ounces poured *– 100% (000s)*	**657.3**	**218.0**	**875.3**
Total cash cost per ounce	**$ 202**	**$ 149**	**$ 189**

(1) Total cash cost per ounce is calculated on a 100% basis. The adjustment above is needed to increase the pre-acquisition cost of sales, which is recorded at Centerra's share of 33.3%, to the full 100% value.

Exploration outlook

One of Centerra's priorities in 2005 is to add to its reserves and resources base through its exploration programs. Accordingly, the Company has budgeted $22 million to these programs for the year, an approximately 50% increase over the amount invested in 2004.

Activities at Kumtor, Boroo, Gatsuurt and REN are planned as follows:

Kumtor

- Additional drilling programs are planned in the vicinity of the main Kumtor pit and the Southwest Zone with a focus on testing for strike and dip extensions to the mineralized horizons. A drilling program is planned in the Sarytor target area to further delineate and extend the known mineralized horizon. The Sarytor area is located about one kilometre to the southwest of the Southwest Zone.
- Exploration work will continue on other target areas such as Bordoo and Akbel.

Boroo

- At Boroo, drill programs will focus on testing for additional mineralization around the peripheries of the pits and in filling within the existing drill pattern.

Gatsuurt

- At the Gatsuurt deposit, drilling programs are planned to test for additional mineralization at depth and across strike. Additional metallurgical test work is in progress and a feasibility study will be initiated during the second quarter.
- Exploration programs will continue to evaluate Centerra's significant land position. Small drilling programs are planned to further explore the Ulaan Bulag and Argal target areas.

REN

- Drilling programs will focus on delineating the extent of the mineralization at the 69 Zone and to test other geological and geophysical target areas on the property.

Sustainable development

Centerra believes in the principles of sustainable development. In endeavouring to achieve its strategic objectives, the Company strives to be a leading performer among its peers with regard to shareholder value, business ethics, workplace safety, environmental protection and community economic development. Centerra believes that its strong commitment to these principles, which are supported by its past practices, will further its objective of becoming a partner of choice for governments and state-owned enterprises in Central Asia, the former Soviet Union and other emerging markets.

Risk factors

Below are some risk factors that Centerra believes can have an adverse effect on its profitability. A complete list of the Company's risk factors is listed in Centerra's Annual Information Form which is filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Volatility of gold prices

Centerra's revenue is largely dependent on the world market price of gold. The gold price is subject to volatile price movements over time and is affected by numerous factors beyond the Company's control. These factors include global supply and demand; central bank lending, sales and purchases; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; and global or regional political and economic events, including the performance of Asia's economies.

If the market price of gold falls and remains below variable production costs of any of our mining operations for a sustained period, losses may be sustained and, under certain circumstances, there may be a curtailment or suspension of some or all of Centerra's mining and exploration activities. The Company would also have to assess the economic impact of any sustained lower gold prices on recoverability and, therefore, the cut-off grade and level of its gold reserves and resources. These factors could have an adverse impact on its future cash flows, earnings, results of operations, stated reserves and financial condition.

Further ground movements at the Kumtor mine

On July 8, 2002, a highwall ground movement at the Kumtor mine resulted in the death of one of Centerra's employees and the temporary suspension of mining operations. The movement led to a considerable shortfall in the 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible. Consequently, the Company milled lower grade ore and achieved lower recovery rates. In February 2004, there was also movement detected in the southeast wall of the open pit and a crack was discovered at the crest of the wall. Although extensive efforts are employed by the Company to prevent further ground movement, there is no guarantee against further ground movements. A future ground movement could result in a significant interruption of operations. Centerra may also experience a loss of reserves or material increase in costs, if it is necessary to redesign the open pit as a result of a future ground movement. The consequences of a future ground movement will depend upon the magnitude, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or the mine experiences a significant loss of reserves or materially higher costs of operation, this would have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Political risk

All of Centerra's current gold production and reserves are derived from assets located in the Kyrgyz Republic and Mongolia, developing countries that have experienced political difficulties in recent years. Centerra's mining operations and gold exploration activities are affected in varying degrees by political stability and government regulations relating to foreign investment, corporate activity and the mining business in each of these countries. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation in Central Asia and the former Soviet Union.

The relevant governments have entered into contracts with Centerra or granted permits or concessions that enable the Company to conduct operations or development and exploration activities. Notwithstanding these arrangements, Centerra's ability to conduct operations or exploration and development activities is subject to changes in government regulations or shifts in political attitudes beyond the Company's control.

There can be no assurance that industries deemed of national or strategic importance like mineral production will not be nationalized. Government policy may change to discourage foreign investment, renationalization of mining industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that the Company's assets will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body. While there are provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would be effective to restore the value of Centerra's original investment. Similarly, the Company's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, mine safety and annual fees to maintain mineral properties in good standing. There can be no assurance that the laws in these countries protecting foreign investments will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described previously. Furthermore, there can be no assurance that the agreements Centerra has with the governments of these countries, including the Investment Agreement and the Stability Agreement, will prove to be enforceable or provide adequate protection against any or all of the risks described previously.

Centerra has made an assessment of the political risk associated with each of its foreign investments and currently has political risk insurance to mitigate losses as deemed appropriate. From time to time the Company assesses the costs and benefits of maintaining such insurance and may not continue to purchase the coverage. However, our political risk coverage provides that on a change of control of Centerra, the insurers have the right to terminate the coverage. If that were to happen, there can be no assurance that the political risk insurance would continue to be available on reasonable terms. Furthermore, there can be no assurance that the insurance would continue to be available at any time or that particular losses Centerra may suffer with respect to its foreign investments will be covered by the insurance. These losses could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition if not adequately covered by insurance.

Production estimates may be inaccurate

Centerra prepares estimates of future production and future production costs for particular operations. No assurance can be given that production estimates will be achieved. These production estimates are based on, among other things, the following factors: the accuracy of reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; equipment and mechanical availability and the accuracy of estimated rates and costs of mining and processing, including the cost of human and physical resources required to carry out our activities.

Actual production may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures and cave-ins. Failure to achieve production estimates could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Gold mining is subject to a number of operational risks and Centerra may not be adequately insured for certain risks

Centerra's business is subject to a number of risks and hazards, including environmental pollution, accidents or spills; industrial and transportation accidents; unexpected labour shortages or strikes; and cost increases for contracted and/or purchased goods and services; electrical power interruptions, mechanical and equipment failure; labour disputes; changes in the regulatory environment; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures, tailings dam failures and cave-ins; and encountering unusual or unexpected geological conditions.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's gold properties, personal injury or death, environmental damage, delays in or interruption of or cessation of production from its mines or in its exploration or development activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Although the Company maintains insurance to cover some of these risks and hazards in amounts it believes to be reasonable, its insurance may not provide adequate coverage in all circumstances. No assurance can be given that insurance will continue to be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards.

Centerra may also be subject to liability or sustain loss for certain risks and hazards against which it cannot insure or which it may elect not to insure because of the cost. The occurrence of operational risks and/or this lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Environmental, health and safety risks

Centerra expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of different jurisdictions. The Company anticipates that it will be required to continue to do so in the future as the historical trend toward stricter such laws is likely to continue. The possibility of more stringent laws or more rigorous enforcement of existing laws exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining sites and other environmental matters, each of which could have a material adverse effect on the Company's exploration, operations and the cost or the viability of a particular project.

Centerra's facilities operate under various operating and environmental permits, licences and approvals that contain conditions that must be met and the Company's right to continue operating the facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties, all of which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Decommissioning and reclamation costs may be difficult to predict accurately

At each of Centerra's mine sites the Company is required to establish a decommissioning and reclamation plan. Provision must be made for the cost of decommissioning and reclamation. These costs can be significant and are subject to change. The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If Centerra is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Reduced liquidity and difficulty in obtaining future financing

The further development and exploration of mineral properties in which Centerra holds interests or which it acquires may depend upon the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that it will be successful in obtaining required financing as and when needed. Volatile gold markets may make it difficult or impossible for Centerra to obtain debt financing or equity financing on favourable terms or at all. The Company's principal operations are located in, and its strategic focus is on, Central Asia and the former Soviet Union, developing areas that have experienced past political difficulties and may be perceived as unstable. This may make it more difficult for Centerra to obtain debt financing from project or other lenders. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties or joint ventures or reduce or terminate operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.