

centerra**GOLD**



**ANNUAL INFORMATION FORM**

**For the Year Ended December 31, 2007  
Dated March 28, 2008**

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## GENERAL MATTERS

Unless otherwise noted or the context otherwise indicates, “Centerra Gold Inc.” refers to Centerra Gold Inc. alone and “Centerra” and the “Company” refer to Centerra Gold Inc. and its direct and indirect subsidiaries. Unless otherwise indicated, information in this Annual Information Form is provided as of December 31, 2007.

All dollar amounts in this Annual Information Form are expressed in United States dollars except as otherwise indicated. References to “\$”, “US\$” or “dollars” are to United States dollars and references to “C\$” are to Canadian dollars. For Canadian dollars to U.S. dollars, based on the Bank of Canada noon rate, the average exchange rate for 2007 and the exchange rate at December 31, 2007 were one Canadian dollar per \$0.9348 and \$1.0120 United States dollars, respectively. For reporting purposes, Centerra prepares its financial statements in United States dollars and in conformity with accounting principles generally accepted in Canada, or Canadian GAAP.

## HISTORIC GOLD PRICES

The price of gold fluctuates and has increased in the last five calendar years. The following table shows the average daily afternoon gold price fixing on the London Bullion Market from 1990 to the present.

Year	Average Gold Price (\$/oz)
1990.....	384
1991.....	362
1992.....	344
1993.....	360
1994.....	384
1995.....	384
1996.....	388
1997.....	331
1998.....	294
1999.....	279
2000.....	279
2001.....	271
2002.....	310
2003.....	363
2004.....	409
2005.....	444
2006.....	604
2007.....	696

## TECHNICAL INFORMATION

The disclosure in this Annual Information Form of a scientific or technical nature for Centerra’s Kumtor, Boroo, Gatsurt and REN properties is based on technical reports prepared for these properties in accordance with National Instrument 43-101 — *Standards of Disclosure for Mineral Projects* (“NI 43-101”) of the Canadian Securities Administrators. The technical information has been updated with current information where applicable. The technical report for the Kumtor mine (the “Kumtor Technical Report”) was prepared under the supervision of Strathcona Mineral Services Limited (“Strathcona”) as of March 28, 2008, and was written by Henrik Thalenhorst, P.Geo. of Strathcona and Iain Bruce, P. Eng. of BGC Engineering Inc., each of whom is independent of Centerra and a “qualified person” for purposes of NI 43-101, and Dan Redmond, P. Geo., a qualified person and an employee of Centerra. The technical report for the Boroo mine (the “Boroo Technical Report”), dated May 13, 2004 and the technical report for the REN project, dated June 15, 2004, were prepared under the supervision of Strathcona and written by Graham Farquharson, P.Eng. and Henrik Thalenhorst, P.Geo. and Graham Farquharson and Reinhard von Guttenberg, P.Geo., respectively, each of whom is independent of Centerra and a qualified person. James W. Hendry, P.Eng., William E. Roscoe, P.Eng. and David A. Ross, P.Geo., each employees of Scott Wilson Roscoe

Postle Associates Inc. (“Roscoe Postle”) and each a qualified person who is independent of Centerra, prepared the technical report for the Gatsuurt development property (the “Gatsuurt Technical Report”) as of May 9, 2006. The technical reports have been filed on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com).

The reserve and resource estimates and scientific and technical information for Centerra’s mineral properties as of December 31, 2007 were prepared under the supervision of Ian Atkinson, Certified Professional Geologist, Centerra’s Vice President, Exploration, who is a qualified person.

A “qualified person” means an individual who (i) is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (ii) has experience relevant to the subject matter of the mineral project and the technical report; and (iii) is a member or licensee in good standing of a professional association.

### **FORWARD-LOOKING INFORMATION**

This Annual Information Form and the documents incorporated by reference herein, contain statements which are not current statements or historical facts and are “forward-looking information” within the meaning of applicable Canadian securities laws. All statements, other than statements of historical fact, contained or incorporated by reference in this Annual Information Form constitute forward-looking information. Wherever possible, words such as “plans”, “expects” or “does not expect”, “budget”, “forecasts”, “projections”, “anticipate” or “does not anticipate”, “believe”, “intent”, “potential”, “strategy”, “schedule”, “estimates” and similar expressions or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved and other similar expressions have been used to identify forward-looking information. These forward-looking statements relate to, among other things Centerra’s expectations regarding, future growth, results of operations (including, without limitation, future production and sales, and operating and capital expenditures), performance (both operational and financial), business and political environment and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities.

Although the forward-looking information in this Annual Information Form reflects Centerra’s current beliefs on the date of this Annual Information Form based upon information currently available to management and based upon what management believes to be reasonable assumptions, Centerra cannot be certain that actual results, performance, achievements, prospects and opportunities, either expressed or implied, will be consistent with such forward-looking information. By its very nature, forward-looking information necessarily involves significant known and unknown risks, assumptions, uncertainties and contingencies that may cause Centerra’s actual results, assumptions, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking information. These risks and uncertainties include, among other things, risks relating to gold prices, replacement of reserves, reduction in reserves related to geotechnical risks, ground movements, political risk, nationalization risk, changes in laws and regulations, civil unrest, labour unrest, legal compliance costs, reserve and resource estimates, production estimates, exploration and development activities, competition, operational risks, environmental, health and safety risks, costs associated with reclamation and decommissioning, defects in title, seismic activity, cost and availability of labour, material and supplies, increases in production and capital costs, permitting and construction to raise the tailings dam height and increase the capacity of the existing Kumtor tailing dam, illegal mining, enforcement of legal rights, decommissioning and reclamation cost estimates, future financing and personnel. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See “Risk Factors” in this Annual Information Form.

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this Annual Information Form. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward-looking information. Forward-looking information is as of March 28, 2008. Centerra assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

## NON-GAAP MEASURE

### **Total Cash Cost**

This Annual Information Form presents information about total cash cost of production of an ounce of gold for Centerra's operating properties. Except as otherwise noted, total cash cost per ounce is calculated by dividing total cash costs by gold ounces produced for the relevant period. Total cash costs is defined as including mine operating costs such as mining, processing, administration, royalties and production taxes, but excludes amortization, reclamation costs, financing costs and capital, development and exploration. Certain amounts of stock-based compensation are excluded as well.

Total cash cost per ounce has been included in this Annual Information Form because certain investors use this information to assess performance and also to determine Centerra's ability to generate cash flow for use in investing and other activities. The inclusion of total cash cost per ounce may enable investors to better understand year-over-year changes in production costs, which in turn affect profitability and cash flow. See Centerra's Management's Discussion and Analysis for the year ended December 31, 2007 filed on SEDAR at [www.sedar.com](http://www.sedar.com) for a reconciliation of total cash cost to the nearest GAAP measure.

## CORPORATE STRUCTURE AND HISTORY

### **Name, Incorporation and Offices**

Centerra Gold Inc. was incorporated under the *Canada Business Corporations Act* by articles of incorporation dated November 7, 2002 under the name 4122216 Canada Limited. Centerra changed its name on December 13, 2002 to Kumtor Mountain Holdings Corporation and on December 5, 2003 to Centerra Gold Inc. Centerra Gold Inc.'s head and registered office address is 1 University Avenue, Suite 1500, Toronto, Ontario, M5J 2P1. Centerra's website is [www.centerragold.com](http://www.centerragold.com) and Centerra's telephone number is (416) 204-1953. As of December 31, 2007, Centerra has a total of 2,840 employees.

### **History**

Centerra 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").

### ***Kumtor Mine***

Centerra's business originated in 1992 when Cameco, while pursuing uranium prospects in the Kyrgyz Republic, was presented with an opportunity to follow up on the discovery of gold at Kumtor in 1978 and subsequent extensive exploration work by the USSR Ministry of Geology when the Kyrgyz Republic was part of the former Soviet Union. A project development agreement was finalized with the Government of the Kyrgyz Republic in May 1994 under which Cameco Gold, through its wholly-owned subsidiary Kumtor Mountain Corporation ("KMC"), held a one-third interest in Kumtor Gold Company ("KGC"). The remaining interest was held by Kyrgyzaltyn JSC ("Kyrgyzaltyn"), a Kyrgyz joint stock company whose shares are 100% owned by the Government of the Kyrgyz Republic.

Project construction began in late 1994 and was financed by Cameco and an international group of banks and lending agencies. The mine achieved commercial production in the second quarter of 1997 after capital expenditures of \$452 million. The Kumtor mine produced approximately 6.15 million ounces of gold during the 11-year period from 1997 to 2007 at a total cash cost of approximately \$223 per ounce. See "Centerra's Properties — Kumtor Mine".

In December 2003, Centerra entered into the Kumtor Restructuring Agreement with Cameco, Cameco Gold and Kyrgyzaltyn, under which Kyrgyzaltyn and Cameco Gold's subsidiary KMC agreed to sell to Centerra all of their shares in KGC. This restructuring was completed in June 2004.

### ***Boroo Mine and Gatsuurt Development Property***

Centerra's wholly-owned subsidiary AGR Limited ("AGR") indirectly owns 100% of Boroo Gold Company ("BGC"), the holder of the rights to the Boroo gold deposit and 100% of Centerra Gold Mongolia LLC ("CGM"), the holder of the rights to the Gatsuurt gold deposit, each of which is located in Mongolia.

On March 5, 2002, Cameco Gold acquired an initial 52% interest in AGR for \$12 million in cash and the issuance of a \$4.8 million promissory note. The \$4.8 million promissory note was satisfied by Cameco Gold through the indirect transfer of 61% of its interest in the Noyon licenses in Mongolia, including the Gatsuurt development property, to AGR. Cameco Gold acquired an initial interest in Gatsuurt in August 1997 and subsequently acquired 100% of the Noyon licenses in October 2001 from Cascadia LLC. Subsequent to the acquisition of its initial interest in AGR, Cameco Gold increased its interest in AGR to 56% by funding \$3 million of further exploration on the Boroo and Noyon properties.

The development of the Boroo mine was financed by Cameco Gold through a \$69 million loan facility provided to AGR through its financing subsidiary, Cameco (Barbados) Inc., now Centerra (Barbados) Inc. ("CBI"), together with a portion of the original equity investment. Centerra acquired the remaining 44% interest of AGR in 2004.

Boroo began commercial production on March 1, 2004 and through December 31, 2007 produced approximately 1.04 million ounces of gold (excluding approximately 28,000 ounces of gold produced prior to commercial production) at a total cash cost of approximately \$200 per ounce. See “Centerra’s Properties — Boroo Mine” and “Centerra’s Properties — Gatsuurt Development Property”.

### ***Internal Reorganization***

Prior to Centerra’s initial public offering in June 2004, as part of an internal reorganization of Cameco’s gold business, in exchange for Centerra’s common shares and the assumption by Centerra of liabilities that relate to these assets, Cameco Gold and certain of its affiliates transferred to Centerra substantially all of their gold mining assets, including:

- 100% of Kumtor Operating Company (“KOC”), the operator of the Kumtor mine;
- 56% of AGR, which at the time held 95% of the Boroo mine and 61% of Centerra Gold Investments Inc. (“CGII”), which at the time owned the Gatsuurt project through its wholly-owned subsidiary CGM (Centerra subsequently acquired the remaining 44% minority interest in AGR);
- the remaining 39% of CGII;
- 100% of Centerra Gold (U.S.) Inc. (“CGUS”), which at the time held approximately a 62% interest in the REN joint venture; and
- 100% of CBI, which as of December 31, 2004 had outstanding loans receivable of \$61 million to finance the construction of the Kumtor mine and approximately \$69 million to finance the construction of the Boroo mine.

In connection with the 2004 internal reorganization, all of the employees of Cameco Gold primarily involved in the operation of the gold business became Centerra’s employees and Centerra assumed the employment-related liabilities of these employees.

### ***Kumtor Restructuring***

The Kumtor restructuring was completed on June 22, 2004, prior to Centerra’s initial public offering. Prior to the Kumtor restructuring, Cameco Gold held a one-third interest in KGC through its wholly-owned subsidiary KMC. Kyrgyzaltyn, a Kyrgyz joint stock company whose shares are 100% owned by the Government of the Kyrgyz Republic, held the remaining two-thirds interest. Cameco and Kyrgyzaltyn began discussions about restructuring their respective interests in the Kumtor mine in early 2002. Negotiations between the parties continued through the autumn of 2003 and culminated in the execution of the Kumtor Restructuring Agreement between Cameco, Cameco Gold, Centerra and Kyrgyzaltyn in December 2003. The Government of the Kyrgyz Republic issued a decree on December 31, 2003 authorizing the Kumtor restructuring.

Pursuant to the Kumtor Restructuring Agreement, Kyrgyzaltyn and Cameco Gold sold to Centerra all of their shares in KGC. As consideration for Kyrgyzaltyn’s two-thirds interest in KGC, Centerra:

- issued to Kyrgyzaltyn a 33% common share interest in Centerra Gold Inc. (after giving effect to the Kumtor restructuring but not the exchange of subordinated loans by International Finance Corporation (“IFC”) and European Bank for Reconstruction and Development (“EBRD”) or Centerra’s acquisition of the minority interest in AGR);
- assigned to Kyrgyzaltyn a \$4 million debt owed by the Government of the Kyrgyz Republic to Centerra’s wholly-owned subsidiary CBI; and
- paid Kyrgyzaltyn \$11 million in cash (which was provided to Centerra by Cameco Gold by way of an equity subscription as part of the 2004 internal reorganization of its gold business).

In connection with the Kumtor Restructuring Agreement, Centerra entered into a number of agreements with the Government of the Kyrgyz Republic relating to the operation of the Kumtor mine. The material terms of these agreements are described in “Centerra’s Properties — Kumtor Mine”. Centerra also entered into a shareholders agreement with Cameco Gold, KMC and Kyrgyzaltyn, as described in “Principal Shareholders” below. Each of these agreements became effective simultaneously with the closing of the Kumtor restructuring.

### ***Exchange by IFC and EBRD***

Each of IFC and EBRD made subordinated loans to KGC in the amount of \$10 million, the proceeds of which were used in the construction of the Kumtor mine. The repayment of these loans was scheduled to begin in December 2005, but IFC and EBRD had the right to delay the final repayment of the loans until 2013. The calculation of interest payments due under the loans was dependent on the performance of the Kumtor mine.

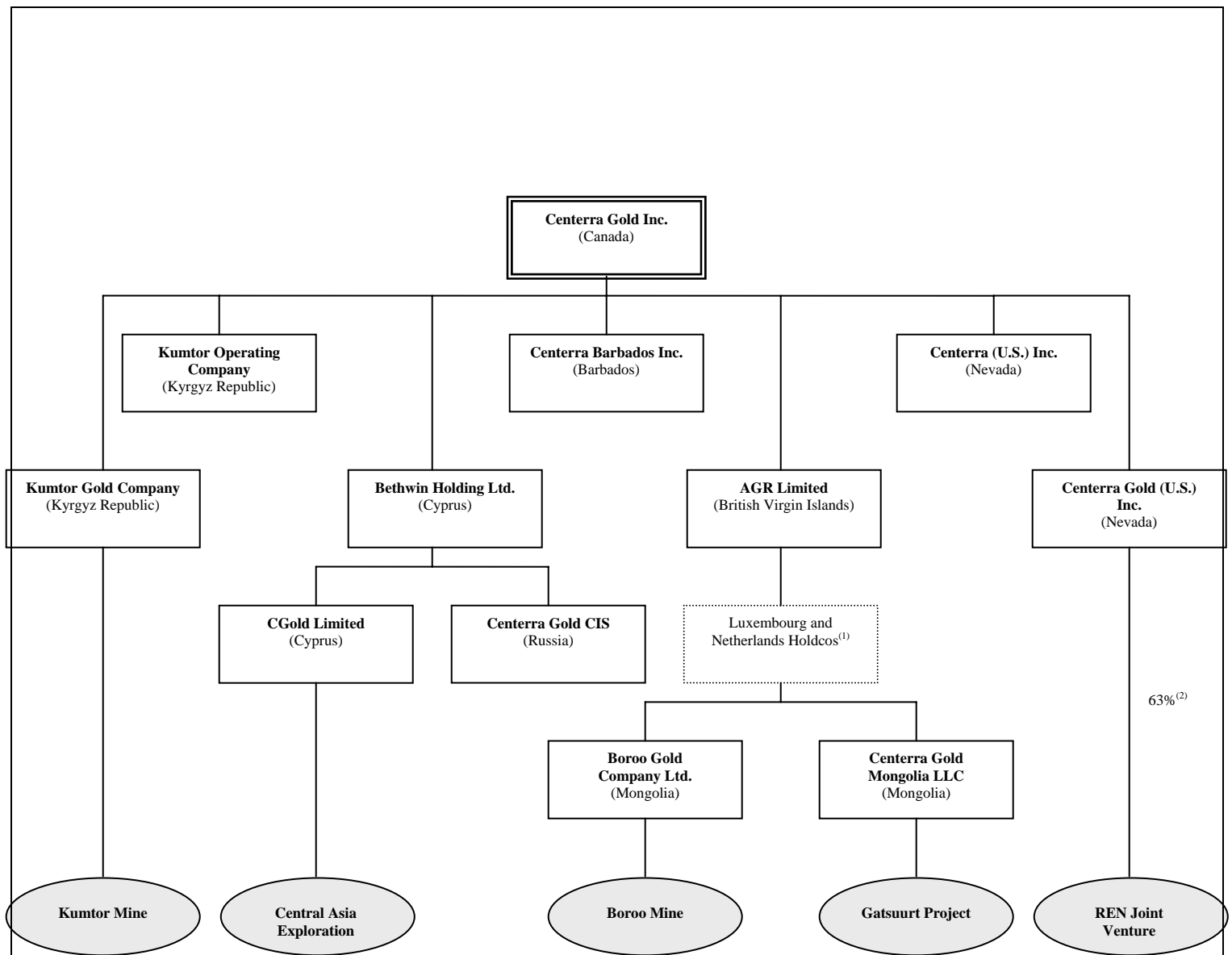
Centerra entered into agreements with each of IFC and EBRD (the “Agency Exchange Agreements”) pursuant to which, in exchange for their assigning to Centerra the benefit of the subordinated loans, Centerra issued to each of IFC and EBRD 1,530,606 common shares and C\$9.5 million. The exchange was conditional upon, and completed concurrently with, the completion of Centerra’s initial public offering.

In connection with the exchange, Centerra agreed with each of IFC and EBRD that, as long as each holds more than 10% of the number of Centerra’s common shares issued to it in connection with the exchange, Centerra will (i) maintain a sustainable development policy; (ii) allow representatives of IFC and EBRD to visit Centerra’s Kumtor and Boroo operations once each year; (iii) perform an environmental assessment in connection with all proposed new projects and developments in accordance with the applicable World Bank policy in effect as of the date of the Agency Exchange Agreements and operate such new projects and developments in accordance with mine and operating plans that seek to limit the environmental impact of the operations and protect human health and safety in accordance with good international mining practices and applicable laws and World Bank guidelines in effect as of the date of the Agency Exchange Agreements; and (iv) conduct Centerra’s Kumtor operations in accordance with good international mining practices, including the most stringent of (a) the standards applicable to the Kumtor mine under the Environmental Management Action Plan (“EMAP”) and (b) the environmental laws of the Kyrgyz Republic, Canada and Saskatchewan in effect from time to time.

To Centerra’s knowledge, EBRD holds 2,295,909 common shares (reflecting the 2006 three-for-one stock split — see “Description of Share Capital — Common Shares”) representing 50% of the Centerra common shares it was issued pursuant to its Agency Exchange Agreement. To Centerra’s knowledge, IFC no longer holds any Centerra common shares.

### **Intercorporate Relationships**

On December 5, 2007, Centerra and certain of its foreign subsidiaries completed an internal reorganization designed to restructure the ownership of Centerra’s Mongolian operations, achieve certain efficiencies and optimize inter-company relationships. The following chart illustrates the relationship between Centerra and its principal subsidiaries following the 2007 reorganization, together with the jurisdiction of incorporation of each subsidiary, as at March 28, 2008. All subsidiaries are 100% owned by their respective parent corporation.



- (1) AGR Limited owns 100% of Centerra Luxembourg S.ar.L., which owns 100% of Centerra Luxembourg (I) S.ar.L., which owns 100% of Centerra Luxembourg (II) S.ar.L., which owns 100% of Centerra Luxembourg (III) S.ar.L., which owns 100% of Centerra Netherlands B.V. which owns 100% of BGC and CGM.
- (2) Barrick Gold Corporation holds the 37% minority interest in the REN Joint Venture.

## CENTERRA'S BUSINESS

### Overview

Centerra is a growth-oriented, Canadian-based gold company focused on acquiring, exploring, developing and operating gold properties primarily in Central Asia, the former Soviet Union and other emerging markets world wide. Centerra believes that its experience in successfully acquiring, financing, developing and operating significant gold mines in Central Asia and the former Soviet Union provides Centerra with a significant competitive advantage in pursuing opportunities in these regions and other emerging markets worldwide. Centerra also evaluates attractive opportunities in other areas that would benefit from its exploration, development and operating expertise. Centerra is one of the largest Western-based gold producers in Central Asia and the former Soviet Union and a leading North American-based gold producer. Centerra's objective is to continue to build shareholder value and to establish itself as a senior gold producer by maximizing the potential of Centerra's current properties and leveraging Centerra's experience and financial strength to acquire and develop new projects.

Centerra currently owns and operates two producing gold mines: the Kumtor mine in the Kyrgyz Republic, and the Boroo mine in Mongolia. Centerra also has interests in development and exploration properties, including a 100% interest in the Gatsuurt property in Mongolia, located 35 kilometres from Boroo, and a 63% interest in the REN property in Nevada for which Centerra is the operator.

In 2007, the Kumtor mine produced approximately 301,000 ounces of gold at a total cash cost of approximately \$610 per ounce and the Boroo mine produced approximately 255,000 ounces of gold at a total cash cost of approximately \$244 per ounce.

As at December 31, 2007, Centerra's interest in the Kumtor and Boroo mines amounted to total proven and probable reserves of 5,950,000 ounces of contained gold, with a further 3,926,000 ounces of contained gold in measured and indicated resources and 2,082,000 ounces of contained gold in inferred resources. As at December 31, 2007, Centerra's interest in the Gatsuurt property amounted to 1,005,000 ounces of contained gold in probable reserves, 607,000 ounces of contained gold in indicated resources and 256,000 ounces of contained gold in inferred resources. As at December 31, 2007, Centerra's interest in the REN property amounted to 767,000 ounces of contained gold in indicated resources and 272,000 ounces of contained gold in inferred resources. Centerra has made a substantial commitment to exploration activities focused on growing the reserves and resources at its properties, including \$19.1 million of exploration expenditures in 2007. Centerra has budgeted approximately \$25 million on exploration in 2008. In addition, Centerra initiated a \$36 million underground exploration and development program at Kumtor. Expenditures in respect of the underground project were \$13.7 million in 2007.

In December 2007, Centerra concluded indicative terms for a \$100 - \$150 million revolving credit facility to supplement Centerra's liquidity. HSBC Bank is the arranging bank for the facility and will act as administrative agent. Closing of the facility is subject to syndication and definitive loan documentation.

For more information about Centerra's business, including a discussion of the gold industry and key economic trends, see Centerra's Management's Discussion and Analysis for the year ended December 31, 2007, filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### Mineral Reserves and Resources Information

The table below summarizes Centerra's mineral reserves and mineral resources as of December 31, 2007, estimated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101. The estimates for Kumtor, Boroo, Gatsuurt and REN were prepared under the supervision of Ian Atkinson, Certified Professional Geologist, Centerra's Vice President, Exploration, who is a qualified person. Although Centerra has prepared and verified the mineral reserve figures set out below and elsewhere in this Annual Information Form, such figures are estimates which are, in part, based on forward-looking information. Estimated reserves may have to be recalculated based upon actual production experience. Fluctuations in the price of gold, production costs or recovery rates may render the reserves unprofitable to develop at a particular site or sites for periods of time. See "Risk Factors" and "Forward-Looking Information".

Mineral resources are not mineral reserves and do not have demonstrated economic viability, but they do have reasonable prospects for economic extraction. Measured and indicated mineral resources are sufficiently well-defined to allow geological and grade continuity to be reasonably assumed and permit the application of technical and economic parameters in assessing the economic viability of the resource. Inferred resources are estimated on limited information not sufficient to verify geological and grade continuity and to allow technical and economic parameters to be applied. Inferred resources are too speculative geologically to have economic considerations applied to them. There is no certainty that mineral resources of any category will be upgraded to mineral reserves. See “Glossary of Geological and Mining Terms” for complete definitions of “mineral reserve” and “mineral resource”.

A gold price of \$550 per ounce was used for all of the reserve estimates. The reserve estimates as of December 31, 2006 used a gold price of \$475 per ounce and as of December 31, 2005 used a gold price of \$400 per ounce.

**2007 Year-end Reserve and Resource Summary**  
(as of December 31, 2007)

Reserves <sup>(1)</sup>	(Tonnes and Ounces in Thousands) <sup>(11)(12)</sup>										
	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's Share (oz) <sup>(3)</sup>	Mining Method <sup>(4)</sup>
Kumtor <sup>(6)</sup> .....	9,888	3.8	1,223	28,546	4.0	3,679	38,434	4.0	4,902	4,902	OP
Boroo <sup>(8)</sup> .....	3,684	2.5	291	20,405	1.2	757	24,089	1.4	1,048	1,048	OP
Gatsuurt <sup>(9)</sup> .....	—	—	—	9,101	3.4	1,005	9,101	3.4	1,005	1,005	OP
<b>Total</b> .....	<b>13,572</b>	<b>3.5</b>	<b>1,514</b>	<b>58,052</b>	<b>2.9</b>	<b>5,441</b>	<b>71,624</b>	<b>3.0</b>	<b>6,955</b>	<b>6,955</b>	

Measured and Indicated Resources <sup>(2)</sup>	(Tonnes and Ounces in Thousands) <sup>(11)(12)</sup>										
	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's Share (oz) <sup>(3)</sup>	Mining Method <sup>(4)</sup>
Kumtor <sup>(5)(6)</sup> .....	18,770	3.2	1,931	19,323	2.8	1,741	38,093	3.0	3,672	3,672	OP
Boroo <sup>(5)(8)</sup> .....	452	2.0	29	5,016	1.4	225	5,468	1.5	254	254	OP
Gatsuurt <sup>(9)</sup> .....	—	—	—	6,238	3.0	607	6,238	3.0	607	607	OP
REN <sup>(10)</sup> .....	—	—	—	2,991	12.7	1,220	2,991	12.7	1,220	767	UG
<b>Total</b> .....	<b>19,222</b>	<b>3.2</b>	<b>1,960</b>	<b>33,568</b>	<b>3.5</b>	<b>3,793</b>	<b>52,790</b>	<b>3.4</b>	<b>5,753</b>	<b>5,300</b>	

Inferred Resources <sup>(2)</sup>	(Tonnes and Ounces in Thousands) <sup>(11)(12)</sup>				
	Inferred				
Property	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) <sup>(3)</sup>	Mining Method <sup>(4)</sup>
Kumtor <sup>(5)(6)</sup> .....	778	1.8	46	46	OP
Kumtor SB Underground <sup>(7)</sup> .....	2,796	20.0	1,797	1,797	UG
Boroo <sup>(5)(8)</sup> .....	7,723	1.0	239	239	OP
Gatsuurt <sup>(9)</sup> .....	2,437	3.3	256	256	OP
REN <sup>(10)</sup> .....	835	16.1	432	272	UG
<b>Total</b> .....	<b>14,569</b>	<b>5.9</b>	<b>2,770</b>	<b>2,610</b>	

- (1) The reserves have been estimated based on a gold price of \$550 per ounce.
- (2) Mineral resources are in addition to reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability when calculated using mineral reserve assumptions.
- (3) Centerra's equity interests are as follows: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 63%.
- (4) "OP" means open pit and "UG" means underground.
- (5) Open pit resources occur outside the current pits, which have been designed using a gold price of \$550 per ounce.
- (6) The open pit reserves and resources at Kumtor are estimated based on a cut-off grade of 1.0 grams of gold per tonne and include the Central Pit and the Southwest and Sarytor deposits.
- (7) Underground resources occur below the Central Pit shell and are estimated based on a cut-off grade of 7.0 grams of gold per tonne.
- (8) The reserves and resources at Boroo are estimated based on a variable cut-off grade depending on the type of material and the associated recovery. The cut-off grades range from 0.2 to 0.8 grams of gold per tonne.
- (9) The reserves and resources at Gatsuurt are estimated using either a 1.2 or 1.9 grams of gold per tonne cut-off grade depending on the type of material and the associated recovery.
- (10) The resources at REN are estimated based on a cut-off grade of 8.0 grams of gold per tonne.
- (11) A conversion factor of 31.10348 grams of gold per ounce is used in the reserve and resource estimates.
- (12) Numbers may not add up due to rounding.

## Gold Reserves and Resources Reconciliation

The following reconciliation of Centerra's share of gold reserves and resources reflects the changes in gold reserves and resources during 2007. Changes in reserves or resources, as applicable, are attributed to information provided by drilling and subsequent reclassification of reserves or resources, an increase in the gold price, changes in pit designs, reconciliation between the mill and the resource model, and changes to operating costs.

The increase in the reserves and resources at Kumtor during 2007 is a result of lowering the cut-off grade and changes in pit design. The reserve grade decreased from 4.7 to 4.0 grams of gold per tonne due to the lowering of the cut-off grade from 1.3 to 1.0 grams of gold per tonne, reflecting the increase in gold price used in estimating the reserves. At Boroo, the change in reserves in 2007 is a result of a slight increase in the size of the pit design. At Gatsuurt, reserves were unchanged as the benefit of the increased gold price was offset by increases in estimated operating costs.

### Reconciliation of Gold Reserves and Resources (in thousands of ounces of contained gold)<sup>(8)</sup>

	December 31 2006 <sup>(1)</sup>	2007 Throughput <sup>(2)</sup>	2007 Addition (Deletion) <sup>(3)</sup>	December 31 2007	Centerra's Share December 31 2007 <sup>(4)</sup>
<b>Reserves – Proven and Probable</b>					
Kumtor <sup>(5)</sup> .....	4,745	421	578	4,902	4,902
Boroo.....	1,234	297	111	1,048	1,048
Gatsuurt <sup>(7)</sup> .....	<u>1,005</u>	<u>0</u>	<u>0</u>	<u>1,005</u>	<u>1,005</u>
<b>Total Proven and Probable Reserves.....</b>	<b><u>6,984</u></b>	<b><u>718</u></b>	<b><u>689</u></b>	<b><u>6,955</u></b>	<b><u>6,955</u></b>
<b>Resources – Measured and Indicated</b>					
Kumtor <sup>(6)</sup> .....	3,502	0	170	3,672	3,672
Boroo.....	285	0	(31)	254	254
Gatsuurt <sup>(7)</sup> .....	607	0	0	607	607
REN.....	<u>1,220</u>	<u>0</u>	<u>0</u>	<u>1,220</u>	<u>767</u>
<b>Total Measured and Indicated Resources.....</b>	<b><u>5,614</u></b>	<b><u>0</u></b>	<b><u>139</u></b>	<b><u>5,753</u></b>	<b><u>5,300</u></b>
<b>Resources – Inferred</b>					
Kumtor <sup>(6)</sup> .....	40	0	6	46	46
Kumtor SB Underground.....	1,830	0	(33)	1,797	1,797
Boroo.....	240	0	(1)	239	239
Gatsuurt <sup>(7)</sup> .....	256	0	0	256	256
REN.....	<u>432</u>	<u>0</u>	<u>0</u>	<u>432</u>	<u>272</u>
<b>Total Inferred Resources.....</b>	<b><u>2,798</u></b>	<b><u>0</u></b>	<b><u>(28)</u></b>	<b><u>2,770</u></b>	<b><u>2,610</u></b>

(1) Centerra's share of reserves and resources as reported in Centerra's 2006 AIF on a 100% equity basis. Centerra's actual equity interests at December 31, 2006 were as follows: Kumtor 100%, Gatsuurt 100%, Boroo 95% and REN 62%.

(2) Corresponds to mill feed. The discrepancy between the 2007 mill feed and 2007 ounces of gold produced is due to gold recovery in the mill.

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

(4) Centerra equity interests as at December 31, 2007 were as follows: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 63%.

(5) Kumtor reserves include the Central Pit and the Southwest Zone and Sarytor satellite deposits.

(6) Kumtor open pit resources include the Central Pit and the Southwest Zone and Sarytor satellite deposits.

(7) Gatsuurt reserves and resources include the Central Zone and Main Zone deposits.

(8) Centerra reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves. Numbers may not add up due to rounding.

## CENTERRA'S PROPERTIES

### Kumtor Mine

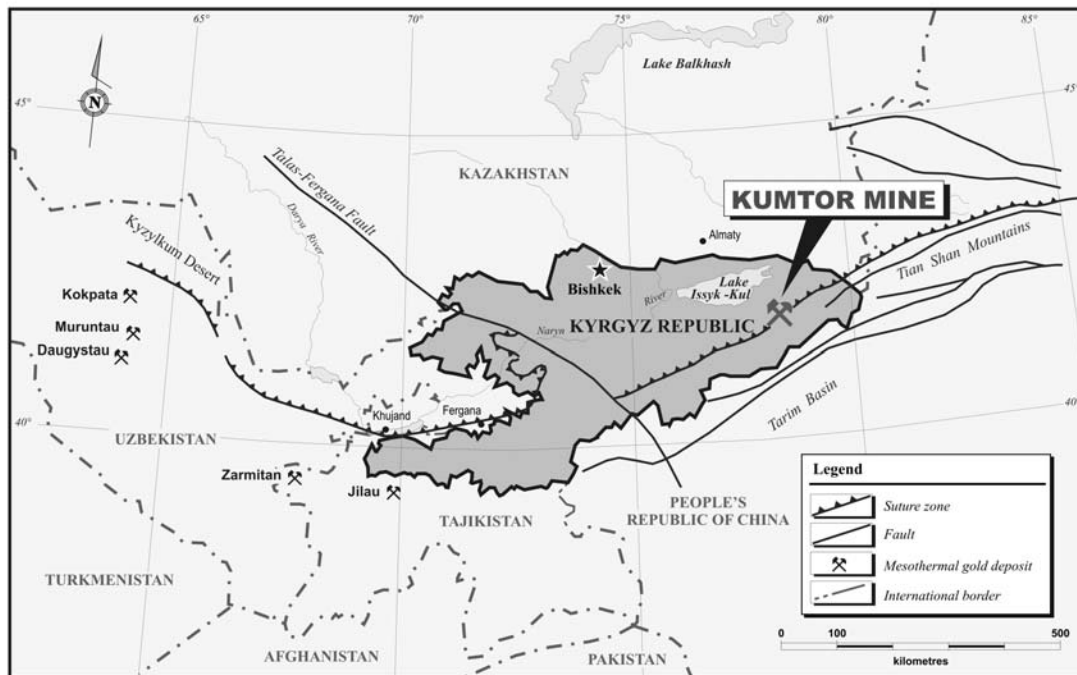
The Kumtor open pit gold mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based producer. It has been in operation since 1997. During the 11-year period from 1997 to 2007, the Kumtor mine produced about 6.15 million ounces of gold at a total cash cost of approximately \$223 per ounce.

### *Doing Business in the Kyrgyz Republic*

#### *Overview*

The Kyrgyz Republic is a landlocked and mountainous country located in the middle of the Asian continent. It is bordered by Kazakhstan in the north, the People's Republic of China in the east, Tajikistan in the south and Uzbekistan in the west. It is the smallest of the Central Asian nations and has a population of approximately five million people. The Kyrgyz economy is predominantly agricultural, with two thirds of the country's population living in rural areas. The Kyrgyz Republic is a secular state and freedom of religion is protected in its constitution. Approximately 75% of the population is Muslim and 20% is Russian Orthodox. The country contains deposits of gold and rare earth metals as well as locally exploitable coal, oil and natural gas.

### Kyrgyz Republic and Surrounding Area



#### *Government and Political Factors*

The Kyrgyz Republic had been a constituent republic of the Soviet Union. The country declared its independence from the Soviet Union in 1991 and became a member of the Commonwealth of Independent States (the "CIS"). Since independence, the nation has undertaken substantial economic and political reforms, such as the introduction of an improved regulatory system and land reforms, and has undergone a transition to a market-oriented economy. The Government and international financial institutions have also engaged in a comprehensive medium-term poverty reduction and economic growth strategy.

The country's legal system, both legislative and judicial, has been substantially reformed since 1991. However, the legal system has not matured to the level of those of developed economies. These factors make it prudent for foreign investors to seek additional protection through contractual agreements with the Government in order to stabilize the investment environment and provide for an independent forum for conflict resolution.

On February 28, 2005, the Kyrgyz Republic's 105-member bicameral parliament ceased to exist and was replaced by a unicameral parliament with 75 seats. The new unicameral parliament had broader constitutional powers, with certain powers being relinquished to it by the President. These changes were made pursuant to constitutional referendums conducted in 2003.

There was political unrest in the lead-up to the February 27, 2005 parliamentary elections. As a result, from February 22 to 26, 2005, the Kumtor mine was unable to move employees and supplies to and from the mine site due to roadblocks on public highways. The roadblocks ended on February 27, 2005 and normal operations resumed on March 2, 2005 with production unaffected.

The parliamentary elections precipitated additional unrest, and on March 24, 2005, then-President Askar Akaev, who had first been elected to that position in 1991, resigned under allegations of election fraud. The newly elected parliament designated Mr. Kurmanbek Bakiyev as the acting President. Subsequently, on July 10, 2005, Mr. Bakiyev won a presidential election and was inaugurated as the President of the Kyrgyz Republic for a five-year term. Mr. Felix Kulov was appointed the Prime Minister.

Following the resignation of President Akaev, the new Government began various investigations into the activities of the prior Government and former President Akaev's assets. Centerra's wholly-owned Kyrgyz subsidiary, KGC, was included in the list of assets subject to inquiry by a special commission formed for this purpose on April 18, 2005. The commission published a report in June 2005 on its findings that did not contain any allegations against Centerra or its subsidiaries.

The State Audit Chamber of the Kyrgyz Republic was asked by the previous parliament to provide clarification to it with respect to the Kumtor restructuring in 2004. See "Corporate Structure and History — History — Kumtor Restructuring". In April 2005, KGC was requested to provide information with respect to the restructuring. KGC agreed to assist the Chamber in its review. Subsequently, in June 2005, the Prosecutor General's office requested documents from KOC and Centerra as part of a criminal investigation into alleged abuses of power or authority by officers of the Kyrgyz Government, Kyrgyzaltyn, KGC and KOC. The investigation was based on previous parliamentary resolutions opposing and challenging the Kumtor agreements and the legality of the restructuring. Centerra responded cooperatively to these requests. Centerra stated publicly that it was not aware of any basis for allegations of criminal conduct, and noted that the Kumtor restructuring had been approved by government decree and was supported by legal opinions of the Ministry of Justice on the authority of the Government to enter into and complete the restructuring.

These inquiries and investigations did not have any material negative effect on Kumtor, and to Centerra's knowledge, they are inactive or are currently not being pursued by the Kyrgyz authorities. Nonetheless, as the largest foreign investment enterprise in the Kyrgyz Republic, the Kumtor project continues to be the subject of significant political debate.

In the first quarter of 2007, Cameco and Centerra entered into negotiations with representatives of the Government to address the Government's concerns with respect to the agreements governing the Kumtor project. In late March 2007, the Kyrgyz Parliament began to consider draft legislation that, among other things, challenged the legal validity of the Kumtor agreements with the Kyrgyz Republic, proposed recovery of additional taxes on amounts relating to past activities, and provided for the transfer of gold deposits (including Kumtor) to a state-owned entity. If enacted, there would have been a substantial risk of harm to the Company's rights. In response to the draft legislation, Centerra notified the Government that it intended to proceed with the international arbitration proceeding previously commenced by the Company in relation to certain tax disputes with the Government. See "Legal Proceedings". The Company initiated the appointment of an arbitrator and notified the Government that the nationalization bill represented an additional dispute in the arbitration. The arbitration has been suspended pending completion of the agreements entered into between Centerra and Cameco and the Government in August 2007.

Centerra, Cameco and the Government continued their discussions in the second quarter, including in Bishkek from July 16 to 20, 2007. The Government's working group, chaired by the Minister of Finance, and including members of the Government, representatives from the Kyrgyz Parliament and from civil societies, presented their views of the Kumtor project and their positions regarding material economic terms for settlement of all disputes.

#### *Agreement on New Terms*

In August 2007, Centerra, Cameco and the Government entered into preliminary framework agreements on certain outstanding issues regarding the Kumtor project. The Government submitted the preliminary framework agreements for parliamentary approval in early September 2007. Parliament began to deliberate the issue during the first half of October and scheduled its final vote on the issue for October 22, 2007. On October 21, 2007, the citizens of the Kyrgyz Republic voted in a referendum on drafts of a new constitution and new electoral law proposed by the President of the Kyrgyz Republic. On October 22, 2007, the President dismissed the Parliament effective that day. The President signed the new constitution and electoral law into law on October 23, 2007. On October 31, Centerra, Cameco and the Government agreed to extend the deadline for closing the transactions contemplated by the agreements from October 31, 2007 to February 15, 2008.

Parliamentary elections were held on December 16, 2007. The political party "Ak-Jol" received the majority of seats (71 out of 90) and under the terms of the new constitution formed the new government.

On February 13, 2008, Centerra and Cameco received a letter from the Prime Minister of the Kyrgyz Republic requesting an extension of the deadline for completion of the transactions contemplated by the preliminary framework agreements on the Kumtor Project from February 15, 2008 to April 30, 2008. The request is a result of the deliberations of the Parliamentary Committee on International Affairs and Inter-Parliamentary Cooperation, which has primary responsibility for presenting the agreements for Parliamentary ratification. The Parliamentary Committee reached the decision (1) to request that the Government provide definitive agreements with Centerra and Cameco for the Committee's review; (2) to request that the Government provide to the Committee additional financial and technical information and documents relating to the Kumtor project, Centerra's non-Kyrgyz Republic assets and other matters; and (3) to recommend to the Government that it request an extension until April 30, 2008 for the ratification of the proposed transactions with Centerra and Cameco relating to the Kumtor Project. Also on February 13, 2008, the Government established a working committee to examine issues raised by the decision of the Parliamentary Committee, conduct negotiations with Centerra and Cameco, if required, and submit proposals and materials to the Parliament.

On February 15, 2008, Centerra and Cameco agreed to extend the deadline for completion of the transactions contemplated by the preliminary framework agreements from February 15, 2008 to April 30, 2008.

On February 5, 2008, Centerra issued a press release responding to media reports of a criminal tax evasion investigation by Kyrgyz authorities against it and KGC. KGC is cooperating with the Kyrgyz financial police with respect to their investigation. The Kyrgyz Republic financial police have requested information and documents with respect to the Kumtor project and have interviewed Kumtor personnel. The Kyrgyz Republic State Tax Inspectorate recently completed audits on KGC for 2003 and 2004 and no material disagreement regarding payable taxes by KGC were identified. KGC continues to pay all taxes in accordance with local laws and its investment agreement and believes there is no basis for the investigation.

In February 2008, Kubanychbek Isabekov, a member and vice-speaker of the Kyrgyz Parliament, commenced an action in the Inter-District Court of Bishkek against the Government, seeking cancellation of the Government's December 31, 2003 decree approving the 2004 Kumtor restructuring and seeking to invalidate the Investment Agreement and Concession Agreement entered into between the Government, KGC and Centerra at the time of the restructuring. Centerra is not a party to the action. The court proceeding was postponed indefinitely on March 26, 2008. As discussed under "Government and Political Factors" above, the restructuring was supported by legal opinions of the Ministry of Justice on the authority of the Government to enter into and complete the restructuring, including entering into the Investment Agreement and Concession Agreement. Disputes with respect to these agreements or the Kumtor project are subject to international arbitration and therefore Centerra does not believe that the courts of the Kyrgyz Republic have jurisdiction with respect to its rights.

The preliminary framework agreements are subject to the satisfaction of certain conditions, including approval of the Parliament of the Kyrgyz Republic, Centerra's board of directors and Cameco's board of directors, the negotiation and signing of definitive agreements among Centerra, Cameco and the Government and any required regulatory or other approvals. These conditions have not yet been satisfied. The terms of Centerra's preliminary agreement with the Government (the "Agreement on New Terms") provides for the Government's full commitment to and support for Centerra's continuing long-term operation and development of the Kumtor project and provides that Kumtor's current tax regime will be replaced, effective January 1, 2008, with a simplified new tax rate for the Kumtor project applied to proceeds from products sold at the rate of 11% in 2008, 12% in 2009 and 13% thereafter. This includes payment of 1% of such proceeds from products sold into the Issyk Kul Oblast Development Fund. The revised tax regime will require Parliamentary approval as it modifies the existing generally applicable tax regime. It is expected to provide more cash flow certainty to the Kyrgyz Republic (because taxes will be based on revenue and not income), to be beneficial to the Kumtor project at current gold prices and to reduce the administrative burden to both parties by significantly reducing the complexity of calculating and administering taxes.

The Agreement on New Terms also contemplates, among other things, that:

- the parties shall enter into an amended Concession Agreement to extend KGC's concession to include all territory of KGC's current exploration and development license; and
- a second Government representative shall be appointed to the board of directors of Centerra when the Government receives voting rights with respect to all of the 32.3 million Centerra common shares to be transferred to it by Cameco.

Upon the satisfaction of the conditions to completion, Cameco will transfer 32.3 million common shares of Centerra to the Kyrgyz Government; 17.3 million of such shares will be held in escrow to be released within four years subject to earlier release in certain circumstances (the "Escrow Shares"). The Company has entered into an agreement (the "Agency Agreement") with Cameco to issue 10 million treasury common shares of Centerra to Cameco after the transfer of common shares by Cameco to the Government. After completion of the transactions, the Kyrgyz Government will own 29.3% of Centerra, Cameco will own 40.5% and the balance, 30.2%, will be held by public shareholders.

If the issues between Cameco and Centerra, on the one hand, and the Government, on the other, are not resolved to their mutual satisfaction, the risks to Centerra will increase. See "Risk Factors".

### *Legal Proceedings*

In September 2005, the Prime Minister of the Kyrgyz Republic issued a government decree amending the existing regulation in respect of the high altitude premium for the Kumtor mine site that had the effect of an increase in salaries for national employees. The new high altitude premium became effective January 1, 2006. In the first quarter of 2006, the Kumtor trade union applied to the Prosecutor's Office claiming that KGC violated labour legislation by not paying the new high altitude premium. The Prosecutor's Office requested that KGC remedy the alleged violation. KGC took the position that it was entitled under the stabilization provisions of the Investment Agreement (described below under "Relevant Kyrgyz Law and the Investment Agreement with the Government of the Kyrgyz Republic") to elect not to be subject to this new law and commenced international arbitration proceedings.

In November 2006, the Government asked KGC to postpone the arbitration and formed a special government commission to review the issue. On December 19, 2006, the mine department and some support services personnel began an illegal work stoppage at the Kumtor mine site. Milling operations, however, continued utilizing stockpiled ore. The illegal action related to Kumtor's negotiations with trade union representatives with respect to the existing collective agreement, which was due to expire on December 31, 2006. At the centre of the labour dispute was the increase in the high altitude premium. The day after the illegal work stoppage began, the government commission informed KGC that it did not intend to change its position that the amendment applied to Kumtor and instructed KGC to comply with its decision. In order to mitigate its losses and potential losses for the Kyrgyz Republic, KGC agreed to make the payments required by the amendment under protest and immediately resumed arbitration proceedings with a view to recovering this amount. On December 22, 2006, the illegal work stoppage at Kumtor ended and normal mine operations resumed. KGC entered into a new two-year collective

agreement on February 6, 2007. The increased labour costs of complying with the amendment were approximately \$6.5 million in 2007. The arbitration proceedings have been suspended pending completion of the transactions described in the Agreement on New Terms.

In December 2005, Kyrgyz authorities issued a notice to KGC for the payment of land tax relating to certain non-agricultural land of low or no value leased by KGC from the district administration. On February 16, 2006, the Inter-District Court of Bishkek ordered KGC to pay approximately \$1.15 million in respect of this tax. Centerra and KGC notified the Government on March 8, 2006 that they objected to the court order and that, failing a negotiated resolution of the matter, they intended to commence international arbitration. The arbitration was suspended pending anticipated negotiations with the Government. In December 2006, at the direction of the government commission, KGC paid the full amount of the tax. In response to certain Parliamentary actions in March 2007, the Company notified the Government that it intended to proceed with the arbitration. The Company initiated the appointment of an arbitrator and notified the Government that the Parliamentary action represented an additional dispute in the arbitration. See “Government and Political Factors” above. The arbitration proceedings have been suspended pending completion of the transactions described in the Agreement on New Terms.

#### *Economic Factors, Exchange Controls and Regulation of Business*

The national currency of the Kyrgyz Republic, the som, is freely convertible into U.S. dollars within the Kyrgyz Republic at a floating exchange rate and has remained relatively stable over the last four years. However, between October and December 2007, the som strengthened relative to the United States dollar by approximately 8%. The Kyrgyz economy, although still recovering from the post-Soviet collapse and substantially lagging in foreign investment when compared with its oil-rich neighbours Kazakhstan and Uzbekistan, is exhibiting positive economic signs. The Kyrgyz Republic was the first former Soviet Republic state to be accepted as a member of the World Trade Organization and one of the first to receive financial support from the International Monetary Fund (“IMF”). Further restructuring of domestic industry and success in attracting foreign investment are seen as key to future growth. However, in March 2007, the Government of the Kyrgyz Republic refused to participate in the IMF Highly Indebted Poor Countries Debt Initiative (“HIPC”), which would have provided partial forgiveness of the country’s international debt. HIPC entails coordinated action by the international financial community, including multilateral organizations and governments, to reduce to sustainable levels the external debt burdens of the most heavily indebted poor countries. The Government and the IMF continue to engage in discussions regarding other kinds of financial support.

The Kumtor mine plays a particularly important role in the economic and political life of the Kyrgyz Republic. It is the largest private sector employer of Kyrgyz citizens and is the largest foreign investment in the country and represents a significant portion of the country’s gross domestic product (“GDP”), export earnings and total industrial production. The importance of the Kumtor mine to the Kyrgyz economy means that it has a very high profile within the country. Accordingly, the Kumtor mine continues to be at the centre of political and public attention in the Kyrgyz Republic.

#### *Relevant Kyrgyz Law and the Investment Agreement with the Government of the Kyrgyz Republic*

Prior to the Kumtor restructuring, the operations of the Kumtor mine and its property holdings were governed by a Master Agreement entered into in 1992 between Cameco, the Government of the Kyrgyz Republic and Kyrgyzaltyn (the “Master Agreement”) and related agreements. These agreements established the applicable rules and regulations with respect to the exploitation of the Kumtor property, including the tenure of mineral and surface rights, operating obligations, applicable taxes, employment of Kyrgyz citizens and the import and export of funds, materials and gold produced from the Kumtor mine. Other laws and regulations of general application in the Kyrgyz Republic also applied to the operation of the Kumtor mine, except to the extent they conflicted with these agreements.

As part of the Kumtor restructuring, Centerra Gold Inc., Cameco, Kyrgyzaltyn and the Government of the Kyrgyz Republic entered into an agreement pursuant to which, effective simultaneously with the completion of the Kumtor restructuring, the Master Agreement was replaced by an Investment Agreement (the “Investment Agreement”) between Centerra Gold Inc., KGC and the Government of the Kyrgyz Republic. The Investment Agreement and related agreements set out the terms and conditions applicable to Centerra’s ongoing operation and

development of the Kumtor mine and have continued the regime established by the Master Agreement. The Investment Agreement has a term lasting until the earlier of 2043 or when the Kumtor deposits are exhausted and mining is completed. The Agreement on New Terms contemplates that the Investment Agreement shall be amended to give definitive effect to certain provisions of the Agreement on New Terms.

The laws of the Kyrgyz Republic that are most relevant to Centerra's operations are the law of March 27, 2003, *On Investments in the Kyrgyz Republic* (the "Investment Law") and the law of March 6, 1992, *Law on Concessions and Foreign Concession Enterprises in the Kyrgyz Republic* (the "Concessions Law").

The Investment Law establishes the basic principles of the Kyrgyz Republic's policy toward foreign investment as well as investor protections. It provides that foreign investors are entitled to freely use, possess and dispose of their investments and to freely export or repatriate the proceeds of these investments. The Investment Law prohibits all types of discrimination toward foreign investors or investments, including discrimination based on country of origin. Investors are guaranteed freedom from interference by governmental bodies with their economic activities, free conduct of monetary operations, the right to hire both Kyrgyz citizens and expatriates and the ability to submit resolution of disputes to international arbitration.

The Investment Law states that expropriation of investments must be conducted in accordance with Kyrgyz law and, where effected, must be in the public interest. Expropriation must not be discriminatory and must be accompanied by timely, proper and real compensation of losses, including lost profit. The amount of such compensation is to be determined in accordance with the fair market value of the expropriated investment, together with interest from the date of expropriation. Investors who suffer losses as a result of war or other armed conflict, upheaval or other similar circumstances will be granted the same legal status and terms of operation as Kyrgyz nationals.

Under Kyrgyz law, mining rights may be granted either by way of exploration or mining licenses, both of which are issued by the State Agency on Geology and Mineral Resources, or by a concession from the Government of the Kyrgyz Republic. Although concessions are typically much more difficult, expensive and time-consuming to obtain, they provide investors with greater protection. While a license may be terminated without the licensee's consent in certain circumstances, including a breach of the law, a concession may only be terminated in accordance with the terms and conditions of the agreement pursuant to which it is granted.

The Concessions Law establishes the procedure by which the Government of the Kyrgyz Republic may grant concessions to foreign investors and provides for the status and rights of such investors. The most important step is the execution of an agreement between the Government of the Kyrgyz Republic and the relevant investor, in which the Government of the Kyrgyz Republic gives permission to possess and use the property granted under the concession and to gain proceeds from such concession.

The Investment Agreement builds on these principles and preserves the benefit of the provisions of the Investment Law, Concessions Law and certain other Kyrgyz laws and regulations, all as they existed at the time of the Kumtor restructuring. The Investment Agreement also specifies that Centerra will be subject to only those Kyrgyz tax laws and regulations that existed as of December 31, 2003 as described below. This includes a profit tax of 10%, a withholding tax on dividends and interest of 10% and an emergency fund tax of 1.5% of the value of products sold. As discussed above, the Agreement on New Terms provides for the establishment of a revised tax regime which would replace such taxes.

Pursuant to the Investment Agreement, Centerra has the right to elect whether to be subject to any change in tax laws or regulations that modifies the amount or timing of tax or the manner in which tax liability is determined or calculated (whether or not the tax change increases or decreases Centerra's liability) or instead remain subject to the tax in effect prior to the change for a term of 10 years from the date of the change. However, if a change in tax laws eliminates any specified tax in its entirety (as opposed to merely reducing a specified tax), Centerra will remain subject to that tax as it existed prior to its elimination. If Centerra elects to be subject to a tax law change that imposes an additional burden equivalent to that imposed by the eliminated tax, then it will cease to be subject to the eliminated tax. Centerra will also continue to benefit from an exemption from certain value-added taxes, as provided by the Concessions Law. For 2007, Centerra has minimal exposure to current corporate income taxes due to the availability of tax loss carry-forwards to offset taxable income in the Kyrgyz Republic.

In addition to the guarantees against expropriation, together with any other such guarantees that might otherwise apply under Kyrgyz law, the Investment Agreement provides Centerra with specific protection against and remedies in the event of expropriation by the Government of the Kyrgyz Republic. Centerra's rights to national treatment and non-discrimination have also been specifically continued. In particular, Centerra has the right to elect not to be subject to any change in investment-related laws and certain other Kyrgyz laws and regulations (other than with respect to taxes, as described above). Instead, Centerra has the right to remain subject to such laws in effect prior to such change for a term of 10 years from the date of the change.

In addition, the Investment Agreement provides that Centerra is entitled to all necessary permits and approvals relating to the Kumtor mine, including with respect to environmental matters and hiring of foreign nationals.

Pursuant to the Investment Agreement, the Government of the Kyrgyz Republic has agreed not to suspend any of Centerra's operations except in accordance with an arbitration award or as required in order to protect human health or safety or imminent material harm to the environment. Centerra is guaranteed access to the Kumtor site as well as uninterrupted electricity and other infrastructure. The Government has agreed to provide the required police, security and other civil services in accordance with Kyrgyz law in order to maintain public order and security for the Kumtor operations.

Centerra has the right to import any capital equipment and operating supplies, subject to import duties and administrative charges, but free of other charges and without unreasonable formalities that might hinder or delay such imports. Centerra also has the right to export any of its products, including processed or unprocessed minerals of any type, free of export duty and other charges and without unreasonable formalities, subject to the provisions of the Gold and Silver Sale Agreement described under "Kumtor Mine — Mining Operations — Gold Sales" below.

Centerra is specifically provided the right to freely convert between foreign and Kyrgyz currency, to transfer foreign currency in and out of the Kyrgyz Republic, to maintain foreign currency accounts and to be exempted from future exchange or similar controls to which domestic investors may be subject. The Investment Agreement will continue for the benefit of anyone who becomes Centerra's legal successor, including any entity resulting from Centerra's merger with another company or any successor to Centerra's interest in KGC.

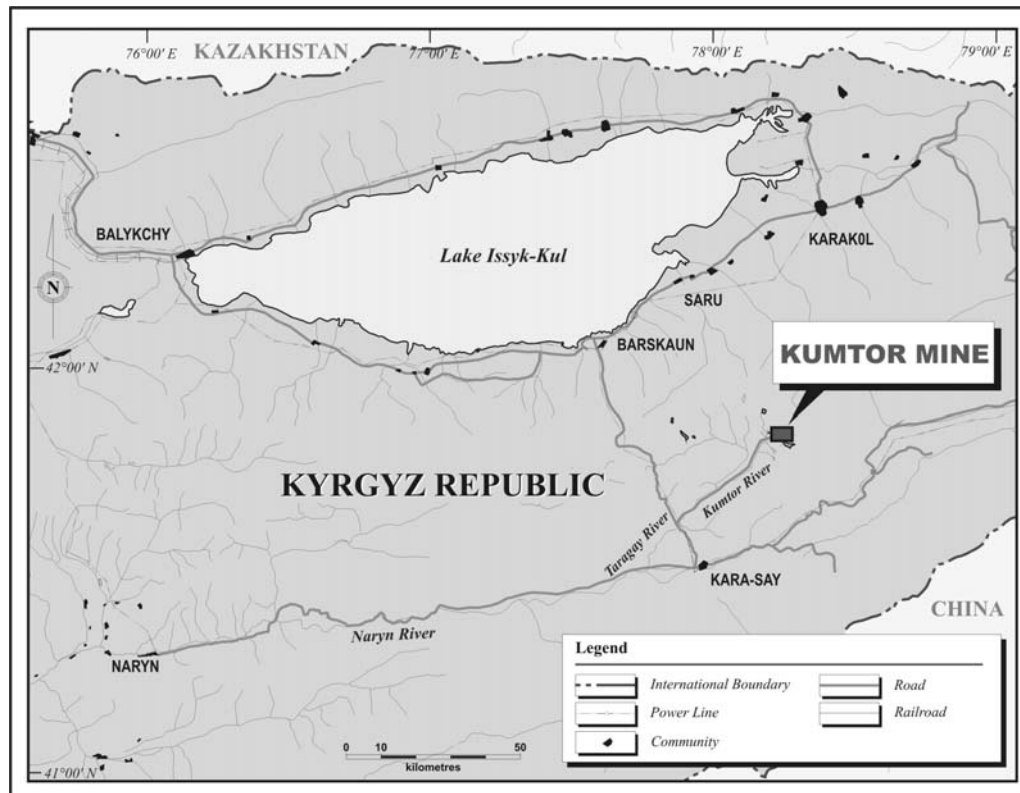
The agreements Centerra has entered into in connection with the Kumtor restructuring were also designed to preserve and extend the benefits that the Kumtor mine has brought to the Kyrgyz Republic. Under the Investment Agreement, Centerra has committed to continue to conduct its operations in accordance with good international mining practices, in material compliance with the standards applicable under the EMAP for the Kumtor mine, which include operation in material compliance with federal Canadian, Saskatchewan and World Bank environmental, health and safety laws, regulations, policies and guidelines in effect as of June 15, 1995 and all laws currently applicable to the Kumtor mine, including the laws of the Kyrgyz Republic. See "Kumtor Mine — Environmental, Health and Safety Matters" below.

Centerra has agreed to use commercially reasonable efforts to increase the percentage of its workforce consisting of citizens of the Kyrgyz Republic to the extent possible without sacrificing operational standards. Kyrgyz citizens currently represent approximately 96% of Centerra's workforce in the Kyrgyz Republic, excluding long-term contractors. Centerra has made significant contributions to the revenue of the Kyrgyz Republic. Since its initial public offering in 2004, Centerra carried out more than \$2.5 million in exploration expenditures related to underground mining activities in an effort to extend the reserves and life of the Kumtor mine to the mutual benefit of Centerra and the Kyrgyz Republic. Drilling in 2006 has outlined an extension of the SB Zone beneath the bottom of the planned pit design. In 2006, Centerra and Kumtor completed an engineering scoping study to evaluate the SB underground resource that was identified in 2006. In December 2006, based on the identification of 1.4 million ounces of high-grade inferred resources, Centerra announced a \$36 million underground exploration and development program at the Kumtor mine, which was initiated in 2007. Centerra has agreed to conduct feasibility studies of the development of that portion of the Kumtor deposit that requires underground mining, subject to the determinations of Centerra's Board from time to time. Expenditures in the SB Zone underground project were \$13.7 million in 2007.

### *Property Description, Location and Concession*

The Kumtor mine is located in the Tien Shan Mountains, some 350 kilometres to the southeast of the national capital Bishkek and about 60 kilometres to the north of the international boundary with the People's Republic of China, at 41°52' North and 78°11' East.

#### **Kumtor Mine Location**



Pursuant to an Amended and Restated Concession Agreement (the "Concession Agreement") between KGC and the Government of the Kyrgyz Republic that became effective on the closing of the Kumtor restructuring, Centerra has been granted a concession giving Centerra the exclusive rights to all minerals within an area of approximately 750 hectares of land centred on the Kumtor gold deposits (the "Concession Area"). Centerra's mineral and surface rights for the Kumtor deposit extend until May 10, 2043. With the recent expansion of the mineral resources and reserves, KGC has applied for an expanded mining concession covering the original Concession Area, the Northeast target, the Southwest deposit, Sarytor and adjacent areas to the southwest. The Investment Agreement provides that the Government of the Kyrgyz Republic shall grant any necessary additional mining concessions for the Exploration License (defined below) on substantially the same terms and conditions as those specified for the Concession Area. Pending the grant of the expanded concession, KGC applied for, and on January 30, 2006, was granted a mining license comprising 56.5 hectares and covering the Southwest deposit. The license expires on December 31, 2008. The Agreement on New Terms provides that the Concession Agreement shall be further amended to extend the concession area to include the area of the Exploration License.

In November 2006, KGC applied for and was granted a geological allotment for the Sarytor deposit. The allotment was replaced with a mining license on November 30, 2007.

The Concession Agreement confirms Centerra's right to use sufficient additional surface lands for the purposes of the construction and occupation of all mining and milling superstructure and facilities, work camp and other infrastructure facilities necessary to carry out work at the Kumtor mine. The Investment Agreement further specifies that Centerra is guaranteed such access to the Kumtor site, including all necessary surface lands, together with access to water, power and other infrastructure, as is necessary or convenient for the operation of the Kumtor mine. The area currently in use for such purposes amounts to approximately 7,000 hectares. This provides sufficient

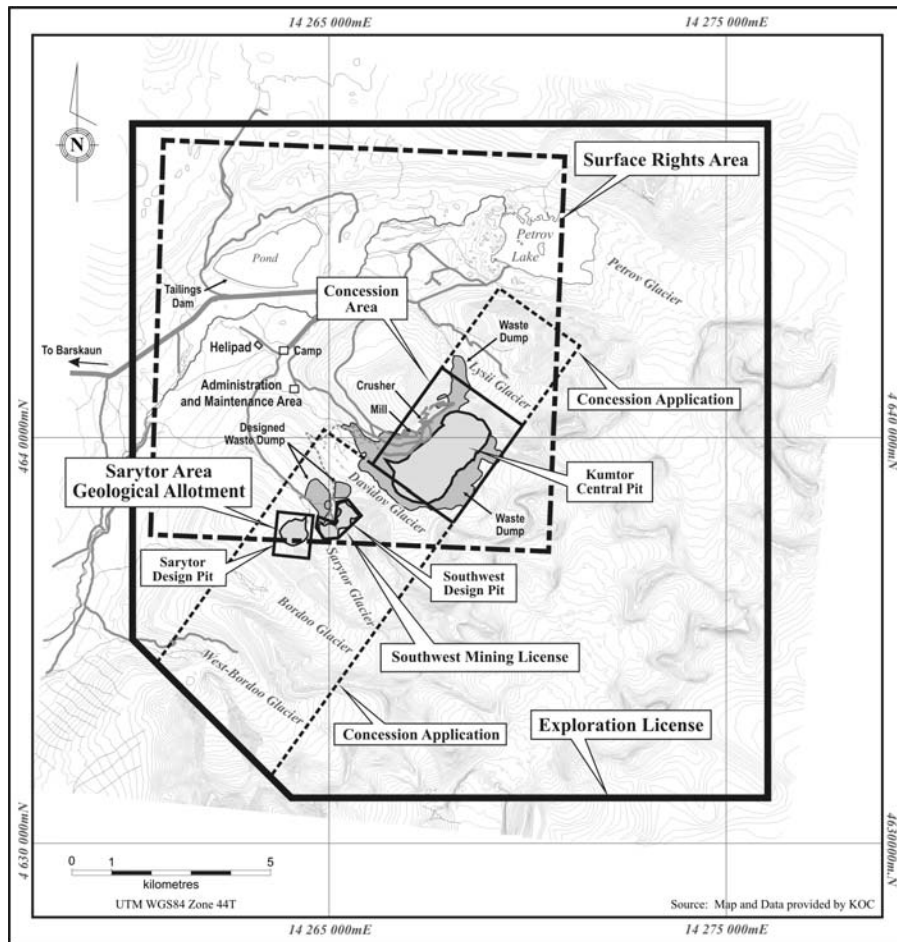
surface area for the plant, tailings disposal area and all other facilities supporting the mining operation, ore processing and waste rock disposal and includes the western part of Petrov Lake, the fresh-water source for the operation.

KGC must make a concession payment of \$4 for each ounce of gold sold from the Kumtor deposit, with such payments to be made quarterly within 90 days of the end of each calendar quarter based on that quarter's gold sales by KGC. In addition, KGC must pay 2% of its net profits into a social development fund until its subordinated and shareholder loans outstanding as of December 31, 2003 are repaid and thereafter 4% of its net profits until the end of the Kumtor operations.

Under the Master Agreement and under Section 10 of the law of July 2, 1997 *On Subsoil*, KGC was granted the exclusive right to develop any mineral resources within a 7.5 kilometre radius from the perimeter of the Concession Area, an area covering approximately 26,660 hectares (the "Exploration License"). This right is continued by the Investment Agreement. The license granting the Exploration License was first issued on December 18, 1997. It was initially renewed on December 31, 2002, and again on December 31, 2005. The expiry date is December 18, 2009. The shape of the license was changed during the last renewal to coincide with the principal directions of the Kyrgyz national coordinate system, and its size reduced to 26,300 hectares. This area includes all of the Concession Area, the Northeast target, the Southwest deposit, Sarytor and adjacent areas to the southwest, as well as the surface rights area. The license cannot be renewed again, but a new license may be applied for. Upon request, KGC is entitled to receive one or more mining concessions on substantially the same terms and conditions as the Concession Area with respect to any mineral resources currently covered by the exploration licenses.

The Kumtor site includes an open pit mine situated at approximately 4,050 metres above sea level. The mine includes waste and ore stockpile areas as well as an area to dispose of the ice removed during operations. Ore is processed at a crusher and mill with a nominal capacity of approximately 5.6 million tonnes per year or 15,500 tonnes per day. Other major facilities include a fresh-water system, a camp/residence for the employees on-site, a warehouse, workshops, offices, a batch plant, two standby diesel generator installations and a tailings management facility. In February 2006, Centerra also commenced open pit mining at a satellite gold deposit located at the Southwest deposit. Mining of the Southwest deposit is expected to be completed by the end of March 2008.

## Kumtor Mine – Concessions, Licenses and Infrastructure



The tailings management facility is located in the Kumtor River valley and consists of twin tailings pipelines, a tailings dam, an effluent treatment plant and two diversion ditches around the area to prevent runoff and natural watercourses from entering the tailings basin. These facilities received approval from the Government of the Kyrgyz Republic during 1999. Each tailings pipeline is approximately six kilometres in length. The tailings dam was designed and constructed to address the permafrost conditions at the mine site. The dam wall is approximately 2.7 kilometres in length and the tailings dam consists of a compacted fill. The dam crest is ten metres wide and the side slopes are approximately 3 horizontal to 1 vertical. The dam is currently 28 metres high at its central part. The dam fill consists of alluvial sands and gravels. A geomembrane liner has been placed on the upstream face and extends one hundred metres upstream of the dam toe on natural ground into the impoundment.

The dam crest is presently at elevation 3,658 metres and has capacity to store tailings until the end of 2008. The tailings facility at the end of 2007 contained 41 million cubic metres. Permits have been received to raise the tailings dam by three metres, which will allow continuation of the use of the facility to the end of 2010. Another three metres of additional dam height would extend the life of the facility to last to the end of the current reserves. The ultimate dam and the stabilizing toe berm have been designed to store up to 101 million tonnes (87 million cubic metres) of tailings. Raising of the dam to its final elevation is estimated to require an investment of \$27.6 million from 2008 to 2013.

As part of Centerra's management of environmental issues, Centerra actively assesses the physical characteristics of its tailings storage facilities. As a consequence of this practice, Centerra identified an ice-rich silt layer beneath the tailings dam that has been the cause of some minor horizontal movement of the tailings dam. In 2003, in order to proactively deal with the issue, a shear key and toe berm were built to reduce the rate of movement. However, the tailings dam movement continued at the earlier rate, and additional engineering assessment was undertaken by BGC Engineering Inc. in 2005. The additional work suggested the initial key did not penetrate the ice

rich soils sufficiently deep to completely inhibit the movement. KOC commissioned an additional design for a shear key, and additional construction work completed in 2006 and 2007 has deepened and expanded the initial shear key. The new shear key has been excavated to depths of ten to twelve metres, and ice rich silt and clay has been removed to expose the underlying dense granular moraine foundation fill with little to no ice. Test pits one to two metres deep were excavated to confirm that sound foundations had been reached.

The levels of movement encountered in the Kumtor dam foundation to date are not excessive and fall well within the range of movements experienced by other such dams around the world. The Kumtor dam material is strain tolerant and shows little effect of the minor horizontal movement. The tailings dam movement data has also been reviewed and interpreted independently by the Kyrgyz Republic Institute of Rock Mechanics. A report issued in September 2007 by the Institute of Rock Mechanics of the Kyrgyz National Academy of Sciences concluded that deformations are decreasing and that the remedial works undertaken to date are effective.

All permits and licenses required for current mining operations at Kumtor are in good standing.

### ***Site Accessibility, Climate, Local Resources, Infrastructure and Physiography***

Access to the Kumtor mine site is by a main road that runs between Bishkek and Balykchy, on the western shore of Lake Issyk-Kul. After traveling along this road for a distance of 178 kilometres, and then along a secondary road running along the south shore of the lake to the town of Barskaun for another 150 kilometres, a final 100 kilometres must be traversed on a narrow, winding road leading into the Tien Shan Mountains that climbs to an elevation of 3,700 metres through 32 switch backs to reach the deposit. Centerra has done considerable work to maintain this access road and despite occasional avalanches and movements of gravel and till down steep slopes during heavy rains, there has not been any extended period during which the road has been out of service.

The Kumtor mill is situated in alpine terrain at an elevation of approximately 4,016 metres, while the highest mining excavations exceed an elevation of 4,400 metres. The main camp, administration and maintenance facilities are at about 3,600 metres. Local valleys are occupied by active glaciers that extend down to elevations of 3,800 to 3,900 metres and permafrost in the area can reach a depth of 250 metres. The area is seismically active, as a result of the continuing continental convergence of India and Eurasia, but the Kumtor area has a relatively sparse distribution of historical seismicity. All facilities at Kumtor, including the process plant and tailings storage dam, have been designed in accordance with recommended seismic standards for the area.

The climate is continental with a mean annual temperature of minus eight degrees Celsius. Extreme recorded temperatures vary from plus 23 to minus 49 degrees Celsius, with short summers that last from June to September. Precipitation is low at 300 millimetres per annum, with the majority falling in the summer months, and annual snow accumulation of 600 millimetres. Kumtor operates 365 days per year.

Reflecting the harsh climate and high elevation, sparse, low vegetation is restricted to the valley floors and lower mountain slopes, with a total absence of trees or shrubs.

The mine site is connected to the Kyrgyz national power grid with a 110 kilovolt overhead power line running parallel to the access road. Fresh water is taken from Petrov Lake, situated five kilometres northeast of the mill site. The minimum water inflow into the lake is estimated to be in excess of 1,000 cubic metres per hour or approximately twice the average project demand.

### ***History and Financing***

The Kumtor area has a history of intermittent exploration dating to the late 1920s. Debris from the Sarytor deposit was discovered in 1978 by a geophysical expedition of the state Kyrgyz Geology department sampling float from the frontal moraine of the Sarytor Glacier. The sole outcrop of what is now called the Central deposit was found during follow-up prospecting. From 1979 to 1989, a systematic evaluation of the Central deposit, and to a lesser extent of the Southwest deposit, was carried out consisting of several phases of surface trenching and geological mapping, diamond drilling and underground development on three levels culminating in a detailed sampling program of the central upper part of the Central deposit. An initial reserve statement was issued by the USSR State Committee on Reserves in March 1990.

Cameco was presented the opportunity to become involved with the Kumtor project in 1992 while pursuing uranium prospects in the Kyrgyz Republic. An initial agreement with the Government of the Kyrgyz Republic was signed in December 1992 giving Cameco the exclusive right to evaluate and develop the Kumtor project. A feasibility study was completed in December 1993 by Kilborn Western Inc. (“Kilborn”) and was amended in 1994 and 1995 (“Kilborn Feasibility Study”). In 1999, Kilborn Western Inc. was amalgamated with Kilborn Inc. as SNC-Lavalin Engineers & Constructors Inc. (“SNC-Lavalin”). A project development agreement was finalized with the Government of the Kyrgyz Republic in May 1994. Pursuant to this agreement, Cameco Gold, through its wholly-owned subsidiary KMC, held a one-third interest in KGC, a Kyrgyz joint stock company that owns the concession giving it exclusive rights to develop the Kumtor mine. Kyrgyzaltyn, a Kyrgyz joint stock company wholly-owned by the Government of the Kyrgyz Republic, held the remaining two-thirds interest. KOC, a wholly-owned subsidiary of Cameco Gold, acted as operator of the joint venture for which it received a management fee. KOC was designated as operator for the first 10 years of production, which has since been extended to the life of the concession pursuant to the Kumtor restructuring.

Project construction began in late 1994 and was financed by Cameco and an international group of banks and lending agencies at a cost of \$452 million. Cameco provided the first \$45 million of development costs for the Kumtor project through its equity investment in KGC. Cameco also provided a \$107 million subordinated loan to KGC.

A consortium of financial institutions advanced \$285 million in senior and subordinated loans to the Kumtor project. These loans consisted of a senior debt component of \$265 million and a subordinated debt component of \$20 million. As of the date of this Annual Information Form, no third-party debt with respect to Kumtor is outstanding.

Commercial production at Kumtor commenced in the second quarter of 1997 and more than 502,000 ounces of gold were produced that year. The Kumtor mine produced approximately 6.15 million ounces of gold during the 11-year period from 1997 to 2007 at a total cash cost of approximately \$223 per ounce.

On December 31, 2003, Centerra entered into the Kumtor Restructuring Agreement with Cameco, Cameco Gold and Kyrgyzaltyn. Pursuant to this agreement, Kyrgyzaltyn and Cameco Gold sold Centerra all of their shares in KGC effective June 22, 2004.

### ***Geological Setting***

The Kumtor gold deposit occurs in the southern Tien Shan metallogenic belt, a Hercynian fault and thrust belt that traverses Central Asia from Uzbekistan in the west through Tajikistan and the Kyrgyz Republic into northwestern China, a distance of more than 1,500 kilometres. This belt hosts a number of important mesothermal-type gold deposits including Muruntau, one of the world’s largest gold deposits, as well as Zarmitan, Jilau and Centerra’s Kumtor mine.

There are four major thrust slices comprising the mine geology, with an inverted age relationship. Each thrust sheet contains older rocks than the sheet it structurally overlies. The slice hosting the Kumtor gold mineralization is composed of Vendian (youngest Proterozoic or oldest Paleozoic) meta-sediments, grey carbonaceous quartz-sericite-chlorite schists or phyllites that are strongly folded and schistose. The fault forming the footwall contact of this structural segment is the Kumtor Fault Zone, a dark-grey to black, graphitic gouge zone. The fault zone strikes northeasterly, dips to the southeast at moderate angles and has a width of up to 30 metres. The adjacent rocks in its hanging wall are strongly affected by shearing and faulting for a distance of up to several hundred metres. The rocks in the structural footwall of the fault zone are Cambro-Ordovician limestone and phyllite, thrust over Tertiary sediments of possible continental derivation that in turn rest, with apparent profound unconformity, on Carboniferous clastic sediments.

The Kumtor gold deposit is structurally controlled on a major fault of regional importance and is a member of the class of structurally controlled mesothermal gold replacement deposits. The Kumtor gold deposit occurs where the Vendian sediments have been hydrothermally altered and mineralized based on structural controls. Gold mineralization has been observed over a distance of more than 12 kilometres, with the Kumtor deposit itself located in what is called the Center Block, with a length of 1,900 metres, a vertical range of 1,000 metres and a width of up

to 300 metres. A buried intrusive body is inferred by geophysical methods to occur some five kilometres to the northwest of the deposit and may be the source of the mineralization process at Kumtor.

### *Mineralization*

Within the Kumtor deposit, four zones of gold mineralization have been delineated:

- Two parallel zones of alteration and gold mineralization strike northeasterly and dip to the southeast at 45° to 60°, separated by 30 to 50 metres of barren or poorly mineralized rock. The South Zone, with a length of 700 to 1,000 metres and a horizontal width of 40 to 80 metres, is reasonably well mineralized throughout its entire length, with an average gold grade of 3 to 4 grams of gold per tonne. The North Zone, somewhat more extensive along strike but with a similar width, has lesser gold grade continuity and splits into a number of individual lenses that have average gold grades in the range of 2 to 3.5 grams of gold per tonne.
- At their northeastern end, the North and South Zones coalesce into the Stockwork Zone, which has higher gold grades and good grade continuity. Its dimensions in plan are 400 to 500 metres long by 50 to 200 metres wide, with an average gold grade of 5 to 6 grams of gold per tonne, depending on the cut-off grade. The Stockwork Zone plunges northeasterly at 40° to 50°, and diminishes in size below elevation 3,900 metres. Its down-plunge continuation below elevation 3,900 is known as the NB Zone. Geographically, the Stockwork Zone is located closest to the pit highwall and thus has a larger effect on the overall strip ratio of the pit.
- In the southwestern part of the deposit, the SB Zone (structurally a part of the South Zone) tops out at an elevation of 3,900 metres. Drilling to date has defined the SB Zone along strike for 700 metres, for a vertical extent of 650 metres, and a width that ranges from 6 to 75 metres, overall somewhat smaller than the Stockwork Zone, but of excellent grade, in the range of 5 grams of gold per tonne. It is the SB Zone that has given rise to the large increase in the mineral reserves and resources (including inferred resources) of the Kumtor deposit in 2005 and 2006.

Mineralization took place in four main pulses. An initial pulse resulted primarily in pervasive quartz-carbonate-albite-chlorite-sericite-pyrite alteration, with little gold of economic consequence being deposited. The next two pulses deposited all of the economically significant gold at Kumtor. Feldspar makes up nearly 20% of the ore, carbonates (calcite, dolomite, ankerite and siderite) collectively 25% to 30%, pyrite 15% to 20%, quartz 5% to 10% and the remainder are host rock inclusions.

The mineralization is most intense, and the gold grade is the highest, where metasomatic activity was continuous through mineralization phases two and three. This is the case for the Stockwork and SB Zones, to a lesser extent for the South Zone, and explains their higher-than-average gold grades. The last pulse created planar carbonate-pyrite metasomatic rocks that are associated with zones of intense deformation of previously altered phyllites and hydrothermal rocks.

The gold and the gold-bearing minerals occur as very fine inclusions in the pyrite, with an average size of only 10 microns. This, together with the poor cyanide leach response of the gold tellurides, accounts for the partly refractory nature of the Kumtor ore. The refractory characteristics are reflected in the relatively low historic and forecasted gold recovery of around 80%, despite the very fine grind applied to the pyrite flotation concentrate from which most of the gold at Kumtor is recovered by leaching. The fine grain size of the gold also renders assaying of this mineralization relatively reliable, with only a small nugget effect.

Most of the mineralization takes the form of veins, veinlets and breccia bodies in which the mineralization forms the matrix. In the more intensely mineralized areas, the surrounding host rock has also been altered. Post-ore faulting is generally parallel to, or at low angles with, the mineralized sequence. These faults often carry significant quantities of graphite, which constitute the sources for the preg-robbing character of some of the mineralization.

The Southwest deposit is located three kilometres to the southwest of the Central deposit across the Davidov glacier, along the Kumtor fault. To the southwest, the Southwest deposit is covered by the Sarytor glacier,

beyond which additional mineralization is known as the Sarytor deposit. At the end of 2007, the mineral reserves of the Southwest Deposit had been almost completely mined out.

The structural/lithological framework of the Southwest and Sarytor deposits is identical to those of the Kumtor deposit with the gold mineralization being controlled by the Kumtor thrust zone. The structural dips are generally shallower than at Kumtor at an angle of 20° to 50°.

A number of individual zones of mineralization have been identified at the Southwest Deposit within an overall mineralized envelope that is around 100 metres thick and has been traced by surface drilling for a strike length in excess of one kilometre. Individual zones tend to be relatively narrow and of different levels of intensity, and their contacts are often marked by tectonic crush zones with black fault gouge. Due to the flat orientation of the mineralized zones, their contacts have a sinuous feature in both plan and section.

The Sarytor deposit is located further southwest from the Southwest deposit. The drill results indicate that mineralized horizon at the Sarytor area strikes east-west and dips south at 20° to 30°. The thickness of the mineralized envelope is relatively consistent and varies from 80 to 120 metres, with the strike length of the known mineralization being approximately 800 metres.

Host rocks are tectonized slates and phyllites with lenses of till-like conglomerates and dolomitic slates. Development of background alteration is weak and represented mainly by vein-type silicification. Host rocks do not carry any elevated gold values. The mineralized zone has been traced by drilling for 200 to 300 metres down dip.

The mineralized envelope hosts three mineralized zones separated by zones of strongly faulted host rocks. Alteration intensity and zone thickness increase southward. Metasomatism is represented by banded albite-carbonate-quartz alteration with 3% to 5% pyrite. Barite and siderite are well developed in the southern part of Sarytor. As a rule, pyrite content is positively correlated with the gold grade.

### ***Historical Exploration and Drilling***

The principal exploration data acquisition method at Kumtor is diamond drilling. There is a large historical drill-hole database (augmented by underground exploration results) dating back to Soviet times. To a large extent, this information is no longer relevant to the current reserve estimate, since the upper parts of the Central deposit, to which the historical information pertained, has now been mined out. There are only small areas in the current mineral reserves that rely to a significant extent on Soviet data, and this old data is successively being verified by in-fill or replacement drilling.

As a result of the lack of sufficiently detailed information below an elevation of 3,950 metres, about 28% of the Kilborn Feasibility Study open-pit reserves containing one-quarter of the total gold to be mined had been substantially less well documented than the upper part of the deposit. To fill this information gap, and to explore for extensions to the known mineralization, KOC has undertaken a large in-fill diamond drill program in the years 1998 to 2007, comprised of 457 holes in the Central Deposit totalling 145,745 metres and 407 holes on other targets totalling 66,683 metres. Drilling was undertaken from various pit benches and setups outside of the pit, including setups on the waste piles. This has now increased the density of the drill pattern in the lower part of the deposit to that available at the time of the Kilborn Feasibility Study for the upper part.

In the Central, Southwest and Sarytor deposits, the drill holes are generally spaced 40 metres along strike and 40 to 80 metres down-dip in geologically complex areas, and at 80 metres along strike and 60 to 80 metres down-dip in other areas. The entire project assay data base consists of 180,586 KOC assays (112,046 for the Central deposit, 34,378 for the Southwest deposit and 30,583 for Sarytor and 3,579 in other areas) in addition to 75,064 assay results originating from Soviet times.

All of the KOC diamond drill holes are steeply inclined and recover HQ-size core, except when ground conditions necessitate a reduction in core size to NQ. For all of the holes, drill collars are surveyed and down-hole deviations are measured using either a Sperry-Sun single shot camera or a Reflex single shot camera. Limitations on set-ups dictate that a certain number of off-section holes are drilled, particularly within the Kumtor pit. Drill cores are logged for geological and geotechnical information, and are photographed prior to sampling. Drill collar

coordinates, down-hole deviation surveys, assay results, and information on lithology, alteration and mineralization are recorded in the mine or exploration drilling databases.

Drill core recovery typically varies from 80% to 100%, averaging greater than 95%. In certain cases where the core recovery from mineralized intervals is low, the hole is stopped and re-drilled to achieve better core recovery. The angle of intersections between the drill holes and the mineralization is generally such that the true width of the mineralization is equivalent to 80% to 100% of the length of mineralized drill-hole intervals.

### *Sampling and Analysis*

In preparing the Kumtor Technical Report in 2008, Strathcona reviewed the database generated by KOC drilling programs from 1998 to 2007 and concluded that the sample collection, sample preparation and assaying protocols in place at the Kumtor operation are in accordance with normal industry operating practises.

The sampling protocol employed in the years prior to 1989 was typical of many projects of the Soviet era. The entire core was removed for sampling, in intervals of an average length of 1.4 metres. Core recovery averaged only 75%. Trench samples were generally one metre long, presumably taken horizontally, but the sampling method is not described. Channel samples were collected from the extensive underground openings approximately one metre above the floor and varied from 0.5 to 2 metres long. The channels are reported to have measured 10 centimetres (cm) wide by 5 cm deep. The analytical work was carried out at the Central Scientific Research Laboratory of Kyrgyz Geology. The gold assay method was fire assay for all samples prior to 1989 (a total of 44,580 determinations) and a more productive atomic absorption (“AA”) method in 1989 (12,612 determinations). Internal and external duplicate assaying was undertaken.

For the drilling completed by KOC from 1998-2007, the drill core length is measured and checked against the depth blocks inserted by the drillers in the core boxes. The core is logged and photographed. Sample intervals are chosen to be representative of geological features such as veining, alteration and mineralization. Individual samples are normally one metre long, but the interval may be increased to two metres in unaltered rocks. With the exception of geotechnical holes, drill holes are sampled over their entire length.

Competent drill core selected for sampling is cut by a diamond saw into two halves. One half is placed into a numbered bag and sent to the laboratory for assaying. The other half is placed back in the core box and retained in permanent storage. Incompetent core intervals are sampled with a scoop that fits snugly into the individual rows, removing one-half of the material at the discretion of the sampling technician.

Blasthole cuttings are sampled with a device that is placed radially away from the collar of the hole. It collects about ten kilograms for an eight-metre bench height. Given the relatively forgiving nature of the Kumtor mineralization with respect to sampling, this is satisfactory, if not ideal.

All sample collection, preparation and assaying from the 1998-2007 drilling programs were performed by KOC personnel at the KOC-owned site laboratory, which is not certified but is subjected to periodic calibration and operations checks by the Kyrgyz National Accreditations agency. Sample collection protocols are monitored by KOC’s exploration manager and the QA/QC geologist. Preparation and assay protocols are supervised by KOC’s chief assayer at the Kumtor mine. Samples are delivered to and from the laboratory at the mine site by KOC personnel.

The internal quality control measures at the KOC mine laboratory consist of the routine insertion of internally prepared standards and a blank at a combined rate of one standard/blank per 30 samples. An original set of standards was certified by four independent laboratories, but subsequent standards are not. The standards are prepared from Kumtor mineralization and reflect three grade ranges – tailings grade (approximately 0.4 grams of gold per tonne), a head sample that has varied from 3.7 grams of gold per tonne to 7.3 grams of gold per tonne, and a concentrate sample that has varied from 29.5 to 33.8 grams of gold per tonne.

In addition, the laboratory routinely re-assays duplicate pulps at a rate of 20% as an internal check on assay precision. KOC geological staff do not submit external blanks and standards as blind samples with their drill core sample batches. However, bench composites are created from drill-hole intersections for check assaying and metallurgical test work, and this data provides a further check for the initial assay results.

Quality control checks on reject duplicates are routinely performed by the CSRL laboratory at Kara Balta which is certified by the United Kingdom Accreditation Service under ISO 17025:2006. A minimum of 20% of the total samples from the KOC drill programs have been re-assayed using the fire assay method with a gravimetric finish. During 1998 and 1999, KOC geological staff periodically re-assayed second splits of the coarse rejects for entire mineralized intervals to compare against the initial assays. Since 1999, this has become standard practice for all mineralized intervals that are intersected by drilling. The re-split samples retain the original sample number and are re-assayed at both the mine and the CSRL.

Periodic check assaying is also undertaken at the local laboratory of Alex Stewart Assayers and Environmental Laboratory also located in Kara Balta, which is not accredited but participates in an international laboratory round-robin organized by Geostats Pty. Ltd.

Much of the deposit covered by the early sampling programs has now been mined, and the only effect of any deficiency is the possible influence of a faulty early database during the testing of a block model against the mined-out, upper parts of the deposit where this data predominates.

The sample preparation and assaying methods used by Centerra meet industry standards. While the results of the check assay program indicate that there are no major apparent issues with respect to assay accuracy, the QA/QC protocol used was both incomplete (the lack of true blanks and standards that are blind to the KOC laboratory and to CSRL) and cumbersome, since much duplicate assaying is performed on low-grade to very low-grade samples. Centerra has recently implemented certain changes to the protocol which will mean a significant reduction in duplicate assaying of waste material, but will result in a marked improvement of the reliability of the assays within mineralized zones.

### ***Kumtor Reserve and Resource Estimates***

The mineral reserves and resources of the Kumtor project, which include the Central Pit and the Southwest and Sarytor deposits, were most recently estimated as of December 31, 2007 by Ian Atkinson, P. Geo, Centerra's Vice President, Exploration, who is a qualified person. Resource estimation at Kumtor has been undertaken using a number of mineral resource block models, following procedures in accordance with Canadian reporting standards as required by NI 43-101. Each of the Central, the Southwest and the Sarytor deposit has its own block model.

#### ***Central Deposit Resource Block Model***

The KS-8 block model was developed in 2007 for the Central deposit and is based upon the most recent drilling information, including the results of all in-fill drilling completed from 1998 to October 31, 2007, and is based on geological modeling using vein and alteration intensities together with gold grade information to subdivide the higher and lower grade gold mineralization at the Central Pit into 23 mineralized zones. The KS-8 model uses blocks measuring 10 metres by 10 metres by 8 metres, with the vertical dimension matching the mining bench height. Each block is assigned to a particular mineralized zone and a gold grade is interpolated into the block from the surrounding assay data. All available assay results for a particular sample are averaged, and the average value is used for mineral resource estimation. Within the low-grade shells, a top cutting value of 60 grams of gold per tonne was applied to individual raw assays based on cumulative frequency plots and production history. Within the high grade SB shell, a top cut of 100 grams of gold per tonne was applied to individual assays, prior to compositing to 2 metre intervals for interpolation. Capping affects less than 1% of the assay intervals. Two metre down-hole composites were then created from the capped new assays and the composites used for grade interpolation. The grade interpolation was by ordinary kriging of the assay information residing in the two metre composites using a general search ellipsoids of 100 metres along strike, 100 metres down dip and 5 metres across the dip.

#### ***Southwest and Sarytor Deposits***

The mineral reserves of the Southwest deposit have been almost completely exhausted at year-end 2007, and the remaining resources outside of the final pit were estimated using the block model originally established in 2004.

Following a substantial amount of in-fill drilling in 2006, the Sarytor block model identified as SR-2 was newly created for the year-end 2006 reserve estimate. A new geological model was developed, identifying ten mineralized zones, with two of the zones containing the majority of the resources and reserves. After capping the individual assays at 30 grams of gold per tonne, grade interpolation using two-metre composites within the two main shells was accomplished using ordinary kriging, while the small zones were interpolated using anisotropic inverse distance squared methods because of the lower overall drilling density. Variography identified primary ranges of 20 to 30 metres along strike, 20 to 50 metres down-dip and seven to 10 metres across the dip. Secondary ranges are 40 to 80 metres along strike, 40 to 50 metres down-dip, and 12 to 16 metres across the dip.

#### *Resource Classification*

The mineral resource classification for the Kumtor project into measured, indicated and inferred categories for resources considered for open-pit mining is based on the distance to the nearest composite. If the nearest composite in the Central and the Southwest deposits is within 30 metres, then a block is placed in the measured category. If the nearest composite is at a distance larger than 30 metres but shorter than 60 metres, then the block is placed in the indicated category. All blocks having the nearest composite at a distance greater than 60 metres are placed in the inferred category.

The distances used at Sarytor are smaller, from 20 to 50 metres for the indicated category (first pass interpolation), depending on the size and grade continuity of the individual zones. The inferred category was assigned to those blocks at twice the distance of the first pass. There are no measured resources at Sarytor, reflecting the lack of actual mining experience for this deposit.

#### *Mineral Reserves Estimate*

The Kumtor mineral reserves were estimated as of December 31, 2007 by KOC's and Centerra's mining resource groups on the basis of the KS-8 and SR-2 block models and pit designs. In estimating mineral reserves, allowances were made in the models for internal and external dilution. External dilution is provided for by adding to the tonnage of each block containing more than one rock type (i.e., ore and waste) an arbitrary one-half of the waste tonnage in such a block.

The economic design parameters assume an average gold price of \$550 per ounce, average mining costs of \$0.91 per tonne of material mined from the Central Pit and \$1.21 from the Sarytor deposits. Milling, ore haulage and general and administrative costs used were \$15.35 for the Central Pit and \$15.73 for the Southwest and Sarytor deposits. Metallurgical recoveries used in the pit optimization follow a variable recovery equation and range from 47% to 87%. The economic effects of the Agreement on New Terms on the pit design were evaluated and found to be of negligible importance.

The cut-off grade used to report the reserves has been chosen by Centerra at 1.0 grams of gold per tonne, lower than the past value of 1.3 grams of gold per tonne. This is partly due to the recent increase in the gold price. The 1.0 grams of gold per tonne value allows the mill to be operated in 2008 and 2009 at the plant design capacity. The low grade stockpile that has been accumulated by the end of 2007 will supplement the open pit ore in 2008 and 2009.

The reserve classification will normally reflect the original resource classification, with measured resources becoming proven reserves and indicated resources becoming probable reserves. However, in the Central pit, both the high wall and the final push back phase of the southwestern part of the pit have remaining geotechnical uncertainties that constitute a certain risk for the eventual recovery of part of the reserves. All of the mineral reserves affected by these uncertainties have been assigned the probable classification, including the mineral resources originally classified as measured. This involves a total of 17.9 million tonnes at an average grade of 4.4 grams of gold per tonne representing 57% of the Central Pit proven and probable in situ reserves.

All reserves in the Southwest and Sarytor deposits have been classified as probable reserves in view of limited production reconciliation history.

The following table sets out the Kumtor proven and probable mineral reserves estimate as of December 31, 2007:

#### Kumtor Reserves as of December 31, 2007

CATEGORY			<u>Tonnes</u> (thousands)	<u>Gold Grade</u> (g/t)	<u>Contained Gold</u> (thousands of ounces)
<b>Proven (Kumtor Central Pit)</b>	Stockpiles	Greater than 1.0 g/t	3,594	1.4	158
	In situ	Greater than 1.0 g/t	<u>6,294</u>	<u>5.3</u>	<u>1,065</u>
<b>Total Proven Reserves.....</b>			9,888	3.8	1,223
<b>Probable (Kumtor Central Pit)</b>	In situ	Greater than 1.0 g/t	25,342	4.1	3,334
<b>Probable (Southwest deposit)</b>	In situ	Greater than 1.0 g/t	369	2.9	34
<b>Probable (Sarytor deposit)</b>	In situ	Greater than 1.0 g/t	<u>2,835</u>	<u>3.4</u>	<u>311</u>
<b>Total Probable Reserves .....</b>			<u>28,546</u>	<u>4.0</u>	<u>3,679</u>
<b>Total Proven and Probable Reserves .....</b>			<u>38,434</u>	<u>4.0</u>	<u>4,902</u>

Except for the potential risks posed by the geotechnical issues described under the heading “Mining Operations – Geotechnical Issues Affecting the Kumtor Open Pit” and political risks described under “Risk Factors” there are currently no known environmental, permitting, legal, title, taxation socio-economic, marketing, political or other relevant issues that might materially affect the estimate of Kumtor mineral reserves.

The changes to the reserve base during 2007 predominantly reflect the lowering of the cut-off grade, which now includes 8.5 million tonnes with an average grade of 1.1 grams of gold per tonne (existing stockpiles plus future production) that previously were not. A small tonnage gain of 0.4 million tonnes was registered for Sarytor, for the same reason. The remainder of the increase is due to modifications to the Central pit design, which upgraded a modest tonnage of resources below the pit into reserves, and the increase in gold price. The resulting increase in reserves more than offset the gold mined during 2007.

#### *Mineral Resources Estimate*

Additional mineral resources have been estimated outside the updated pit designs at the Central Pit, as well as the Southwest and Sarytor deposits. The estimates of additional mineral resources for the expanded Central, Southwest and Sarytor open pits have been based upon a cut-off grade of 1.0 grams of gold per tonne using the undiluted KS-8, Southwest and Sarytor block models. The additional mineral resources occur in the space between the current ultimate pit design that is based on a gold price of \$550 per ounce, and optimized larger pit shells (resource shells) that are uneconomic at a gold price of \$550 per ounce.

#### Kumtor Resources as of December 31, 2007

CATEGORY		<u>Tonnes</u> (thousands)	<u>Gold Grade</u> (g/t)	<u>Contained Gold</u> (thousands of ounces)
<b>Measured</b>	Open Pit (> 1.0 g/t)	18,770	3.2	1,931
	<b>Indicated</b>	<u>19,323</u>	<u>2.8</u>	<u>1,741</u>
	<b>Total Measured and Indicated Resources .....</b>	<u>38,093</u>	<u>3.0</u>	<u>3,672</u>
<b>Inferred</b>	Open Pit (> 1.0 g/t)	778	1.8	46
	Underground (> 7.0 g/t)	<u>2,796</u>	<u>20.0</u>	<u>1,797</u>
<b>Total Inferred Resources.....</b>		<u>3,574</u>	<u>16.0</u>	<u>1,843</u>

Mineral resources are not mineral reserves and do not have demonstrated economic viability.

#### *SB Zone Underground*

In 2006, SRK Consulting (Canada) Inc. (“SRK Canada”) conducted a scoping study with respect to mining the SB Zone by underground mining methods below the ultimate Central pit. Diamond drilling to date in the SB

Zone has outlined a high-grade inferred resource below the current pit design, estimated to be 1.8 million ounces of contained gold at an average grade of 20.0 grams of gold per tonne.

Based on the results as the SRK Canada Study on December 7, 2006, Centerra announced a \$36 million underground program to upgrade the SB Zone inferred mineral resources considered for underground mining to a higher classification. The underground exploration program will include delineation drilling from the exploration decline, level development, test mining and a subsequent detailed technical and economic study. Excavation of the box cut for the decline portal was complete at the end of 2007, and the first round of the decline has recently been taken. The physical underground exploration and delineation program is scheduled to be completed at the end of 2010.

In 2007, the designs for the portal, surface facilities and decline to access the SB Zone were completed, and three permit applications which are required under applicable mining law were submitted to the relevant authorities for approval. The permit applications were approved in the second half of 2007, and construction of the portal and surface support structures commenced. The portal to the decline required an extensive excavation of colluvium to access a secure rock face and protect the portal entrance. A 100 metre long culvert was designed as the primary portal entrance. The first rock blast occurred on February 29, 2008. All equipment required for this phase has been purchased.

A decision to commence mining SB Zone resources will be considered as drilling results become available. Plans to expand the underground development to allow for the timely extraction of the SB Zone are expected to be formulated in 2008.

## ***Mining Operations***

### ***Mining***

Mining operations at Kumtor are carried on using conventional open-pit mining methods. The Central deposit is mined in a large open pit where total material mined in 2007 was nearly 80 million tonnes, or 220,000 tonnes per day. Additionally, 35 million tonnes were mined in 2007 from the Southwest pit, or 96,000 tonnes per day. The overall waste to ore ratio in 2007 was 21.4 to 1. Total mining in 2007 thus amounted to 14,000 tonnes per day of ore including low-grade material to stockpiles, and more than 300,000 tonnes per day of waste.

The initial stripping of the Kumtor orebody in 1995 had the unusual challenge of mining a portion of the Lysii glacier that covered the northeastern area of the planned open pit, and lesser quantities of ice have been removed in subsequent years as the northeast highwall of the open pit is pushed back. Additional mining of the Lysii glacier is planned as part of the high wall push-back in the coming years.

The top mining elevation in the Central deposit's current ultimate pit design is at about 4,460 metres, and the very deepest part of the final pit excavation will be at 3,650 metres in the southwest part of the deposit. The crushing plant to which ore is delivered is at about 4,050 metres and ore transport was thus downhill for the upper portion of the orebody, and will have a maximum uphill haul of 400 metres for the lower portion. The haulage distance from the Southwest deposit is about 5.2 kilometres, and the haulage distance for the Sarytor deposit, scheduled to be mined starting in 2009, will be 7.8 kilometres.

Waste disposal continues to be on the upper and lower parts of the Davidov glacier. The waste does not have any acid generation potential because of its high carbonate content. As the waste is being deposited, the glacier reacts as a result of the increasing load. The ice movement is measured and monitored.

Mining is based on eight-metre benches with split-bench mining in areas of lower ore thickness. Blast holes are currently drilled using 11 rotary-percussion drill rigs. In 2008, eight of the rigs will be converted to drill holes with a wider diameter. This will result in a wider drill-hole pattern making the other three rigs redundant. Charging the holes is undertaken by special bulk explosives trucks delivering either ammonium nitrate with fuel oil (ANFO), or the use of emulsion explosives for wet holes.

The main loading fleet includes ten hydraulic excavators (nine of which are configured as shovels and the other as a backhoe), four shovels and three front-end loaders. Typically, the shovels are used for production and the loaders for ore blending, cleanup and support during shovel maintenance.

During 2007, total capital expenditures at Kumtor amounted to \$88 million, mainly for pre-stripping the South Pit, the SB Zone underground project, the tailings dam shear key extension and the purchase of 16 haul trucks and four shovels.

Grade control in the pit is based on the sampling of blast hole cuttings whose grade and metallurgical character are determined at the site laboratories. This information is entered into the ore grade control model, based on which the various ore blocks are staked in the field for digging. The ore is then delivered to the crusher or the appropriate stockpile depending on the daily blending requirements. Kumtor has an active and dynamic blending program in close contact with the mill that adjusts the ore blend as required to maximize the gold recovery. The grade control personnel of ten work around the clock, seven days per week.

The blasthole assay information, combined into the ore control model, is also used to estimate the monthly pit production and for short and medium-term planning. All mine equipment activity is monitored by a computer-controlled dispatch system.

Hydrological conditions are controlled by the presence of up to 250 metres of permafrost that has, however, become more discontinuous in the area affected by mining due to the seepage of seasonal surface waters into the ground. Groundwater volumes from this source zone are relatively small and are included with the water volumes handled as surface runoff and glacial meltwater. Surface waters are partly diverted away from the pit using diversion ditches, sumps and gravity pipelines. Water within the pit is channeled to sumps and is pumped outside the pit limits. The original permafrost boundary was between elevations 3,900 metres and 3,950 metres along dewatering ditches and parts of the pit are not in unfrozen ground. The consequences for pit wall stability are described in "Mining Operations – Geotechnical Issues Affecting the Kumtor Open Pit".

As of December 31, 2007, Kumtor had approximately 2,145 employees (excluding long-term contractors), of which approximately 96% are Kyrgyz citizens. The number of Kyrgyz citizens represents an increase from 82% at the beginning of the operation as a result of Centerra's training programs and reflects a policy of increasing the percentage of Centerra's employees who are citizens of the Kyrgyz Republic. The Kumtor mine is unionized and all of Centerra's national employees in the Kyrgyz Republic are subject to a collective agreement between KOC and the Trade Union Committee. KOC reached an agreement with the trade union representatives with respect to all material terms of a two-year collective agreement on February 6, 2007. There were no significant labour relations issues in 2007.

### *Milling*

The Kumtor flowsheet for ore processing is a standard layout that consists of crushing, grinding, flotation, cyanide leaching and gold recovery in a carbon-in-leach ("CIL") circuit. The milling process reflects the fine-grained nature of the gold and its intimate association with pyrite and consists of crushing, grinding, pyrite flotation and double re-grinding the flotation concentrate. Two separate CIL circuits recover the gold from the re-ground concentrate and from the flotation tails, with final gold recovery accomplished by electrowinning and refining. The mill was originally designed with a capacity to process 4.8 million tonnes of ore per year, but the actual mill throughput is currently approximately 5.6 million tonnes per year.

The ore to be milled is managed through a number of stockpiles that receive ore of different metallurgical character and of different grade ranges and thus allow blending of the mill feed. A gyratory crusher reduces the ore to 100% minus 30 centimetres. The ore is then fed to a coarse ore stockpile from which it is reclaimed for grinding, first to a semi-autogenous ("SAG") mill and then to a ball mill, which together reduce the grain size to 80% passing 140 microns. A bulk sulphide concentrate representing 7% to 11% of the original mill feed is then produced with a grade of 30 to 50 grams of gold per tonne and a gold recovery of 87% to 92% into the concentrate.

The flotation concentrate is re-ground to 90% passing 20 microns. After thickening to 60% solids, it is once more re-ground to 95% to 98% passing 20 microns in an ultra-fine grinding ("ISA") mill, re-pulped to 45% solids, pre-aerated for 40 hours and leached for 80 hours in the CIL circuit consisting of four agitated tanks in series.

Centerra commissioned the ISA mill at a cost of \$6.8 million in October 2005. Application of this new technology has resulted in increased recoveries in excess of 2%.

The flotation tailings with an average grade of 0.45 grams of gold per tonne are thickened to 50% solids and subjected to cyanidation for ten hours in a CIL circuit similar to the circuit used for the sulphide concentrate. The carbon in both CIL circuits is moved forward counter-current to the slurry flow, and the loaded carbon from the first flotation tailings CIL tank is pumped to the third concentrate CIL tank to continue loading. Loaded carbon from the first concentrate CIL tank is pumped to the gold recovery plant. The loaded carbon is stripped and the gold subsequently recovered by electro-winning.

The main grinding and re-grind circuits use ball mills that are constructed by joining together four segments bolted at the flanges. Since the inception of production, there has been a bolt breakage issue at the flanges of the re-grind mills that required ongoing remediation by various methods. To reduce the risk of significant interruption in milling, Centerra replaced the re-grind shell and discharge head in a planned shutdown, which has eliminated the bolt breakage problem on the flanged segments. The ISA mill was used as a temporary replacement for the re-grind mill during installation of the replacement mill shell and head. Additionally, in 2006 a SAG mill motor was purchased as an emergency spare to reduce the risk of a shutdown due to SAG mill motor problems. In late February 2008, Kumtor temporarily shut down the mill in order to repair the ring gear on the ball mill. The ring gear was repaired in mid-March 2008, and replacement of the ball mill shell, a defect in which is believed to have contributed to the failure of the ring gear, is ongoing and is on schedule to be completed by early April, 2008. The ball mill is expected to be returned to operation by mid-April 2008. Centerra does not expect the shutdown to affect forecast gold production or cash costs.

Gold recovery in the CIL circuits is 30% for the flotation tailings and 90% for the sulphide concentrate. The loaded carbon is stripped and the gold subsequently recovered by electro-winning.

Gold recovery, particularly during the early phase of operations, was affected by the preg-robbing character of some of the ore due to active graphite. These effects have been moderated by adding diesel fuel and sodium laurel sulphate (“SLS”) as masking agents to the ore feeding the SAG and re-grind mills. Historically, the overall metallurgical recovery rate has averaged 79.4%.

Concentrate CIL tailings and flotation CIL tailings are combined and discharged by gravity to the tailings disposal area through a slurry pipeline system.

### *Production History*

The Kumtor mill started processing ore in the third quarter of 1996, leading to commercial production in the second quarter of 1997. Through December 31, 2007, a total of 59.4 million tonnes of ore has been milled with an average gold content of 4.05 grams of gold per tonne. The total gold recovered was 6.15 million ounces. In addition, 699 tonnes of waste and ice had been mined for an overall strip ratio of 11.8 to 1.

Annual production data for the last four years are set out in the table below. Ore is material estimated to grade above 1.0 grams of gold per tonne currently. The ore cut-off grade had previously been 1.3 grams of gold per tonne.

#### **Kumtor Production 2004 — 2007**

	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>
<b>Mining</b>				
Ore mined (thousands of tonnes) .....	3,303	6,135	3,887	5,132
Strip ratio .....	23.8	12.2	21.0	21.4
Waste mined (thousands of tonnes) .....	81,427	74,903	81,534	109,649
<b>Milling</b>				
Ore fed to mill (thousands of tonnes).....	5,654	5,649	5,696	5,545
Grade (g/t) .....	4.41	3.38	2.27	2.36
Recovery (%).....	82.1	81.2	73.0	72.7
Gold recovered (thousands of ounces).....	658	497	303	306
<b>Gold poured (thousands of ounces)</b>	<b>657</b>	<b>501</b>	<b>304</b>	<b>301</b>
<b>Gold sold (thousands of ounces) .....</b>	<b>633</b>	<b>498</b>	<b>330</b>	<b>300</b>

Production in 2007 of 300,862 ounces of poured gold was below the projection of 450,000-460,000 ounces at the beginning of the year as a result of the delayed access to the SB Zone. See “Mining Operations – Geotechnical Issues Affecting the Kumtor Open Pit”.

### *Geotechnical Issues Affecting the Kumtor Open Pit*

#### *The Northeast Wall (Highwall)*

Operations of the Kumtor pit have been negatively affected as a result of two substantial failures of the highwall that forms the northeastern limit of the Kumtor pit. While some ground movement is common, on July 8, 2002 a very significant and unexpected movement occurred (the “2002 highwall ground movement”) that affected the pit wall over a vertical distance of 280 metres, caused one fatality and resulted in the temporary suspension of mining operations. Although mine production resumed seven days later in an area away from the pit wall failure, the highwall ground movement led to a considerable shortfall in 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible to mining. Consequently, KGC milled lower-grade ore and achieved lower recovery rates.

Following the 2002 highwall ground movement, a program of structural mapping and geotechnical drilling with assistance from SRK Consulting (UK) Ltd. (“SRK UK”) commenced. Based on the advice of Centerra’s geotechnical consultant, Golder Associates Ltd. (“Golder”), and following further technical investigation, Centerra revised the structural model in the area of the highwall and reformulated the slope design criteria for the final pit. The original overall slope design angle was 42°, which was redesigned to 36° based on the assumption of a circular rock mass failure. Mining of ore in the pit sector affected by the rock fall resumed in 2003. As of December 31, 2005, the entire area affected by the 2002 failure had been mined out.

Centerra’s claim under its insurance arrangements for certain losses it incurred as a result of the 2002 highwall ground movement, in particular the failure of the working bench, was settled in August 2006 for approximately \$13.6 million.

A second pit wall failure occurred on July 13, 2006 (the “2006 highwall ground movement”) encompassing about two million cubic metres of waste rock in approximately the same location as the 2002 failure, above the Stockwork Zone that was planned to be mined in 2006 and 2007. An automated prism monitoring system, installed by Centerra as a result of the initial 2002 highwall ground movement, provided sufficient warning to remove all personnel and most equipment from the area affected by the failure. A diamond drill rig was destroyed by the new slide. Due to safety concerns, mining from the area was deferred, and mill feed from this area was partly replaced with low-grade ore stockpiles resulting in a significant and negative impact on production. Mining of the highwall affected by the failure was again postponed and has not yet resumed. As a result, mill feed planned from this area was replaced with low grade ore stockpiles. Production in 2006 totalled 303,582 ounces of gold compared to a projection of 410,000 to 420,000 ounces of gold (revised as of April 30, 2006). Mining of the north wall affected by the ground movement was postponed. Mine production equipment from this area was moved to the SB Zone to accelerate stripping in order to access higher-grade ore expected in mid-2007.

Following the 2006 highwall ground movement, Centerra began an expanded program of structural mapping and Golder and SRK UK continued to assess causes of the pit wall failure and provided guidance with respect to remedial and long-term pit slope design criteria that would reduce the possibility of recurrence. This work has provided insight into why the highwall failures occurred. Large shallow wedges are interpreted to have formed the failure plane, and sub-glacial water seeping from the overlying Lysii glacier into the pit wall, reducing the extent of the original permafrost regime, exacerbated by a dysfunctional drainage ditch above the slide, have been recognized as contributing factors to the 2006 highwall ground movement.

Based on recommendations by Golder and SRK UK, the highwall slope for the year-end 2007 mineral reserve estimate and life-of-mine plan has now been designed with slope angles that range from 28° to 32°. The slope has been flattened to excavate any deeper wedges that might exist to prevent further similar failures. In addition to the flattening of the high wall, more ice is scheduled to be removed from the remaining Lysii Glacier snout starting in 2008, and any melt water from the glacier should be reliably directed away from the pit so that the pit wall is no longer affected.

The factor of safety for the slope as planned can only be determined with additional work to identify the geometry and distribution of the remaining but diminished permafrost, and the degree of water saturation in areas where the permafrost has receded or was never present. The necessity of depressurizing the highwall by horizontal drains, considered to be technically possible, requires the investigation of the ground water and permafrost regimes to allow an assessment of the need for relief wells. Moreover, surface waters need to be reliably diverted from the wall.

Since mining of ore requiring the push-back of the highwall is not planned before 2011, there is time available to complete these investigations. Anticipating that Centerra will undertake additional studies to confirm the structural geology, investigate the groundwater regime and determine whether rock dewatering of the highwall is required and how it may be achieved, the inclusion of the affected ore tonnage in Centerra's current statement of mineral reserves has been accepted. There is, however, a risk that some or all of the reserves in question, being 7.8 million tonnes with an average grade of 3.7 grams of gold per tonne and an incremental strip ratio of 29 to 1, may not be recoverable without a further substantial flattening of the highwall.

### *The Southeast Wall*

The south-east wall of the Kumtor pit has a number of geotechnical challenges that have a significant affect on the amount of high-grade ore from the SB Zone that can be recovered by open-pit mining.

The excavation of the SB Zone takes place below the former location of the Davidov glacier in the southwestern part of the Kumtor deposit. Prior to the identification of the SB Zone, waste rock had been dumped in this area. This has resulted in the gradual displacement of the glacier away from the pit, so that the waste, originally lying on glacier ice, now rests for the most part on the original substratum, the basal moraine ("till") of the glacier. The new Kumtor life-of-mine plan will continue this practice.

The waste dumps acts as a buttress between the glacier and the pit, as intended. As a consequence, the outer edge of the final pit design in this area is fixed and push-backs of the Kumtor pit past the berm cannot be used to recover deeper parts of the SB Zone.

The till onto which the waste was dumped is loose, granular and heterogeneous with respect to fines content and permeability. The initial design of the south east wall assumed a 36° slope in the lower bedrock, an 18° face in the glacial till and a 36° slope in waste rock overlying the till with an overall slope of 29° as recommended by Golder.

In the first quarter of 2007, minor slope movement was detected in the waste dump above the SB Zone highwall in the Central Pit. Deformation cracks in the waste rock above the till focused the mine staff's attention on wall instability seated in the glacial till between the waste dumps and the underlying bedrock. Drilling has indicated that further push backs of the Kumtor pit will encounter unfrozen, water-saturated till. The outer face of the till is frozen and hence the water behind the slope face is pressurized. The till appears to be pressurized by water derived from the base of the Davidov glacier as well as by water flowing through unfrozen bedrock in the pit walls. An initial geotechnical drilling and analysis program was undertaken in the second quarter of 2007 to determine whether a lower design slope angle would be required to stabilize the waste dump and, if so, to determine the effect on future production.

In a press release issued on July 19, 2007, Centerra reported that independent geotechnical experts had completed their preliminary analysis of the previously reported high wall waste dump movement and the preliminary findings of the glacial till characterization. An initial assessment of the slope with full water pressure in July 2007 led to redesign of the overall slope by Golder to 18° above the till/bedrock contact with significantly flattened till and waste rock slopes. Since the crest of the ultimate pit slope is fixed at this location, such flattening of the slope from the original 29° by 11° would have had a significant and negative impact on the December 31, 2007 mineral reserves by raising the pit bottom by some 95 metres. The lower slope angles would also delay access to the SB Zone.

Further technical assessment since July of 2007, including additional drilling, installation of piezometers (devices installed in drill holes that allow the direct measurement of pore water pressure in the surrounding rock) and dewatering tests (a pump test utilizing a pumping well and two observation holes) have led to a better

understanding of the water pressure distribution in the till. The dewatering tests undertaken to date indicate that the till can be depressurized to allow push back of the overall slope at an approximate angle of 30° - near to the original design. Recent interpretation of the geological structures in the south east corner of the Central pit has indicated the need to flatten the rock slope beneath the till where foliations interact unfavourably with steeply dipping cleavage, foliations and north-westerly dipping thrust faults. This work indicates that there are likely several parallel thrust structures behind the slope so that failure modes would include a combination of cleavage, foliation attitude and faults. Subsequent work by Golder has confirmed that a slope angle of 20° is required in these areas where these structures are oriented poorly with respect to the pit geometry. However, Golder notes that the rock slope angle can be steepened substantially to about 30° if depressurization is undertaken. While there is no reason to believe that depressurization cannot be undertaken, there has been no relevant testing done in this area of the pit.

While depressurization tests of the rock below the till have not yet been undertaken, the rock is fractured and is likely amenable to depressurization. The method of depressurization still has to be determined, but a series of pumping wells on the surface, or a drainage adit at depth to dewater by gravity, are being considered. Both approaches are technically feasible. If depressurization of the till and of the underlying rocks cannot be achieved, however, the flatter slope angle required under Golder's initial assessment would lead to a reduction of the mineral reserves mineable by open pit by approximately ten million tonnes with an average grade of 4.9 grams of gold per tonne. Note, however, that about 1.4 million tonnes with an undiluted grade of 21 grams of gold per tonne, which are part of this tonnage in question, would be added to the inferred resources scheduled for underground exploration and possible later mining by underground mining methods. The pit design, on which Centerra's December 31, 2007 mineral reserves are based, uses the steeper set of design angles which anticipate successful depressurization of both the till and the underlying rocks.

### Conclusion

The aggregate mineral reserves with exposure to geotechnical risk total nearly 18 million tonnes with an average grade of 4.4 grams of gold per tonne. To reflect the additional risk in this part of the Kumtor reserve, the entire tonnage in question has been included in the probable reserve class, even if their resource counterpart was originally in the measured category.

### *Historic Cost Performance*

The following table sets out historic cost performance for the Kumtor mine for the last four years. The low unit mining costs are attributable to KOC's operating expertise, the favourable topographical setting for the Kumtor open pit, with disposal of waste nearby and a similar short haul for ore delivery, plus a workforce almost entirely composed of Kyrgyz citizens. Higher costs in 2007 resulted primarily from higher mine fleet maintenance costs, higher cost of major mine and mill reagents and consumables and higher expenditures on labour. On a unit basis, total cash costs per ounce increased due to lower production as a result of lower head grade and lower recovery and higher costs incurred.

#### **Kumtor Cost Performance 2004 — 2007**

	<u>2004</u> <sup>(2)</sup>	<u>2005</u> <sup>(2)</sup>	<u>2006</u>	<u>2007</u>
<b>Annual Operating Costs</b> (\$ millions)				
Mining .....	40.5	47.8	62.1	76.7
Milling .....	30.6	32.3	37.0	39.4
Site administration.....	27.6	27.6	32.9	32.4
Bishkek administration.....	8.1	8.0	10	11.2
Management fees <sup>(1)</sup> .....	0.9	0.7	0.5	0.5
Production taxes and royalties.....	21.1	17.9	15.8	16.4
By-product credits .....	(1.5)	(2.2)	(1.6)	(1.1)
Other .....	4.1	5.0	8.4	8.1
<b>Total operating costs</b> .....	<b>131.4</b>	<b>137.1</b>	<b>165.1</b>	<b>183.6</b>
<b>Unit operating costs</b>				
Mining costs (\$/t mined material).....	0.48	0.59	0.81	0.91
Milling costs (\$/t milled material).....	5.41	5.73	6.50	7.11
<b>Total operating costs net of management fees to KOC (\$/t milled material)</b>	<b>23.24</b>	<b>24.40</b>	<b>28.99</b>	<b>33.11</b>
<b>Total cash costs</b> (\$/oz) <sup>(1)</sup> .....	<b>200</b>	<b>274</b>	<b>544</b>	<b>610</b>

- (1) Prior to the Kumtor restructuring, management fees were paid to Centerra's wholly-owned subsidiary KOC. Having completed the Kumtor restructuring in 2004, these management fees no longer constitute an operating cost on a consolidated basis and are excluded from total cash costs per ounce.
- (2) Starting in 2004, operating costs exclude site exploration and are adjusted for by-product revenues and refining fees paid.

### Historic Project Costs

The following table sets out historic project costs for the last four years to December 31, 2007. Kumtor project costs consist of sustaining capital expenditures, exploration programs relating to the Exploration License (excluding in-pit drilling, which is included in operating costs) and funding of the reclamation trust to be accumulated and used in post-production reclamation projects.

Capital expenditures between 2004 and 2007 for growth capital totalled \$170.0 million, and for sustaining capital totalled \$40.8 million. Exploration costs during that period amounted to \$47.3 million.

Reclamation funding is based on a contribution made for every ounce poured, with funds deposited into a separate cash account to be used to fund reclamation projects once the mineral reserves are depleted. Contributions to December 31, 2007 were \$4.85 million. The costs of reclamation were estimated in 2004 to be approximately \$21.0 million, less estimated salvage value of approximately \$14.9 million for plant and equipment. See "Kumtor Mines — Decommissioning and Reclamation" below.

### Kumtor Project Costs 2004 — 2007

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
		(\$ millions)		
Growth capital .....	-	16.0	84.7	69.3
Sustaining capital.....	6.6	5.5	10.3	18.4
Exploration expense .....	<u>7.1</u>	<u>14.6</u>	<u>13.9</u>	<u>11.7</u>
<b>Total project costs.....</b>	<b><u>13.7</u></b>	<b><u>36.1</u></b>	<b><u>108.9</u></b>	<b><u>99.4</u></b>

### Production Estimate

Over the approximately seven years of the remaining life of the mine, approximately 38.4 million tonnes of ore at an average grade of 4.0 grams of gold per tonne is scheduled to be processed. Approximately 3.9 million ounces of gold is expected to be produced. This production estimate excludes resources, including the high-grade underground inferred resource in the SB Zone, the exploration and development of which is planned to begin in 2008.

### Kumtor Life-Of-Mine Plan and Mill Production Forecast

(thousands of tonnes of ore and waste and ounces of gold)

			<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>
<b>Total</b>	Ore	Tonnes	3,715	4,323	6,307	5,922	5,851	6,172	2,551	34,840
<b>Mining</b>	Grade	Au (g/t)	5.7	5.8	4.5	3.0	4.1	3.8	2.8	4.4
	Waste	Tonnes	115,156	115,396	112,854	116,783	125,654	110,251	2,544	698,638
	Strip Ratio		30.9	26.7	17.9	19.7	21.5	17.9	1.0	20.1
<b>Stockpile</b>		Tonnes	(1 943)	(1 335)	649	264	193	514	(1 936)	(3 594)
<b>Changes</b>	Grade	Au (g/t)	1.1	1.6	1.2	1.3	1.2	1.6	1.2	1.4
<b>Milling</b>	Ore	Tonnes	5,658	5,658	5,658	5,658	5,658	5,658	4,486	38,434
	Grade	Au (g/t)	4.1	4.8	4.9	3.2	4.2	4.0	2.1	4.0
	Recovery	%	82.5	78.7	77.7	79.1	79.3	80.6	75.9	79.2
	Gold	Tonnes	19.2	21.7	22.0	14.1	18.9	18.4	6.5	120.8
	Recovered	Ounces	618	697	706	452	608	593	209	3,883

The foregoing production estimate and certain statements of Centerra's plans and expectations for production at Kumtor, including cost estimates, under the heading "Kumtor Mine" and elsewhere in this Annual Information Form are forward-looking information and are based upon the following key assumptions and subject to the following factors that could cause results to differ materially:

- that the geotechnical issues affecting the Kumtor Pit, which is a challenging deposit to mine, will be overcome and that all necessary studies, investigations and remediation efforts to pushback the highwall and dewater the glacial till and rocks above the SB Zone and portions of the east wall are successful;
- that the initial planned raise of the tailings dam by three metres is successfully completed on schedule by the end of 2008 and that all necessary permits and authorizations are obtained, and all work is successfully completed for a further raise of the tailings dam by an additional three metres by 2010;
- that the Agreement on New Terms is completed and all conditions are satisfied, including approval of the Parliament of the Kyrgyz Republic, Centerra's board of directors, Cameco's board of directors and any required regulatory or other approvals; and
- that Centerra receives all necessary permits and authorizations, including environmental permits and authorizations, from governmental authorities of the Kyrgyz Republic in a timely fashion and on acceptable terms to maintain scheduled production.

Centerra has also assumed there will be no material unexpected disruptions to its planned production schedule, but Centerra's operations at Kumtor are subject to the risk of delays associated with: further ground movements of the pit walls, waste dump or tailings dam; fires, seismic activities, weather and other natural phenomenon; the occurrence of water inflows; unexpected geological or hydrological conditions; employee relations, litigation or arbitration proceedings; blockades or opposition by local communities; equipment failure; procurement of required capital equipment, operating parts and supplies; environmental and safety risks including increased regulatory burden; and political instability and political unrest in the Kyrgyz Republic.

Other factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; increases in production and capital costs; inability to enforce legal rights; defects in title; imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; seismic activity, weather and other natural phenomena; the speculative nature of exploration and development, including the risks of obtaining necessary permits and approvals from government authorities; changes in national and local government legislation, taxation, controls, regulations, policies and political or economic developments in Kyrgyzstan; and other development and operating risks.

If actual results differ materially from the assumptions set out above or any of the material risk factors identified elsewhere in this Annual Information Form, including under the headings "Forward-Looking Information" and "Risk Factors", occur, production from Kumtor and cost estimates may differ materially from the foregoing production estimate and Centerra's plans and expectations for production at Kumtor, including cost estimates,

#### *Gold Sales*

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to a Gold and Silver Sale Agreement entered into between KOC, Kyrgyzaltyn and the Government of the Kyrgyz Republic. Under these arrangements, Kyrgyzaltyn is required to prepay for all gold delivered to it, based on the price of gold on the London Bullion Market on the same day on which KOC provides notice that a consignment is available for purchase. If Kyrgyzaltyn does not purchase any gold produced, the Investment Agreement provides that KGC may export and sell the gold outside the Kyrgyz Republic without restriction.

Pursuant to an amendment to the Gold and Silver Sale Agreement, effective from December 22, 2005, as amended from time to time since then, Kyrgyzaltyn is permitted, until May 15, 2008, to defer payments for gold for

up to 12 calendar days. Kyrgyzaltyn has agreed to sell, before May 15, 2008, a sufficient number of Centerra common shares to yield \$12 million of proceeds. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility to be used by Kyrgyzaltyn to resume the practice of pre-paying for gold. The obligations of Kyrgyzaltyn are secured by a pledge of a portion of the Centerra shares owned by Kyrgyzaltyn.

#### *Kyrgyzaltyn Management Fee*

In connection with the Kumtor restructuring, KOC entered into an amended and restated agreement with Kyrgyzaltyn for its participation in the operation of the Kumtor gold project (the "Management Services Agreement"). This agreement came into effect together with the Investment Agreement on closing of the Kumtor restructuring.

In recognition of the substantial experience Kyrgyzaltyn has accumulated in the course of operations of Kyrgyz Republic-based mining projects, the Management Services Agreement provides for payment of a management fee to Kyrgyzaltyn in return for its continuing assistance in the management of the Kumtor operations. At Centerra's request, Kyrgyzaltyn provides assistance in various areas, including the resolution of issues subject to the jurisdiction of Kyrgyz governmental bodies, analysis and recommendations on budgets and financial matters, contribution to further improvements to workplace and ecological safety, consulting services, assistance with the media and Centerra's human resources policy. Kyrgyzaltyn received an initial payment of \$1 million and receives subsequent payments calculated on the basis of \$1.50 per ounce of gold sold. The total amount of such subsequent payments is expected to be less than \$1.5 million annually. Effective November 10, 2005, KOC advanced \$1 million to Kyrgyzaltyn, to be repaid from management fees otherwise payable by KOC to Kyrgyzaltyn. During 2006, management fees to Kyrgyzaltyn were offset against an advance of \$1.0 million which was made in respect of such fees in November 2005. The management fees paid to Kyrgyzaltyn in 2007 were \$0.5 million.

#### *Taxes*

The following is a summary of the taxes that are applied against the operations of the Kumtor mine under the laws of the Kyrgyz Republic.

##### Corporate Profit Tax

KGC and KOC are companies resident in the Kyrgyz Republic and are subject to tax on profit at a rate of 10%.

KGC has amended the tax bases for certain assets and liabilities in compliance with the tax legislation of the Kyrgyz Republic. Net losses carried forward from 1999, 2000 and 2002 have fully offset profit taxes otherwise payable in 2003, 2004 and 2005. As at December 31, 2007, the Company has recognized a future tax asset in the amount of \$5.6 million in respect of 2006 and 2007 KGC tax-loss carry-forwards. These tax loss carry-forwards can be carried forward 5 years.

##### Value Added Tax

Value-added tax (VAT) is 20% on goods and services produced in, as well as goods imported into, the Kyrgyz Republic. The Investment Agreement extends the exemption from VAT provided to KGC and KOC under the Master Agreement on capital equipment, operating supplies, raw materials and management fees paid by KGC to KOC.

##### Other Taxes

There is a road tax of 0.8% of gross revenue (excluding gains and losses under hedging agreements), and an emergency fund tax of 1.5% and a mineral resource deduction tax of 5% are levied on the value of products sold.

Under the Concession Agreement, KGC is obligated to pay a concession payment of \$4 per troy ounce of gold sold. These payments are to be made quarterly within 90 days of the end of each calendar quarter based on gold sales that quarter by KGC.

KGC is obligated to pay 2% of its net profits into a social development fund for the benefit of the residents of the Issyk-Kul area until its senior, subordinated and shareholder loans are repaid in full, and thereafter, 4% of its net profits.

There is a 10% withholding tax on dividends and interest by KGC paid to non-residents, excluding interest paid on account of the inter-company loans. There is a 30% withholding tax on services provided by non-resident companies for services provided within the Kyrgyz Republic and a 5% withholding tax on insurance.

Other taxes payable by KGC, including excise tax, payroll tax, environmental protection tax, customs fees and duties, withholding taxes on insurance contracts and non-resident services, and local taxes are expected to average about \$2.4 million per year of which about 75% would be for customs fees and duties.

The Agreement on New Terms provides for the Kumtor tax regime to be changed, effective January 1, 2008. See “Doing Business in the Kyrgyz Republic – Agreement on New Terms”.

### ***Environmental, Health and Safety Matters***

#### *Applicable Standards*

Centerra’s operations at the Kumtor mine are subject to environmental and safety requirements arising from the legislation and other legal requirements applicable in the Kyrgyz Republic, supplemented by Centerra’s binding contractual commitments to conduct operations in accordance with mine and operating plans that seek to limit the environmental impact of the project and protect human health and safety in accordance with good international mining practice and in material compliance with the standards applicable under the Environmental Management Action Plan (the “EMAP”) for the Kumtor mine, which includes operation in material compliance with federal Canadian, Saskatchewan and World Bank environmental, health and safety laws, regulations, policies and guidelines. As a consequence, Centerra devotes considerable resources to managing environmental, health and safety matters in order to meet or exceed these standards. Centerra believes it is in material compliance with all applicable standards.

The applicable Kyrgyz legal requirements include the Kyrgyz law on *Protection of Atmospheric Air* dated June 12, 1999. According to this statute, each Kyrgyz enterprise that conducts operations with a potential negative impact on the environment must develop and maintain an ecological passport dealing with certain key variables relating to basic levels of impact on the environment. Among other factors, an ecological passport specifies the maximum allowable emission (“MAE”) and maximum allowable discharge (“MAD”) levels. An ecological passport is developed by an enterprise in accordance with standards approved by the Government of the Kyrgyz Republic and must be approved by the Kyrgyz State Agency of Environmental Protection. The Kumtor mine site’s ecological passport (the “Passport”) was approved by the Ministry of Ecology and Emergency Situations on November 18, 1999 and was renewed for an additional five-year period on November 24, 2004 by the Kyrgyz State Agency of Environmental Protection. In 2005, Centerra also developed and obtained approval by the Kyrgyz State Agency of Environmental Protection for an Ecological Passport for the Balykchy marshalling yard, and this passport is valid until March 9, 2010.

The Passport identifies certain permits and approvals required for Centerra’s operations including, as described above, annual permits for MAE and MAD. The MAE permit regulates the release of emissions into the air. There are two MAD permits regulating the discharge of effluents into surface water bodies: one applies to the tailings area treatment plant and the other applies to the sewage treatment plant. The MAE and MAD permits must be renewed annually within the first quarter of each year and are designed to ensure that the water quality standards for communal use streams are met at the end of the mine site mixing zone in the Kumtor River.

Centerra received the latest MAE permit on January 21, 2008, and the permit is valid until KOC updates the 2009 annual mine development plan (“MDP”) and receives approval for it from the Kyrgyz Mines Inspectorate and the State Agency of Geology. By Kyrgyz legislation, Centerra uses the approved MDP to develop the MAE for the following year. The current MAD permits were obtained on June 1, 2007, and are valid for one year until June 1, 2008. Discharge of treated tailings and sewage effluent commenced after receiving the permits in June 2007.

KGC has also been paying an environmental protection tax since May 2002. This tax, the rate and method of determination of which are set by the Government of the Kyrgyz Republic as approved by the Kyrgyz Parliament, relates to the discharge and emission of hazardous substances and disposal of tailings and is applied towards a state environmental protection fund. The amount of this tax and related required payments are capped at \$310,000 per year. The environmental protection tax for 2007 was \$109,759.

In addition to the MAE and MAD permits, in January 2007, KOC received license renewals relating to the disposal tailings and the disposal of toxic waste into the tailings disposal area of the Kumtor site. Both licenses were valid until December 31, 2007. New license applications have been submitted by KOC in early 2008 for renewal of the two licenses for a three-year period, in accordance with the laws of the Kyrgyz Republic. A number of other certificates, permits and licenses are required by various departments of the Government of the Kyrgyz Republic with respect to the use of potentially toxic chemicals, transportation of dangerous goods, importing of blasting materials and sodium cyanide and water usage. All such approvals are currently valid and in good standing.

As set out above, Centerra's environmental and safety commitments are outlined in the EMAP, which includes the regulations applicable to the Kumtor mine. The EMAP was updated in 1999 and again in 2003 to reflect the maturing operations.

#### *Environmental Management System*

In 2000, KOC developed a formal Environmental Management System ("EMS") following the ISO-14001 standards for determining and managing environmental aspects associated with its activities. The EMS addresses all impacts of the operation on the environment and monitors compliance with the various permits issued by the Kyrgyz authorities. The system provides scheduled monitoring, engineering controls and reporting on the following areas:

- Effluent treatment plant.
- Tailings management facility.
- Mill site and mine waste dumps runoff effluents.
- Acid generation potential testing and recommendations.
- Dust control.
- Hazardous materials handling.
- Environment impact monitoring.
- Planning for site decommissioning and rehabilitation.
- Potable water treatment system.
- Sewage operation.
- Landfill operation and inventory.

In addition to internal monitoring, several external audits have been undertaken since 2004:

- An EMS audit was conducted by the Quality Management Centre (QMC)/Pragma/USAID (Almaty, Kazakhstan) in November 2004 to confirm conformity with ISO 14001:1996. Based on the audit of the five elements selected, it was demonstrated that the EMS had been implemented and maintained.
- An assessment of the tailings management system was undertaken by BGC Engineering Inc. in 2005 using Mining Association of Canada ("MAC") guidelines. The results of the audit showed

that KOC conformed to the MAC guidelines and that the KOC tailings management facility is being managed comprehensively and effectively, but the audit identified a few items where improvements are possible.

- In November 2006, KOC underwent a systems assessment by independent auditors from Blue Heron Solutions for Environmental Management Inc. and WESA that covered environmental as well as health and safety issues. The assessment found that the general condition of the mine and health, safety and environmental awareness of the site personnel were excellent, and that the site and buildings were neat, with materials and wastes well organized. No evidence of spills or environmental damage was observed during the assessment. The assessment outlined areas of particular strength included as well as opportunities for improvement.

### *Cyanide Spill*

In May 1998, a truck traveling to the Kumtor gold mine accidentally overturned and spilled approximately 1,760 kilograms of sodium cyanide into the Barskaun River, which in turn drains into Lake Issyk-Kul. Following the accident, an independent scientific commission of international experts was assembled to assess the impact. The commission released its report to the public in September 1998 and, among other things, concluded that no fatalities resulted from the spill and that, based on reported cases where humans may have been affected within the first 72 hours, up to 16 cases of cyanide exposure may have occurred. However, the commission concluded that none of these exposure cases was confirmed, that no medical evidence had been supplied to support these cases as being cyanide-related, and that none of these potential cases was likely to involve long-term effects. Despite the findings of the international experts, a separate commission established by the Prime Minister of the Kyrgyz Republic determined that damages as a result of the accident amounted to \$4.6 million. Subsequently, KGC reached a formal settlement agreement with the Government of the Kyrgyz Republic. In January 1999, the settlement agreement was submitted to a tribunal of the American Arbitration Association, which reviewed the terms of settlement and confirmed them as fair and reasonable. This represents a final settlement of all claims or potential claims arising from the accident. Mine operations were not disrupted by the accident.

This incident resulted in an extensive review of the mine's emergency response plan and its hazardous material transportation procedures by local authorities, lenders and KOC. A revised emergency response plan took effect December 1999. The Kumtor site has operated since this time without an incident necessitating implementation of the revised plan. KOC conducts quarterly exercises to test different aspects of the emergency response plan including response time, effective communications and the skills of the emergency response team.

In July 2005, protesters, in an action related to the 1998 cyanide spill, illegally blocked access to the Kumtor mine alleging, among other things, a lack of compensation from the Government. In response to the roadblock, the Government created a state committee to inquire into various aspects of the Kumtor operation and the consequences of the spill. Based on the inquiries of the state committee, the Government issued a decree in September 2005 requesting, among other things, that certain government agencies enter into negotiations with KOC and ask that KOC provide new funds to compensate local residents. Throughout these negotiations KGC's position continued to be that the settlement agreement was a final settlement of all claims and that any new compensation was the responsibility of the Government. On November 14, 2005, there was a further illegal roadblock by protesters that blocked access to the mine. This roadblock was lifted on November 21, 2005 after further negotiations among the protesters, the Government and KGC. As a result of these negotiations, the Government acknowledged its responsibility for any new compensation relating to the spill. To assist the Government in fulfilling its responsibilities, on December 7, 2006, an agreement was signed among KGC, the Government, Kyrgyzaltyn and Centerra under which KGC agreed to make interest-free advances of \$4.4 million to the Government. To date, \$3.7 million has been advanced. This money has been distributed to members of the local communities by a committee created by the Government to administer the distribution of compensation. The final advance of \$0.7 million will be made in 2008. Half of the loan (\$2.2 million) is repayable not later than 2010 and is secured by shares in the capital of Centerra held by Kyrgyzaltyn. The balance will be forgiven in 2012, provided that the Government does not default on its obligations in the Investment Agreement. The Agreement on New Terms provides that the entire amount of \$4.4 million will be forgiven by Centerra.

### *Workplace Safety*

On April 25, 2006, a Kumtor mine instrumentation specialist was killed in an avalanche while accessing a remote radio repeater station for repairs. The repeater was one of an array of seven used for communications from security and convoys to the mine site and critical for the operation. Intensive rescue attempts by Kumtor mine's emergency response team along with national avalanche teams were unsuccessful. A commission was formed by the Kyrgyz Mines Inspectorate to investigate the fatality, resulting in a number of orders and recommendations that were implemented at Kumtor over the following two months. This was the first fatality at Kumtor since 2002.

On June 5, 2007, a fatality occurred when an exploration contract water truck delivered water to an exploration drill. The driver evidently entered the tank to determine the reason for the failure of the tank to drain. His body was found in the tank approximately 20 minutes after he left the drill rig. All corrective actions identified by governmental and internal investigations have been put into place to reduce the likelihood of such incidents.

### *High Altitude Operations*

Centerra's Kumtor operations are carried out at high altitudes. Centerra has a long history of understanding and responding to medical issues associated with high altitude activities. Centerra has a number of programs as well as highly trained personnel dedicated to ensuring that safe operating practices are carried out. Potential employees are screened carefully before they are hired to ensure health-related issues are identified in advance. In addition, Centerra has a decompression chamber at the mine site to respond to any adverse reactions associated with high altitude.

### *Decommissioning and Reclamation*

Upon the completion of mining and milling at Kumtor (subject to extending Centerra's rights to mine other areas as provided under the Concession Agreement), all immovable infrastructure will become the property of the Government of the Kyrgyz Republic. This includes the roads, buildings, accommodations and any other related facilities but does not include operating machinery.

A decommissioning plan was developed as required by the EMAP and by IFC and EBRD. The decommissioning plan covers all aspects of the mining project including the open pit, mill complex, tailings basin, stockpiles and other surface facilities. Equipment, buildings and other structures will be salvaged to the extent possible. All areas will be contoured to fit the natural terrain. The open pit will be left to fill with water and the tailings will be covered.

In 1999, Centerra's future decommissioning and reclamation costs for the Kumtor mine were estimated to be approximately \$20.3 million. Any realized salvage value from the sale of plant machinery and equipment and other moveable assets after mining operations have ceased would be available to be applied against final reclamation costs, together with funds from the recovery of working capital.

Under EMAP, Centerra is required to update a Conceptual Closure Plan ("CCP") every three years. This approach allows for the development and adaptation of the CCP, provides a period for testing and monitoring of several years to evaluate the various options contemplated by the CCP, and is followed by the development of a Final Closure Plan closer to the end of mine life that will consider the results of the testing and monitoring as well as any changes to the environmental, regulatory and social environment that may have occurred over the life of the mine.

In 2004, a new decommissioning and reclamation plan was developed by Lorax Environmental Services Ltd. ("Lorax"), reviewed by Centerra, and translated and submitted to the Kyrgyz authorities in 2005 for their information. The Lorax plan is more detailed and contemplates a different approach from the 1999 plan, with a total cost estimate of \$21 million. It proposes a hydraulically placed waste rock cover 1.5 metres thick for the tailings to prevent evaporation, deals in detail with future pit chemistry and water management, including shortcomings in the current data base, and abandons the idea of high-altitude re-vegetation in favour of contouring with glacial till material. The plan makes recommendations for further data collection and monitoring of the various aspects

important for the closure plan such as ice movement under the load of the waste dumps and water flow and quality into the Central Pit.

In 2007, a revised conceptual closure plan was initiated in accordance with the EMAP schedule. This is further warranted with the extension of the mine life and addition of new equipment to the mine and mill operations. The revised plan is expected to be finalized in 2008.

In 1998, a reclamation trust fund was established for the future costs of reclamation, net of estimated salvage values of \$14.9 million. In order to fund this amount, contributions are made to the fund over the life of the mine based on ounces of gold sold. At December 31, 2007, the balance in the fund was \$4.85 million.

### ***Exploration Activities***

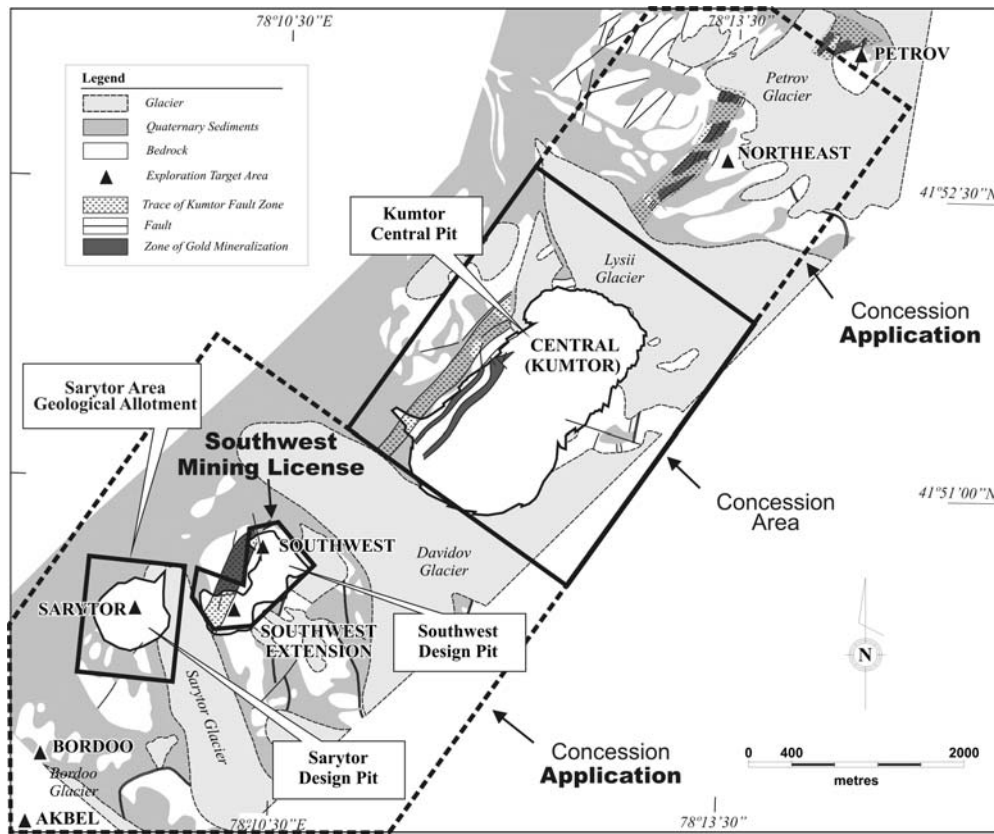
Exploration expenditures at Kumtor were \$11.7 million during 2007. Drilling programs were carried out in the vicinity of the open pit area to further evaluate the Kumtor ore body and consisted of 29 holes totalling 15,418 metres. A drilling program consisting of 27 holes totalling 3,077 metres was also completed at the Sarytor deposit, and a program of three holes totalling 527 metres at the Southwest Zone deposit, which are satellite deposits located about three to five kilometres from the Kumtor mill.

The 2007 exploration drilling program continued to test the strike and dip extensions of the Kumtor mineralized structure to the north of the highwall of the Central Pit. Additional drilling was also carried out to test the mineralized structures north of the Sarytor and Southwest Zone deposits and between the Sarytor and Southwest Zone deposits in 2007.

Regional drilling programs consisting of three holes totalling 788 metres was also carried out on the Bordoo target and a drilling program of 8 holes totalling 2,201 metres was completed on the Northeast target.

Further exploration programs are planned for 2008, with a budget of \$15 million (not including \$14.0 million allocated to underground exploration and development for 2008). Additional drilling programs will be completed in the vicinity of the Central Pit with a focus on testing strike and dip extensions to the mineralized horizons to the north of the Central Pit. Exploration programs will also continue in other target areas such as Bordoo, Akbel, Petrov and the Northeast target.

## Kumtor Exploration Targets



Additional information about the Kumtor mine is contained in the Kumtor Technical Report, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

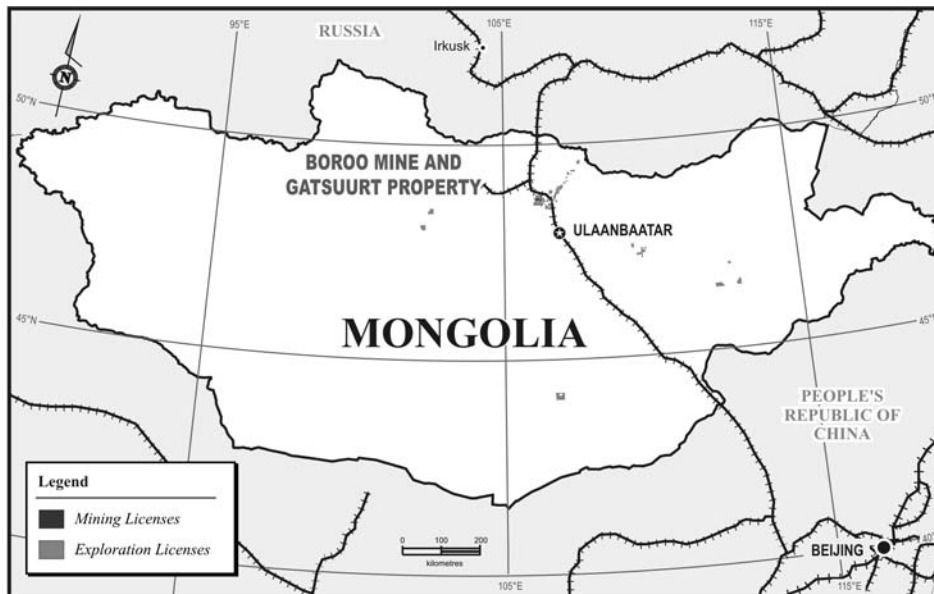
## Boroo Mine

The Boroo open pit gold mine is located in Mongolia. The Boroo mill began the commissioning phase in November 2003 and the mine was brought into commercial production on March 1, 2004, producing approximately 1.04 million ounces of gold (excluding approximately 28,000 ounces of gold produced prior to commercial production) in its first four years of operation, at a total cash cost of approximately \$200 per ounce.

## *Doing Business in Mongolia*

Mongolia is a landlocked country in Northeast Asia, situated between Russia and the People's Republic of China, with a population of approximately 2.7 million. The national currency is the tugrik. After independence from China in 1921, Mongolia became a satellite state of the Soviet Union and remained under a communist regime until the mid-1980s. After pro-democracy protests, the country had its first multi-party elections in 1990 and adopted a new constitution in 1992. These changes were followed by periods of political and economic instability, but they also led to privatization of state assets, liberalization of trade and promotion of foreign investment. In 2000, the Mongolian People's Revolutionary Party ("MPRP") won a strong majority in the legislature. It continued many of the reform policies and focused on social welfare and public order priorities. In the June 2004 election, the MPRP lost its majority but regained it in January 2005 when several members of the coalition Government joined the MPRP to form a coalition cabinet. Presidential elections were held in May 2005, and Mr. Nambaryn Enkhbayar from the MPRP was elected in the first round of voting. In early 2006, the coalition cabinet dissolved and a new Government of national unity, dominated by members of the MPRP, was formed. The country is preparing for Parliamentary elections to be held in June of 2008.

## Mongolia and Surrounding Area



## *Mongolian Legal Regime and Stability Agreement*

### *Minerals Law*

Mongolian minerals legislation is principally governed by the Minerals Law of Mongolia (the "Minerals Law"). The Minerals Law provides that all mineral resources in the country are the property of the state and that the state, through its agency the Mineral Resources and Petroleum Authority of Mongolia ("MRPAM"), has the right to grant exploration and mining (exploitation) licenses. The body responsible for governing rights related to all minerals-related licenses is the MRPAM's Office of Geological and Mining Cadastre ("OGMC").

On July 8, 2006, the Mongolian Parliament enacted a new Minerals Law, which became effective as of August 26, 2006. The provisions of the Minerals Law apply to activities and relationships with respect to the exploration for and mining of all types of mineral resources other than water, petroleum and natural gas. The key legislative changes approved by the Mongolian Parliament are described below.

The amendments introduced a definition of strategic mineral deposits. Mineral deposits that have a potential impact on national security, economic and social development, or deposits that have a potential of producing above 5% of the country's GDP may be designated as mineral deposits of strategic importance. Parliament may designate a deposit as a strategic deposit on its own initiative or by referral from the Government. The amendments provide that the state may take up to a 50% interest in the exploitation of a minerals deposit of strategic importance where state-funded exploration was used to determine proven reserves. The percentage of the state's share shall be determined by an agreement made with the license holder on exploitation of the deposit, considering the amount of investment made by the state. The state may take up to a 34% interest in an investment to be made by a license holder in a mineral deposit of strategic importance where proven reserves were determined through funding sources other than the state's budget. Under the new Minerals Law, a legal person duly formed and operating under the laws of Mongolia, who holds a mining license for a mineral deposit of strategic importance, is required to sell no less than 10% of its shares through the Mongolian Stock Exchange.

On February 6, 2007, Parliament designated the Boroo deposit as strategic, but resolved that the state would take no interest in Boroo on the basis that the stability agreement (the "Boroo Stability Agreement") between BGC and the Government should continue to govern the Boroo deposit. The Government has not acknowledged that the strategic deposit provisions will not apply to the Gatsuurt Project. See also "Boroo Stability Agreement" below.

The new Minerals Law contains a new single-rate royalty for all metals of 5%. This doubles the 2.5% rate that previously applied to hard-rock gold.

The new Minerals Law also contemplates the entering into of investment agreements (formerly referred to as stability agreements) between the Government and investors with respect to mineral properties. Investment agreements provide increased protection to investors making large, long-term commitments. Projects involving an investment of \$50-\$100 million will have 10-year terms; \$100-\$300 million projects will have 15-year terms; and projects involving more than \$300 million will have 30-year terms.

Under the new Minerals Law, tender is used in virtually all cases of license issuance and re-issuance. Where an area has not been previously licensed and explored, the new Minerals Law allows for the issuance of the exploration license for that area on a first-come, first-served basis. In situations where the exploration license has been revoked or surrendered by the holder, or where state-funded exploration has been conducted, the license will be re-issued by tender. An exploration license holder continues to have the exclusive right to obtain the mining license resulting from its exploration, subject to the approval of the local governor. These licenses are valid for three years, with an option to extend for two additional terms of three years each. Exploration license fees have increased to 10 times what they were under the previous law. Exploration license holders must provide the OGMC with information annually on both their past and proposed exploration activities.

Mineral exploration and mining licenses are granted to legal persons duly formed and operating under the laws of Mongolia who are Mongolian taxpayers. These entities may be foreign-owned. Under the new Minerals Law, the initial term of a mining license is 30 years and may be extended two times for a period of twenty years each. Existing license holders will be required to convert their licenses within five months to bring them in conformance with the periods specified by the new Minerals Law. The Minerals Law provides that the holder of an exploration license has an absolute right to obtain a mining license covering all or any portion of the exploration license area subject to the approval of the provincial governor. The holder of a mining license must prepare an environmental impact assessment and environmental protection plan either before or as soon as possible after receiving a license and must comply with certain reporting requirements to the OGMC.

While it is still early to make a definitive assessment, the new Minerals Law appears likely to have a negative impact on the investment climate for the mining industry, especially foreign investors.

In January 2008 Parliament established a working group to prepare draft amendments to the Minerals Law. Unofficial drafts of these amendments and statements by members of the working group indicated that the

amendments under consideration would be in the direction of increased state control, increased restrictions on the transfer and sale of licenses and changes to the definition of “strategic deposit”, and would provide for state ownership of strategic deposits of at least 51% if exploration of the deposit had been financed by state funds. In mid-March 2008, the cabinet of ministers approved draft amendments for submission to Parliament. Amendments were submitted to Parliament and, after its discussion during the irregular session on March 25, 2008, Parliament determined it would defer consideration of the amendments until April 5, 2008 when Parliament’s regular spring session commences.

#### *Windfall Profits Tax*

On May 14, 2006, the Mongolian Parliament passed a new law that imposes a windfall profits tax of 68% in respect of gold sales at a price in excess of \$500 per ounce. The Mongolian Parliament continues to debate recent changes to mining legislation and the applicability of the windfall profit tax as well as state participation in various mining projects.

The Government has acknowledged that the windfall profits tax will not apply to Boroo for so long as the Boroo Stability Agreement remains in effect. However, in discussions between the Government and Centerra regarding an investment agreement in respect of the Gatsuert Project, the Government has not yet agreed to provide similar status to the Gatsuert project.

#### *Boroo Stability Agreement*

The Boroo Stability Agreement was entered into by BGC and the Mongolian Government in 1998. This agreement, which was first amended in 2000 and expires in 2013, relates to BGC’s operations at the Boroo gold deposit. Among other things, the Boroo Stability Agreement required Centerra to invest at least \$25 million in development of the deposit. Centerra has met this requirement. In return, the Mongolian Government guaranteed that Mongolian tax laws in effect in 1998 (when the Boroo Stability Agreement was signed) will apply to BGC’s income from the project unless more favourable laws take effect and the Minister of Finance confirms that the more favourable laws apply. The Boroo Stability Agreement also provides that BGC is exempt from all income taxes for a period of three years following commencement of commercial production and is entitled to 50% tax relief for the subsequent three-year period. BGC began commercial production on March 1, 2004. The Boroo Stability Agreement provides that the parties shall submit unsettled disputes regarding the project or the Boroo Stability Agreement to international arbitration.

As of 1998, the Mongolian Business Income Tax Law imposed taxes on taxable income of business entities at the rate of 15% of taxable income up to 100 million tugriks (approximately \$90,000) and 40% of taxable income above this amount. Amendments to this law effective January 1, 2004 have reduced the generally applicable rates from 15% to 7.5% of taxable income up to 100 million tugriks and from 40% to 30% of taxable income above 100 million tugriks. A further amendment effective January 1, 2007 introduced a 10% rate for taxable income up to 3.0 billion tugriks and a 25% rate for taxable income above this amount.

In September 2006, at the request of the Mongolian Government, Centerra and BGC entered into discussions with the Government regarding amendments to the Boroo Stability Agreement, including its tax stabilization provisions.

The Minister of Finance alleged certain tax-related violations by BGC, and notified BGC on January 15, 2007 that the Boroo Stability Agreement would be terminated unless the alleged violations were cured within 120 days. BGC responded to the Minister of Finance that in all cases it has either remedied the alleged violations or strongly disputes that a violation exists. On February 13, 2007, BGC received a reply from the Minister of Finance reiterating the allegations.

On August 3, 2007, Centerra and the Government of Mongolia agreed that, effective January 1, 2007, Boroo will be subject to a 10% rate for taxable income up to 3.0 billion tugriks and a 25% rate for taxable income above that amount, which will apply until the termination of the Boroo Stability Agreement in July 2013. Under the previous agreement the Company was subject to income tax at the rate of 20% for the three-year period

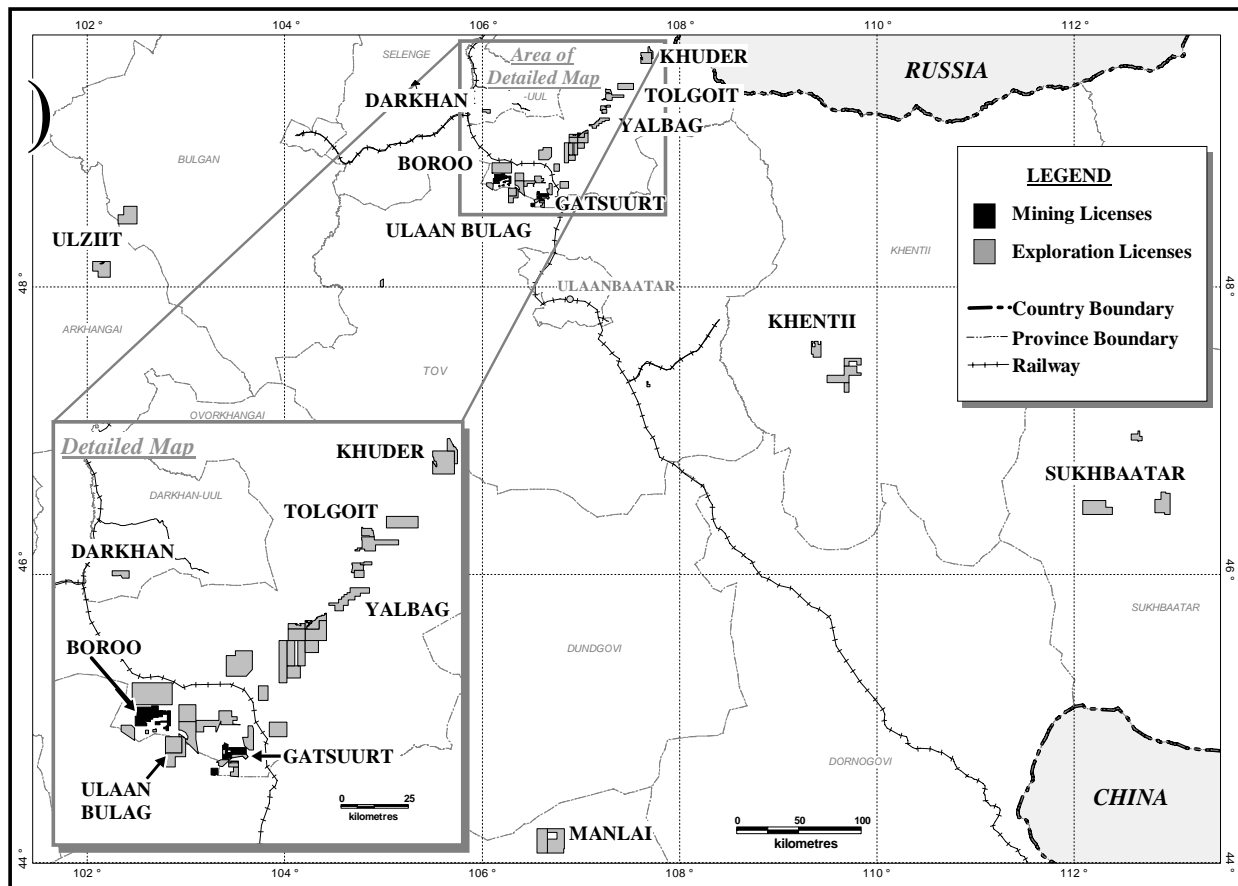
commencing March 1, 2007 and 40% thereafter. In addition, effective August 3, 2007, the mineral royalty payable is 5% rather than the 2.5% previously applicable.

The Boroo Stability Agreement currently applies only to the Boroo mine and does not apply to the Gatsuurt property. In December 2007, the Government of Mongolia accepted and officially registered the Gatsuurt in situ reserves and resources into the National Registry of Mineral Reserves, and in March 2008, the Mineral Resources and Petroleum Authority of Mongolia accepted the feasibility study for the development of Gatsuurt. As a result, Centerra expects to be engaged in negotiations in 2008 with the Mongolian Government regarding an investment agreement for Gatsuurt. Since there is not yet an investment agreement for the Gatsuurt Project, there is a risk that Parliament could designate it as a strategic deposit and take up to a 34% interest. In addition, Gatsuurt might be subject to the windfall profits tax. In light of these risks, Centerra has suspended further development of the property pending completion of negotiations of an investment agreement with the Government. Upon a satisfactory investment agreement being reached and the final settlement of the Gatsuurt LLC claim discussed below, Centerra expects to begin the development of Gatsuurt. Material increases in potential production costs at Gatsuurt could impact the economic recovery of ore from the deposit and ultimately a decision to develop the project.

**Property Description and Location**

The Boroo gold mine is located in the Republic of Mongolia some 110 kilometres to the northwest of the capital city of Ulaanbaatar and about 230 kilometres to the south of the international boundary with Russia, at 48°45' North and 106°10' East.

**BGC and CGM Mining – Exploration Licenses and Boroo Mine and Gatsuurt Development Property Location**



MRPAM has granted BGC the exclusive rights to all hard-rock minerals and placer deposits under 15 contiguous mining licenses, which cover 6,525 hectares of land centered on and surrounding the Boroo mine. The licenses expire between 2055 and 2064 and the total annual license fees are approximately \$98,000. The licenses are located in roughly equal measure in the counties of Bayangol and Mandal, situated in the province of Selenge. BGC and CGM also hold a number of exploration licenses covering 29,391 hectares of land surrounding the Boroo mining licenses (as of December 31, 2007). These exploration licenses expire between 2007 and 2013 and the total annual license fees are currently approximately \$32,000.

Surface rights have been negotiated with the counties, providing sufficient surface area for the mill, and for tailings and waste rock disposal. An order of the governor of Bayangol dated February 19, 2004 provides BGC with the use of 4,321.4 hectares for five years for an annual land use fee of approximately \$30,000, based on current exchange rates. A similar order from the governor of Mandal dated December 2, 2003 provides BGC with the use of 1,439 hectares for 10 years for an annual land use fee of approximately \$11,500. Contracts are in place for the operation of the permanent camp, reagent storage, mining of aggregate materials, fuel storage, operation of a fuel dispensing station and building of the tailings dam.

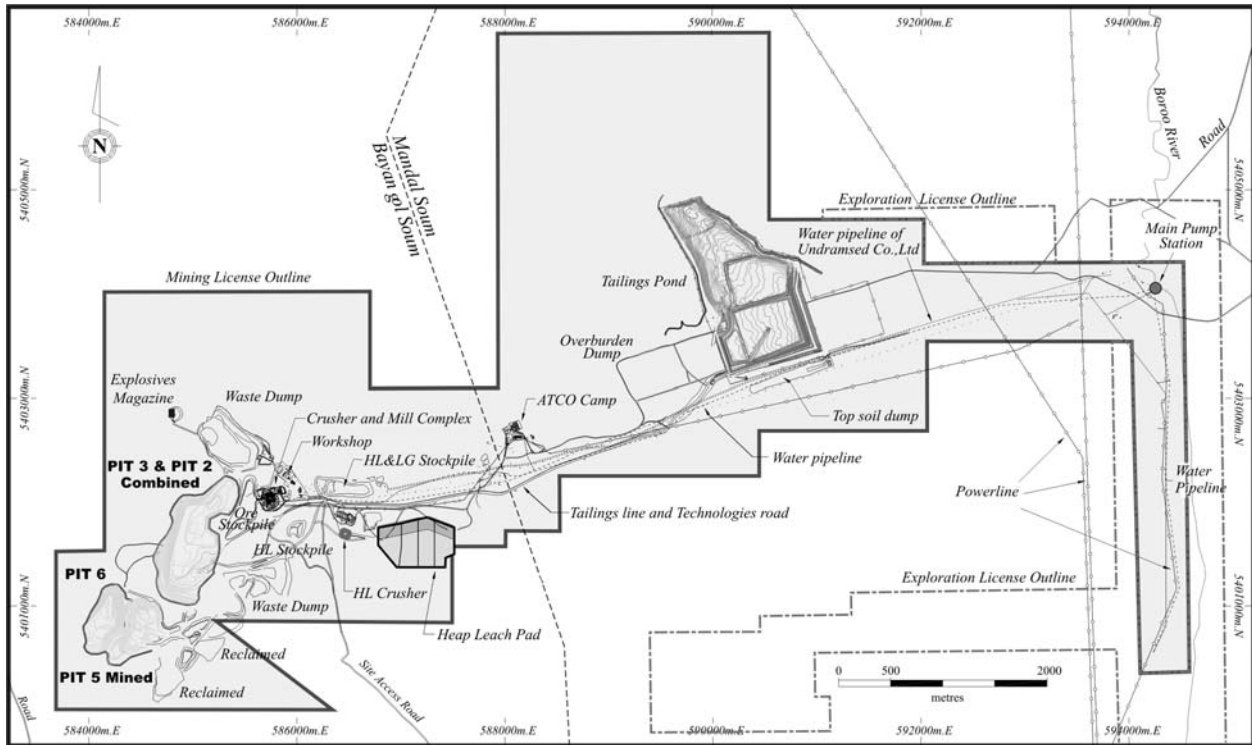
The new Minerals Law and the amended Boroo Stability Agreement provide that the royalty for gold shall be equal to 5% of its sales value. In addition, the new Minerals Law provides that in respect of any future gold production from alluvial operations BGC must pay a 5% royalty to the Mongolian Government on alluvial gold sales.

Centerra has agreed to reimburse the Government of Mongolia for certain prior exploration expenditures. The balance of these payments of \$358,056 was paid in 2007.

The Boroo mine site includes an open pit mine with waste and ore stockpile areas. Ore is processed at a crusher and mill with a capacity of 6,900 tonnes per day. There is a camp/residence for employees, a warehouse, maintenance shops and offices.

A permanent tailings facility in the Ikh Dashir valley is connected to the process plant by a five-kilometre pipeline. The tailings storage facility is designed for water being reclaimed for re-use in the mill. This facility received government approval in 2003. The bottom of the tailings facility was sealed with a compacted clay liner and a high-density polyethylene liner on all embankments. The design of the tailings facility provides an ultimate storage capacity of 11 million cubic metres of tailings, sufficient for the tonnage to be mined for the entire life of the mine. In 2007, Centerra spent approximately \$2.0 million to construct an extension to the original tailings dam. The tailings dam walls are at final design for the existing Boroo reserves. Lateral dykes are expected to be constructed in 2008 for water management purposes.

## Boroo Mine Site Infrastructure



The mining plan for 2008 was submitted and approved by the state Special Inspectorate Agency, Mining Division and MPRAM. Centerra must submit a mining plan in the first quarter of every year for approval by the agencies noted above. All permits and licenses required for the conduct of mining operations at Boroo are currently in good standing. Some of these permits are with Mongolian state agencies and some are with the other local agencies and authorities. The Mongolian authorities have been cooperative in providing permits as required and it is anticipated that this cooperation will continue given the importance of the Boroo mine to the local economy.

### *Site Accessibility, Climate, Local Resources, Infrastructure and Physiography*

The Boroo mine site is easily reached in just over two hours from Ulaanbaatar by traveling northward on the paved Ulaanbaatar-Irkutsk highway for about 130 kilometres, then on an improved all-weather road east of the highway for about 10 kilometres. The railroad town of Baruunkharaa is located about 20 kilometres north of the junction of the all-weather road with the Ulaanbaatar-Irkutsk highway. Ulaanbaatar is served by commercial aircraft connecting to national and international destinations.

The Boroo area is sparsely populated, inhabited mainly by nomadic herders living in single-family camps on rural land or in small villages. The Trans-Mongolian Railway that links Ulaanbaatar with Irkutsk and Beijing passes within 20 kilometres of the Boroo gold deposit.

The project is situated in an area of rolling hills, largely covered by grasslands but with small discontinuous forests of birch and alder trees on north facing slopes. The average elevation is about 1,200 metres above sea level. Boroo gol ("gol" meaning river) is the main drainage system in the area and flows northward into the Kharaagol, a major river that joins the Selenge gol and continues northward into Russia and ultimately into Lake Baikal, via the Selenge River system. The Ikh Dashir valley, which originates in the area of the Boroo deposit and which is host to placer gold resources, is a mostly dry, western tributary of the Boroo gol.

North-central Mongolia is semi-arid with a continental climate. It is a land of extreme seasonal and daily temperature variations. Winter temperatures can dip to minus 40 degrees Celsius while summer temperatures may exceed plus 40 degrees Celsius. The mean annual temperature is about zero degrees Celsius, but there is no permafrost in the Boroo area. The dry continental climate of northern Mongolia results in the Boroo region having

more than 300 days of sunshine each year and only a light snow cover in winter. The area receives about 25 centimetres of precipitation per year, most during the rainy season of July and August. Boroo is a 365 day-per-year operation.

The mine site is served by the Mongol national power grid via a 110-kVA line. Centerra also maintains emergency generators capable of supplying power required for ancillary services in case of power outages. Fresh water is taken from five wells that tap into the water table in the Boroogol valley. These wells provide sufficient water for the mine's operations.

### ***History and Financing***

The Boroo deposit was reportedly discovered in 1910. Industrial mining began shortly thereafter but ended in the 1920s when the facilities were destroyed during a civil war. Mining resumed in 1933, when the gold potential of the area was again investigated. A gold refinery was installed in 1942 that treated gold from the mining of a number of individual, near-surface quartz veins. There are no production records from this time. Events in the ensuing years until the mid-1960s remain undocumented.

Prospecting activities between 1965 and 1969 led to the recognition of Boroo's potential as a bulk-mineable deposit and ultimately to a program of detailed field evaluation and reserve estimation by a joint East German-Mongolian Geological Expedition from 1982 to 1990 (the "Joint Expedition"). The Joint Expedition was terminated in 1991 following German reunification.

From 1991 to 1994, the concession was controlled by the Boroo Gold Mining Joint Venture comprised of Mongol Erdene of the Mining Bureau of the Government of Mongolia and Morrison Knudsen Exploration ("MKE"), an affiliate of the Morrison-Knudsen Gold Company. In 1994, MKE engaged the Simons Mining Group to prepare a feasibility study that investigated a heap leach and a combined heap leach/treatment plant option. MKE allowed the joint venture to lapse due to unsatisfactory project economics. Altai was granted the Boroo licenses in July 1996.

BGC was established in 1997 as an equal joint venture between Altai and the London-based Asia Mining Investment Corporation to develop the Boroo deposit. At the end of 1998, AGR acquired an 85% interest in BMMC, a Bahamian company that was at the time the sole shareholder of BGC. The remaining 15% was held by Altai. Shortly after acquiring its interest in BGC, AGR completed a feasibility study in 1999. In August 2000, AGR purchased two-thirds of Altai's shares, leaving Altai with a 5% interest in BMMC. Centerra acquired Altai's remaining 5% interest in BMMC for \$8.3 million on October 17, 2007 and now indirectly holds 100% of BGC.

On March 5, 2002, Cameco Gold acquired an initial 52% interest in AGR for \$12 million in cash and the issuance of a \$4.8 million promissory note. The \$4.8 million promissory note was satisfied by Cameco Gold through the indirect transfer of 61% of its interest in the Noyon licenses in Mongolia, which includes the Gatsuert development property, to AGR. Cameco Gold acquired an initial interest in Gatsuert in August 1997 and subsequently acquired 100% of the Noyon licenses in October 2001 from Cascadia LLC. Subsequent to the acquisition of its initial interest in AGR, Cameco Gold increased its interest in AGR to 100%.

The Boroo mill began the commissioning phase in November 2003 and the mine was brought into commercial production on March 1, 2004. The Boroo mine has produced approximately 1.04 million ounces of gold through December 31, 2007 in its commercial production phase. Centerra Gold Inc. acquired Cameco Gold's interest in AGR on April 1, 2004 as part of the reorganization of Cameco's gold business.

The development of the Boroo mine at a total cost of approximately \$75 million was financed by Centerra's wholly-owned subsidiary CBI through a \$69 million unsecured loan facility with AGR. This loan was fully repaid in November 2005.

### ***Geological Setting***

The structural setting of north-central Mongolia is dominated by several northeasterly strike-slip faults of regional extent that are considered terrane-bounding in nature and may have tens of kilometres of cumulative

sinistral displacement. The Gatsuurt deposit is hosted by one of these, the Yeroogol Fault, while the Boroo gold deposits are interpreted to be located near a second-order, northwesterly striking sympathetic structure locally termed the “Highway Fault”.

The bedrock geology of the Boroo area is dominated by the folded Haraa sediments, a fairly monotonous sequence of flysch sediments consisting of siltstone, sandstone and greywacke. These rocks are of regional extent and are interpreted to be of Late Proterozoic to Lower Paleozoic age. Intrusive rocks of the Boroo complex, of early Paleozoic age, have intruded the sediments. The Boroo complex is represented by leucocratic granite and granodiorite. Detailed drilling around the Boroo gold deposits shows that the contacts between the intrusive and the sedimentary rocks are highly irregular, with sedimentary xenoliths floating in the intrusive rocks in the border zone. A significantly younger igneous event of probably late Paleozoic age is restricted to narrow dikes and fissures of granitic to dioritic composition.

Much of the general area around the mine is covered by overburden that can reach tens of metres in thickness and that consists of colluvium and loess as well as minor alluvium deposited in head water drainages. The alluvial deposits can contain significant gold placer deposits. In addition, the colluvium deriving from Pit 3 of the mine also contains placer resources.

Oxidation has affected the rocks in the area to a depth of 40 to 60 metres. Oxidation is accompanied by kaolinization of the feldspar crystals in the granitic rocks, with the unaltered and peripherally altered rocks retaining most of their original strength even near-surface.

### ***Mineralization***

Bulk-mineable gold mineralization at Boroo sits within a northerly trending thrust fault that is nearly flat or dips at a low angle to the west. There is a question as to whether there is more than one such structure. Some of the deep holes drilled during the Joint Expedition program have given indications of similar mineralized thrust structures at depth.

The main low-angle fault is variably altered and mineralized and where these features are strongest, individual deposits are formed. These are termed, from north to south, Pits 2, 3, 5 and 6. Mining is well advanced, with Pit 2 exhausted and Pit 5 100% completed with reserves mined out. Pit 3 is the main source of mill feed and the development of Pit 6 has commenced. All of the deposits are elongated in a northeasterly direction, with a length to width ratio of about two to one. Individual dimensions are:

<b>Pit</b>	<u>Metres</u>
2.....	350 by 250
3.....	1000 by 600
5.....	500 by 250
6.....	700 by 300

Grade-thickness contours show the same overall elongation, probably caused more by the width than by the gold grade, with the stacking of multiple, superimposed zones of alteration and mineralization responsible for the thicker parts. The thickness of the individual deposits thus varies from a few metres at the deposit edges to tens of metres and averages around 20 to 30 metres except for Pit 5 and 6, which are closer to 10 metres.

Two main types of alteration and mineralization have been noted:

- Gold-sulphide zones host the largest proportion of gold mineralization at Boroo. This type manifests itself as an earlier, gold-pyrite-arsenopyrite-quartz phase that occurs in thin, irregular veinlets, less often in breccia zones, and disseminated within a pervasive zone of quartz-sericite-pyrite alteration. This earlier type is overprinted, and locally completely replaced, by a carbonate-bearing phase that is also quartz-sericite dominated and contains disseminated sulphides.
- The second major gold bearing facies are massive, white quartz-sulphide veins in which gold is commonly coarse-grained. From a volume point of view, this type is subordinate, but can carry very high gold values of up to several hundred grams of gold per tonne.

The sulphide content in both types is relatively low, typically a few percent. Geochemical assay results on drill core indicates that arsenic is highly anomalous (up to 21,500 parts per million), but a positive correlation with gold is restricted to gold values up to about 2.0 grams of gold per tonne. Sulphur shows the same pattern, being noticeably lower in the higher gold grade ranges. Silver values are generally low and are not obviously correlated with gold, with most samples below the detection limit of 2.0 grams of gold per tonne. Silver values can be higher in the quartz veins. Some minor copper is present but does not appear to have any deleterious effect on gold recovery through the process plant.

Given their very different macroscopic and geochemical character, the two types of mineralization have different gold grade distribution patterns.

The degree of oxidation is an important economic parameter at Boroo, as the gold in the fresh ore has a refractory component that limits the metallurgical recovery. Three facies of oxidation have been defined. In the oxide zone, sulphides are completely or predominantly oxidized and the feldspars in the granitic rocks have been partly or completely altered to kaolin. In the transition zone, kaolinization of the feldspars is partial and the original sulphides survive in the core of oxidized grains. This process has liberated enough of the gold that metallurgical recoveries are nearly as high as in the overlying oxide zone. In the fresh zone, there is no discernable oxidation in the drill core or in the reverse circulation (“RC”) chips.

### ***Historical Exploration and Drilling***

The drill hole database at Boroo had 1,661 drill holes at December 31, 2007 comprised of 1,245 RC and 416 diamond drill holes representing 145,271 metres. There were 107,792 metres of RC and 37,479 metres of diamond drilling from which 97,107 samples have been extracted with 73,292 from RC chips and 23,815 from diamond core.

The number of drill holes used in the reserve and resource estimates for 2007 is a total of 1,406 diamond drill and RC drill holes totalling 125,853 metres. The data set comprises 990 RC drill holes and 416 diamond holes representing 88,374 metres of RC drilling and 37,479 metres of diamond drilling from which 79,829 samples have been extracted. Of the total sample set used in resource and reserve calculation 56,014 samples are reserve circulation chips and 23,815 are from diamond drill core.

The density of drilling at Boroo is approximately 40 metres by 40 metres overall but some minor areas have a broader spaced drilling density. Conversely, some complex areas have a drill density as close as 30 by 20 metres in several locations where additional drilling was required to provide geological continuity.

### ***Sampling and Analysis***

During the Joint Expedition, the samples produced from drill core or underground openings were submitted to the Central Laboratory in Ulaanbaatar. A rigorous check assaying regime was maintained, involving the systematic submission of duplicate samples amounting to 5% to 10% of the total sample stream to three outside laboratories, all of them in the former East Germany. The methods applied reflect historical and current industry standards and there have been no obvious negative issues identified.

There are some uncertainties with the assay database related to drill programs at Boroo that pertain to the precision of the assay results for the early Joint Expedition diamond drill holes and for some RC holes prior to 2004, with precision being a measure of the ability of the laboratory to reproduce the same result. This is largely due to the erratic distribution of relatively coarse gold in the Boroo mineralization, which in turn is evidenced by the recovery of 30% to 40% of the gold in the ore treated to date in the gravity circuit of the Boroo mill.

All individual assay results in the Boroo database thus appear to have a relatively large variance due to sample error because of the distributions of free gold. Local grade estimation based on only a few assays is therefore unreliable. The application of a cut-off grade, based on assays alone, is particularly affected by this uncertainty. The only bias identified is artificial and is caused by the insertion of gold values of 0.3 and 0.8 grams of gold per tonne into the lost core intervals of the Joint Expedition drill holes. The majority of these insertions have been deleted from the database in 2005 to remove any introduced bias and the lost core intervals were not assigned any values.

Some of the 2003 and early 2004 drill programs did not follow current quality assurance/quality control industry practices. Indirect evidence, however, supports the accuracy of the various analytical results throughout these drill campaigns. There is no indication of any large assay bias (either high or low) in the various assay populations and, therefore, a bias on the grade estimation results which is based on a large number of assays is not expected.

During mid-2004, and subsequent to Strathcona's technical report on the Boroo mine dated May 13, 2004, a quality assurance/quality control program was initiated and continued throughout 2005 and 2006. The current program involves the routine insertion of certified standards, duplicate samples and blanks into the analytical stream to monitor the performance of the laboratory. The quality control results are regularly monitored and reported on a monthly basis. Additionally several hundred samples per year are analyzed at another commercial analytical laboratory. Overall, the quality assurance/quality control results show that the analytical database for the Boroo mine is reasonable and is in accordance with industry standards.

### ***Data Verification***

The resource database generated prior to 2002 has been validated several times during due diligence reviews. While a few clerical errors persisted, they were not of a type that would have a noticeable effect on the outcome of the prior resource estimate. Additions to the sampling database during 2002 through 2007 drilling programs have been managed by CGM and/or BGC staff, with routine checks to verify the accuracy of the database.

### ***Boroo Reserve and Resource Estimates***

During August 2005, Reserva International LLC ("Reserva") updated the existing Boroo block model for the 2005 year end reserves and resources estimate. The new model included estimates on low grade mineralization from 0.2 to 0.8 grams of gold per tonne that test work indicated is amenable to heap leach processing.

The resource and reserve estimate relied on an overall drill hole spacing of 40 metres by 40 metres, with a closer spaced drill hole spacing of 30 metres by 20 metres over portions of the deposit. In preparing the resource estimate, Reserva used a block model approach which utilized gold grade envelopes of 0.2 and 0.8 grams of gold per tonne as the primary guide to define ore shapes. Reserva used the same upper capping levels for Boroo gold assays as the previous resource estimates with the resulting capping levels established at 35 grams of gold per tonne in Pit 2, 45 grams of gold per tonne in Pits 3 and 6, and 90 grams of gold per tonne in Pit 5. The upper capping levels were used to restrict the high-grade outlier samples. Following adjustments for the outlier gold values, the assays were bench composited, with the bench height set at the actual mining dimension of 2.5 metres. The grade continuity of the bench composites in each zone was evaluated using correlograms. The capped bench composites were used to interpolate a gold grade into the blocks of the block model by ordinary kriging using the variography results.

Given the positive contained gold production reconciliation of this model and that no additional exploration work was completed in the Boroo pit area during 2007, this contained gold model was retained for the 2007 year-end reserves and resources estimate.

During 2006, a metallurgical recovery and heap leach feasibility study was completed. This work included the drilling of 12 core holes in Pits 3 and 6 for metallurgical test work, a reinterpretation of oxidation states in the mineralization zones based on the re-logging of existing RC drill chips and an expansion of the bottle roll database to over 1,800 samples.

The new interpretations of oxidation states in combination with the results from cyanide solubility test work completed on exploration drilling were used to create a spatially related recovery model. The cyanide solubility assays were bench composited based on the bench height used at the operation. These bench composites were used to interpolate recovery into the blocks previously defined by the original contained gold model with an inverse distance method. This resulted in each block having an ultimate recovery based on a cyanide soluble process.

This modelling allowed mill and heap leach process recoveries to be included in each ore block of the model. The oxide mill, due to its fine grind, has process recoveries near 100% of the cyanide soluble results of the

bottle roll test work. These figures are supported by the three-year milling production history of the Boroo operation. The heap leach process was assumed to recover 89%, 73% and 39% of total cyanide soluble gold model for oxide, transitional and fresh material, respectively. The metallurgical testing for the heap leach feasibility study is the basis of these recoveries.

Based on the updated block model, the mineral reserves and resources were prepared as of December 31, 2007. Updated pit designs were produced by Boroo staff based on the updated cyanide soluble gold recovery model. The pit design parameters assume a gold price of \$550 per ounce, life of mine average operating costs of \$1.35 per tonne of ore and waste mined, \$6.75 per tonne of ore milled and general and administrative costs of \$5.61 per tonne milled. This work was completed by the Boroo/Centerra staff under the supervision of Ian Atkinson, Certified Professional Geologist, Centerra's Vice President, Exploration, who is the qualified person for the purpose of NI 43-101. The following table sets out the Boroo mineral reserves estimate as of December 31, 2007.

#### Boroo Reserves as of December 31, 2007

CATEGORY			<u>Tonnes</u> (thousands)	<u>Gold Grade</u> (g/t)	<u>Contained Gold</u> (thousands of ounces)
<b>Proven (Pit)</b>	Stockpiles	Greater than 0.2 g/t	192	2.6	16
	In situ	Greater than 0.2 g/t	<u>3,492</u>	<u>2.4</u>	<u>275</u>
<b>Total Proven .....</b>			<u>3,684</u>	<u>2.5</u>	<u>291</u>
<b>Probable (Pit)</b>	Stockpiles	Greater than 0.2 g/t	8,823	0.7	216
	In situ	Greater than 0.2 g/t	<u>11,582</u>	<u>1.5</u>	<u>541</u>
<b>Total Probable.....</b>			<u>20,405</u>	<u>1.2</u>	<u>757</u>
<b>Total Proven and Probable Reserves.....</b>			<u>24,089</u>	<u>1.4</u>	<u>1,048</u>

Classification of reserves was based on the distance of the reserve block from the drilling data. Blocks interpolated during the first of three kriging runs (with a range of 0 to 30 metres) were classified as proven. Blocks interpolated during the second kriging run (with a range of 30 to 50 metres) were classified as probable reserves. Milling ore that demonstrated an improved value if processed by bio-oxidation was classified as probable reserves.

In-situ heap leach material as well as low grade stockpile heap leach tonnages were classified as probable as no gold production utilizing this processing method has been completed to date.

#### *Mineral Resources Estimate*

Beyond the limits of the updated pit designs, the resource blocks exceeding the cut-off grades noted above were classified as measured resources if interpolated during the first kriging run, as discussed above, and as indicated resources if interpolated within the second kriging run. These resources are contained between the limits of the reserve pit designs and larger unengineered pit shells. Mineralization above the cut-off grade and located beyond the larger unengineered shell was classified as inferred resources. The table below sets out mineral resources in addition to reserves as of December 31, 2007:

#### Boroo Resources as of December 31, 2007

CATEGORY		<u>Tonnes</u> (thousands)	<u>Gold Grade</u> (g/t)	<u>Contained Gold</u> (thousands of ounces)
<b>Measured</b>	Open Pit (> 0.2 g/t)	452	2.0	29
<b>Indicated</b>	Open Pit (> 0.2 g/t)	<u>5,016</u>	<u>1.4</u>	<u>225</u>
<b>Total Measured and Indicated Resources.....</b>		<u>5,468</u>	<u>1.5</u>	<u>254</u>
<b>Inferred</b>	Open Pit (> 0.2 g/t)	<u>7,723</u>	<u>1.0</u>	<u>239</u>
<b>Total Inferred Resources.....</b>		<u>7,723</u>	<u>1.0</u>	<u>239</u>

## *Mining Operations*

The Boroo deposit is mined using conventional open pit mining methods and currently mines approximately 12,000 tonnes per day of ore and approximately 33,000 tonnes per day of waste. The strip ratio for the year ended December 31, 2007 was 2.5 to 1. The remaining life of mine strip ratio is expected to be 2.5 to 1. The mine operates two 12-hour shifts each day. Four crews work a seven-day rotation at the site.

During 2007, mining occurred in Pits 3 and 6. Mining is done with bench heights of five metres, with ore mined on half-benches for improved grade control in the flat lying ore. Three to four benches are under development at any given time. Blast hole drilling is carried out with three rotary-percussion drill rigs. Bulk explosives trucks blend ammonium nitrate with fuel oil or emulsion for wet holes as each hole is loaded.

The principal mining equipment includes two hydraulic excavators, eight 50-tonne haul trucks and four 35-tonne haul trucks and the waste rock mined is deposited on waste dumps immediately adjacent to the individual pits. Additional mining equipment includes three front-end loaders for supplementary loading, ore handling and blending, three tracked dozers for the maintenance of waste dumps and benches and two graders for the maintenance of the roads and bench floors. In 2007, an additional three 50-tonne haul trucks, one excavator, one tracked dozer and one front-end loader were added to the fleet to accommodate the heap leach project. Grade control is achieved by sampling of the blast hole cuttings. The blast hole assay data is determined at a laboratory in Ulaanbaatar and is combined into an ore control model. This model is used to determine the boundaries for the various ore, stockpile and waste categories and to estimate the monthly pit production. Boundaries between material types are surveyed and digging is supervised by grade control staff to ensure that ore and waste rock are separated correctly.

Boroo has a total of approximately 648 employees (excluding long-term contractors). The proportion of Mongolian citizens in the permanent workforce is approximately 94% and training programs have been implemented to further the capabilities of those employees in their current placements and to prepare them for career advancement. This reflects a policy of increasing the percentage of Centerra's employees who are citizens of Mongolia. In the first quarter of 2008, BGC negotiated a collective agreement, effective December 10, 2007, with the newly-formed union representing Boroo employees. The collective agreement expires February 1, 2010.

## *Milling*

The Boroo flowsheet for ore processing is a standard layout that consists of crushing, grinding, gravity concentration, cyanide leaching and gold recovery in a Carbon-in-Leach ("CIL") circuit. The mill was designed with a capacity to process 1.8 million tonnes of ore per year but the actual mill throughput is currently 2.5 million tonnes per year. The gravity circuit recovers approximately 30% to 50% of the gold contained in the ore and the overall gold recovery has been 92% in the first two years in accordance with the expectations based on the metallurgical test work, but it decreased to 79% due to processing of marginally refractory ore since 2006 from Pit 5.

To blend for ore hardness, grade and ore type, the ore milled is managed through a number of stockpiles.

A jaw crusher reduces the ore to 100% minus 20 centimetres. The crushed ore is fed directly to a SAG mill (8.5-metre in diameter) or to a temporary coarse ore stockpile from which it can be reclaimed during crusher maintenance. Cyclones part the ore into two streams, with the cyclone underflow reporting to the ball mill. About 17% of the total cyclone underflow reports to the gravity circuit, which consists of two 750-millimetre Knelson concentrators followed by an Acacia reactor where the gravity-recovered gold is leached in high cyanide solution.

The cyclone overflow is thickened prior to the leaching circuit that consists of two pre-leach tanks where oxygen is injected, followed by six CIL tanks. Gold in solution from the leaching circuit is recovered on the carbon in the CIL circuit. The recovered gold is subsequently stripped from the carbon and again put in solution to be recovered by electrowinning, followed by smelting and the production of a doré bar.

The tailings after processing of the ore have an average grade of 0.60 grams of gold per tonne and are detoxified to meet a target cyanide level of one part per million using an air-sulphur-dioxide process. Heavy metals are removed by treatment with ferric sulphate. The tailings are discharged by gravity to the permanent tailings management facility five kilometres down gradient from the process plant.

As discussed in greater detail in “Gatsuurt Development Property — 2006 Optimization Studies” below, the Gatsuurt ores will be processed at Boroo. The processing of the refractory ores at Boroo will require modifications and additions to the Boroo facility. As the refractory ores from Gatsuurt have been tested as being harder, the instantaneous feed rate will be 5,100 tonnes per day at a grind of 80% passing 75 microns. Following the grinding circuit, a flotation circuit composed of a rougher and scavenger circuit will be added to recover the sulphides and produce a concentrate with 14% sulphide-sulphur and 8% of the original mass. The flotation concentrate will then report to the BIOX<sup>®</sup> circuit. Following oxidation of the sulphides and neutralization of the slurry, the oxidized slurry will then be leached with cyanide for 24 hours and the gold will be recovered on carbon in the Kemix carbon cells. The slurry reports to the cyanide destruction circuit and to the tailings management facility. The mill may fluctuate due to varying grinding characteristics, but the process flow while treating refractory ores is limited to the sulphide-sulphur mass, which is limited in turn by the design and capacity of the BIOX<sup>®</sup> circuit.

### *Heap Leach*

In December 2006, Centerra announced plans to construct a 3 million tonne per year heap leach facility at Boroo for a capital investment of \$20 million; a feasibility study was completed in September 2006 to support the project. At that time, approximately 645,000 ounces of contained gold were expected to be processed over the six-year life of the heap leach project from 19.9 million tonnes with an estimated average grade of 1.01 grams of gold per tonne. This total included an additional 267,000 ounces of contained gold at an average grade of 0.62 grams of gold per tonne that was classified as probable reserves as a result of changing the cut-off grade to 0.2 grams of gold per tonne using the 2006 year-end resource model.

Subsequently, the 2006 year-end reserve estimates resulted in a revised heap leach production schedule. The most significant reason for this revision is displacement of high-grade heap leach ore to the mill to sustain milling capacity until the Gatsuurt project commences production. Other reasons include changes to the Boroo resource model, changes in the Boroo recovery models, and changes to the Boroo ultimate pit design. The heap leach project is now expected to process ore containing approximately 528,000 ounces of contained gold over the six-year life of the heap leach project from 17.7 million tonnes of ore (which includes 1.4 million tonnes for Gatsuurt) with an estimated average grade of 0.93 grams of gold per tonne. This total includes approximately an additional 211,000 ounces of contained gold at an average grade of 0.68 grams of gold per tonne that was classified as probable reserves as a result of changing the cut-off grade to 0.2 grams of gold per tonne using the 2006 year-end resource model.

The heap leach project will provide for strategic growth by creating an opportunity to process nearby low-grade deposits using heap leach technology. Furthermore, successful development of the project will contribute towards the technology being used elsewhere in Mongolia to enhance sustainable development and national wealth.

Following the approval of an internal feasibility study in late 2006, the final design of the heap leach project was initiated. TetraTech of Denver, Colorado provided the heap pad design while Ausenco Ltd. of Brisbane, Australia provided the process design and procurement assistance for the equipment and supplies. The Boroo mine coordinated the purchasing and expediting of the equipment and supplies. Subsequent delays were experienced in the delivery and erection of the crushing and screening plant required to process the overdrain material and the crushed ore. Additionally, delays at the Mongolia-China border caused by congestion on in-bound supplies to Mongolia and market supply delays contributed to a significant construction delay. The lining of the pregnant solution pond and the emergency overflow pond were completed during the summer of 2007. The lining of the pad with LLDPE was divide into two phases. Phase 1 was completed in 2007 and 169,900 square metres of pad was lined, while 118,000 square metres of Phase 2 pad is expected to be completed in 2008. The project is expected to be mechanically and electrically completed in March 2008; however, solution application will not commence until permitting is completed.

Opportunities for adding value to the project lie in increasing the heap leach reserve by expanding Pit 3, improving the operating plan by reducing the amount of material that needs to be crushed or increasing the annual throughput, and reducing the capital cost of construction.

## Production History

The Boroo mill started processing ore in November 2003, leading to commercial production in March 2004. Through December 31, 2007, a total of 9.1 million tonnes of ore had been milled with an average gold content of 4.1 grams of gold per tonne. The total gold poured was 1.04 million ounces (excluding approximately 28,000 ounces produced during the commissioning period). In addition, 59.7 million tonnes of waste had been mined for an overall strip ratio of 3.56 to 1, including the stockpiles for the heap leach project.

Annual production data for the last three years are set out in the table below. All material estimated to grade above 0.2 grams of gold per tonne, with an associated recovery that results in economic viability, is included in ore reserves. Boroo continues to stockpile low-grade ore above 0.2 grams of gold per tonne that is expected to be processed starting in 2008 with the heap leach project.

### Boroo Production 2004 – 2007

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Mining</b>				
Ore mined (thousands of tonnes) .....	1,884	2,865	3,082 <sup>(2)</sup>	5,963
Strip ratio .....	6.3	5.5	5.5	2.5
Waste mined (thousands of tonnes) .....	11,885	15,717	15,495	15,196
<b>Milling</b>				
Ore Fed to Mill (thousands of tonnes) <sup>(3)</sup> .....	1,850	2,231	2,387	2,549
Grade (g/t) <sup>(3)</sup> .....	4.52	4.23	4.25 <sup>(2)</sup>	3.62
Recovery (%) <sup>(3)</sup> .....	93.7	91.5	87.0	85.3
Gold recovered (thousands of ounces) .....	252	278	284	253
<b>Gold poured</b> (thousands of ounces) .....	246	286	283	255
<b>Gold sold</b> (thousands of ounces) .....	218 <sup>(1)</sup>	283	281	240

(1) Does not include pre-commissioning production or sales volumes from January and February 2004 of approximately 28,000 ounces.

(2) In December 2006, a decision was reached to construct a 3 million tonne per year heap leach operation to process low grade ore at the Boroo site. The heap leach pad will become operational in the first half of 2008. As of December 2007, over 8.8 million tonnes of low grade material (with grades of approximately 0.6 grams of gold per tonne) has been mined and stockpiled. This material is not included in the ore tonnage mined to date and was previously considered as waste. The heap leach tonnage was included in the year-end reserve statement. No cost has been associated with this material in the December 2007 inventory.

(3) Excludes heap leach ore.

Production in 2007 of approximately 255,000 ounces of gold was in line with the projection of 250,000-260,000 ounces at the beginning of the year.

## Historic Cost Performance

The following table sets out historic cost performance for the Boroo mine from March 1, 2004 through December 31, 2007.

### Boroo Cost Performance 2004 – 2007

	<b>March 1, 2004 to December 31, 2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
		(\$ millions)		
<b>Annual Operating Costs</b>				
Mining .....	9.4	17.1	22.0	22.1
Milling .....	11.6	15.4	16.1	16.0
Site administration .....	3.2	6.4	8.2	7.9
Ulaanbaatar administration .....	6.1	9.2	9.3	10.0
Production taxes and royalties .....	2.3	3.2	4.3	5.7
Other .....	–	1.1	1.6	0.4
<b>Total operating costs</b> .....	<b>32.5</b>	<b>52.4</b>	<b>61.5</b>	<b>62.1</b>
<b>Unit operating costs</b>				
Mining costs (\$/t mined material) .....	0.68	0.92	1.19	1.42
Milling costs (\$/t milled material) .....	6.27	6.92	6.73	6.27
<b>Total operating costs (\$/t milled material)</b> .....	<b>17.57</b>	<b>23.49</b>	<b>25.77</b>	<b>24.35</b>
<b>Total cash costs (\$/oz)</b> .....	<b>149</b>	<b>183</b>	<b>217</b>	<b>244</b>

### Historic Project Costs

Boroo Project costs consist of growth capital, sustaining capital and exploration expense. Capital expenditures for 2004 through 2007 for growth capital totaled \$28.9 million, and for sustaining capital totalled \$34.9 million. Exploration costs during that period amounted to \$5.2 million.

#### Boroo Project Costs 2004 – 2007

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
			(\$ millions)	
Growth capital .....	-	2.5	1.0	25.4
Sustaining capital.....	\$ 7.0	8.9	12.5	6.5
Exploration expense .....	\$ 0.9	2.2	1.0	1.1
<b>Total project costs</b> .....	\$ 7.9	13.6	14.5	33.0

### Production Estimate

All ore from the Boroo mine and Gatsuurt project is expected to be processed at Boroo processing facilities. A heap leach project is under construction that is expected to become operational after permitting is completed. See “Mining Operations – Heap Leach”. Modifications are also planned for the Boroo mill to enable concentrate flotation and BIOX<sup>®</sup> circuits for processing refractory ores. See “Gatsuurt Development Property — Processing”.

Approximately 14.7 million tonnes of ore from the Boroo mine at an average grade of 1.6 grams of gold per tonne are expected to be processed through Boroo processing facilities between 2008 and 2010, resulting in approximately 542,000 ounces of poured gold. Of this total, approximately 5.7 million tonnes of ore at an average grade of 2.9 grams of gold per tonne will be processed through the Boroo mill, resulting in approximately 423,000 ounces of poured gold. Once permitting is complete, approximately 9.0 million tonnes of ore at an average grade of 0.7 grams of gold per tonne will be processed through the heap leach facility, resulting in approximately 119,000 ounces of poured gold.

Over five years, approximately 9.1 million tonnes of ore from the Gatsuurt project at an average grade of 3.4 grams of gold per tonne are expected to be processed through expanded Boroo processing facilities, resulting in approximately 886,000 ounces of poured gold. Of this total, approximately 7.7 million tonnes of ore at an average grade of 3.6 grams of gold per tonne will be processed through the expanded Boroo mill, resulting in approximately 777,500 ounces of poured gold. Approximately 1.4 million tonnes of oxide ore at an average grade of 2.7 grams of gold per tonne are expected to be processed through the Boroo mill and the heap leach facilities over four years. Oxide ores will be routed to either the mill or heap leach to optimize the economic return. Metallurgical testing indicates that they will contribute approximately 108,800 ounces of poured gold. Material increases in potential production costs at Gatsuurt could impact the economic recovery of ore from the deposit and ultimately a decision to develop the project.

As discussed above in “Mongolian Legal Regime and Stability Agreement — Boroo Stability Agreement”, Centerra has suspended further development of the Gatsuurt property pending the negotiation of an investment agreement covering the project.

The foregoing production estimate and certain statements of Centerra’s plans and expectations for production at Boroo, including cost estimates, under the heading “Boroo Mine” and elsewhere in this Annual Information Form are forward-looking information and are based upon the following key assumptions and subject to the following factors that could cause results to differ materially:

- that Centerra receives all necessary permits and authorizations, including environmental permits and authorizations, from governmental authorities of Mongolia in a timely fashion and on acceptable terms to maintain scheduled production; and
- that there will be no material unexpected disruptions to its planned production schedule, but Centerra’s operations at Boroo are subject to the risk of delays associated with: fires; seismic activities, weather and other natural phenomenon; the occurrence of water inflows; unexpected geological or hydrological conditions; employee relations, litigation or arbitration proceedings; blockades or opposition by local communities; equipment failure; procurement of required capital

equipment, operating parts and supplies; environmental accidents or contamination; and political instability and political unrest in Mongolia.

Other factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; increases in production and capital costs; inability to enforce legal rights; defects in title; imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; seismic activity, weather and other natural phenomena; the speculative nature of exploration and development, including the risks of obtaining necessary permits and approvals from government authorities; changes in national and local government legislation, taxation, controls, regulations, policies and political or economic developments in Mongolia; and other development and operating risks.

If actual results differ materially from the assumptions set out above or any of the material risk factors identified elsewhere in this Annual Information Form, including under the headings “Forward-Looking Information” and “Risk Factors”, occur, production from Boroo and cost estimates may differ materially from the foregoing production estimate and Centerra’s plans and expectations for production at Boroo, including cost estimates,

#### *Gold Sales*

Gold doré produced by the Boroo mine is currently exported and refined under a contract with Johnson Matthey Limited (“JM”). The terms provide that:

- gold doré is delivered to a carrier appointed by JM at the mine site and JM assumes the risk relating to security and transport and responsibility for insurance from that point to the JM refinery in Ontario;
- gold doré is refined by JM to meet specific percentages of metal content and levels of purity; and
- BGC may elect to take physical delivery of the refined gold or to sell it to JM, receiving up to 95% of its estimated value based on mine-site assays within five working days of delivery to the refinery, with the balance following agreement on assays.

To date BGC has elected to sell all gold doré to JM.

#### ***Environmental, Health and Safety Matters***

BGC has obtained the necessary environmental permits and licenses for the Boroo mine. Some of the permits issued for the Boroo mine are for the forecast mine life; others are for three years; while others still are renewed annually. Among the latter are the provincial licenses for the import, storage, use and disposal of reagents and chemicals, environment monitoring reports and plans, the mine plan and the health and safety plan. Permits that are issued by the Mongolian state agencies for an initial period of three years include the letter of authorization to mine and the permits for the importation, transport, storage and use of cyanide. The permits for the importation, transportation, storage and use of cyanide and other reagents are reviewed annually.

Boroo’s Environmental Impact Assessment has been amended to reflect changes to operations, and its Environmental Monitoring and Protection Plans have been approved by the Mongolian Government as required on an annual basis. Licenses for the import, storage, use and disposal of reagents and chemicals are in place and include permits for the import, transport, use and on-site storage of cyanide.

BGC is updating its Environment Management System to address the impacts of the Boroo operation on the environment and to monitor compliance with all legal requirements. The system documents scheduled monitoring, engineering controls and reporting on the tailings management facility, the mill, the mine and waste rock stockpiles. Specific programs that monitor environmental impacts include testing for acid generation potential, dust control, investigating and reporting spill incidents on-site and off-site, hazardous materials handling, planning

for site decommissioning and rehabilitation, monitoring the potable water treatment system and sewage treatment and operation of the landfill.

### ***Decommissioning and Reclamation***

An updated preliminary closure plan for the Boroo mine was prepared in 2006 and submitted to the relevant government authorities. In addition to meeting the Mongolian regulatory requirements, the plan includes reference to international practices pertaining to closure of mining operations. The estimated undiscounted cost of decommissioning and reclamation for the Boroo mine was \$6.4 million. Funds for mine closure are accrued on an ongoing basis, and a portion of the annual environmental management budget has been deposited with the relevant authorities in accordance with prevailing laws. A review of the preliminary mine closure plan was undertaken in 2007 and, with the addition of the heap leach project, the estimated cost has risen to \$7.3 million. A more detailed closure and reclamation plan is expected to be developed in 2008.

### ***Exploration Activities***

Exploration expenditures at the mine site were about \$1.1 million in 2007 and activities consisted of drilling programs totalling 13 holes and 2,390 metres and geological mapping, geochemical sampling, geophysical surveying and trenching. The drill programs were to test geological, geochemical and geophysical targets in areas to the north and northeast and southwest of the Boroo deposit.

In 2008, exploration and drilling programs will continue to test geological, geochemical and geophysical targets in close proximity to the Boroo deposit.

Additional information about the Boroo mine is contained in the Boroo Technical Report, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Gatsuurt Development Property**

In addition to the Boroo project mining licenses held by BGC, Centerra also has a 100% interest in the mining and exploration licenses to the Noyon project, which includes the Gatsuurt development property, situated 35 kilometres from the Boroo mine.

As discussed above in “Boroo Mine — Mongolian Legal Regime and Stability Agreement — Boroo Stability Agreement”, Centerra expects to be engaged in negotiations in 2008 with the Mongolian Government regarding an investment agreement for Gatsuurt. Since there is not yet an investment agreement for the Gatsuurt project, there is a risk that Parliament could designate it as a strategic deposit and take up to a 34% interest in it. In addition, Gatsuurt might be subject to the new Mongolian windfall profits tax. In light of these risks, in March 2007 Centerra suspended further development of the property (other than those necessary to maintain the property in good standing and comply with permits) pending completion of negotiations of an investment agreement with the Mongolian Government. Upon a satisfactory investment agreement being reached and the final settlement of the Gatsuurt LLC claim discussed below, Centerra expects to begin the development of Gatsuurt. Material increases in potential production costs at Gatsuurt could impact the economic recovery of ore from the deposit and ultimately a decision to develop the project.

Pursuant to the agreement (the “Gatsuurt Agreement”) between Gatsuurt LLC and CGM under which CGM acquired the Gatsuurt Licenses (as defined below), CGM agreed to transfer license 372A to Gatsuurt LLC if it had not completed a feasibility study on the property covered by license 372A by December 31, 2005. The Central Zone, which contains the majority of the reserves and resources on the Gatsuurt property, is located on license 372A. As discussed below under the heading “2005 Feasibility and Technical Studies”, a feasibility study was completed in December 2005 in respect of the property covered by license 372A. In early 2006, Gatsuurt LLC informed Centerra that it does not believe that CGM complied with its obligation to complete a feasibility study by December 31, 2005.

On December 6, 2006, Gatsuurt LLC commenced arbitration before the Mongolian National Arbitration Court (“MNAC”) alleging non-compliance by CGM and seeking: (1) an order terminating the license agreement and returning to Gatsuurt LLC all mining rights on the licensed property; (2) an order requiring CGM to carry out the environmental rehabilitation of the licensed property; and (3) an order compelling CGM to surrender to Gatsuurt LLC all reports, plans, maps and related information concerning the licenses. Centerra believes that Gatsuurt LLC’s position is without merit. CGM challenged the MNAC’s jurisdiction and the independence and impartiality of the Gatsuurt LLC nominee to the arbitration panel. However, CGM’s challenge may be unsuccessful, resulting in the MNAC taking jurisdiction over the dispute. Any decision of the MNAC may be final and binding on CGM. The courts of Mongolia would likely hear an appeal, if any. See “Risk Factors”. In early 2008, Centerra agreed in principal, subject to a definitive agreement, on settlement terms with Gatsuurt LLC. All proceedings in the MNAC have been suspended.

### ***Property Description and Location***

The Noyon project land position is continually evolving, with large mature licenses being reduced in size and new licenses being acquired. As of December 31, 2007, the project consisted of eight mining licenses totalling 3,720 hectares and 35 exploration licenses totalling 102,210 hectares, a substantial license area in a region that has not been subject to much surface exploration employing modern concepts and methods. The eight mining licenses expire between 2054 and 2065 and the total annual fees are approximately \$54,253. The 35 exploration licenses expire between 2011 and 2016 and current total annual fees are approximately \$64,069. A portion of the land position covers non-contiguous blocks over a 250-kilometre strike length of the Yeroogol regional fault system. Most of the remaining exploration licenses are along the trend of the Boroo deposit.

The Gatsuurt property is within the Noyon project and is located 90 kilometres north of Ulaanbaatar at 48°30’ North and 106°45’ East. It covers approximately 2,236 hectares and is situated on two of the six Noyon project mining licenses, licenses 431A and 372A (the “Gatsuurt Licenses”). In addition to the 5% royalty payable to the Government of Mongolia on gold and silver sales pursuant to the Minerals Law, both licenses are encumbered by an underlying 3% Net Smelter Return (“NSR”) royalty in favour of Gatsuurt LLC, an arm’s length Mongolian limited liability company.

### ***Site Accessibility, Climate, Local Resources, Infrastructure and Physiography***

Gatsuurt is reached by traveling north on the paved Ulaanbaatar-Sukhbaatar highway and then along an improved, unpaved road to Irkutsk. After approximately half an hour, unimproved and dirt roads are reached that lead to the site. The trip from Ulaanbaatar takes approximately three to four hours depending on the weather and road conditions.

The Gatsuurt area is sparsely populated and is inhabited by mainly nomadic herdsman living in small camps and villages. Dzuunkharaa with a population of approximately 18,000 is the largest nearby community and is about 30 kilometres from Gatsuurt. Dzuunkharaa is a light manufacturing and farming community. Labour and services are available in Ulaanbaatar, which is 200 kilometres from Gatsuurt and a hub for roads, rail and international air transportation.

Gatsuurt is 14 kilometres west of the Tunkhel railway station on the Ulaanbaatar–Irkutsk railroad. A 35 kilovolt power line carries electricity to Tunkhel from the Dzuunkharaa distribution centre and a 10 kilovolt line supplies power to Gatsuurt from the Tunkhel area.

The project is in an area of both steep and rolling mountains with northern and eastern facing slopes moderately forested by birch, pine and larch species. The southern and western facing slopes are generally grass covered. The average elevation is 1,300 metres above sea level. The Gatsuurt River valley is the main drainage system in the area and water flows to the Sujigteigol and then to the Kharaagol, which flows northward into Russia.

The climate and precipitation levels at Gatsuurt are essentially the same as those described for the Boroo mine property.

### ***History and Financing***

The original Noyon land position was assembled by Cascadia Chemicals and Minerals Corporation (later Cascadia Mining Inc.) (“Cascadia”) during 1996 and 1997. In August 1997, Cameco Resources (Mongolia) Inc. entered a subscription and earn-in agreement with Cascadia pursuant to which Cameco acquired an ownership interest in Cascadia through its exploration funding in early 1998. Since late 1998, this ownership has been held by Cameco Gold Investments Inc. (now CGII). In 1999, Cameco Gold indirectly, through a subsidiary, earned an additional interest in Cascadia, increasing its holdings to 41.78% of Cascadia’s shares.

In October 2001, Cameco Gold acquired Cascadia LLC, Cascadia’s Mongolian subsidiary that held the licenses to the Noyon project, in exchange for the surrender of Cameco Gold’s Cascadia shares and \$2,500,000 in cash. Cascadia LLC is now Centerra’s wholly-owned subsidiary CGM, the project operator. In December 2002, Cameco Gold satisfied the \$4.8 million promissory note owing to AGR in connection with its original investment in AGR by transferring 61% of CGII to AGR. As a result, Centerra’s equity interest in the Noyon project rose to 73%. Centerra’s equity interest increased to 100% after the acquisition of the minority interest in AGR in 2004.

During the second quarter of 2007, CGM entered into a \$10 million demand loan facility with HSBC. Funds drawn may be used for the development of the Gatsuurt project. The loan is secured by the Gatsuurt mining licenses and related assets, and is guaranteed by Centerra Gold Inc. As at December 31, 2007, the full amount available under the facility was drawn.

### ***Geological Setting***

The Noyon project exploration licenses and the Boroo deposit are located within the North Khentei tectonic belt in north-central Mongolia. This tectonic belt is bounded to the northwest by the Bayangol fault system and to the southeast by the Yeroogol fault system. The North Khentei belt is dominated by three lithotectonic components. The oldest rocks are Late Precambrian to Early Paleozoic flysch sequences which are intruded by later Early Paleozoic intrusive complexes. These rock units are unconformably overlain by Mid- to Upper-Devonian continental volcanic rocks and sedimentary rocks that are spatially confined to the Yeroogol fault system. The youngest rock units are Jurassic-Cretaceous and Tertiary coal-bearing sedimentary rocks.

A regional structural zone transecting the Gatsuurt area is the Sujigtei fault, an element of the Yeroogol fault zone. It is a northeasterly trending, high-angle fault system that can be traced for over 200 kilometres along strike. The Sujigtei and Yalbag bedrock gold prospects and numerous placer gold workings occur along the fault system.

In the Gatsuurt area, the Sujigtei fault separates two profoundly differing geologic settings. To the northwest, the bedrock is constituted by Permian felsic sub-volcanic rocks associated with the Dzuun Mod Complex. To the southeast, the Lower Paleozoic clastic metasedimentary rocks of the Kharaa Formation are intruded by intermediate-composition members of the Boroo Intrusive Complex.

### ***Mineralization***

Gold mineralization at Gatsuurt occurs immediately adjacent to the Sujigtei fault and subparallel structural zones. The fault and the mineralized zones are sub-vertical. The Main Zone is hosted by the felsic volcanic rocks in the footwall (northwestern side) of the fault while the Central Zone is hosted mostly by the intrusive rocks and, to a lesser extent, by enclosed metasedimentary xenoliths. It is likely that the two zones once formed a single deposit and that post-mineral sinistral movement along the Sujigtei fault displaced the Main Zone from the Central Zone by some 750 metres.

At the Central Zone, continuous gold mineralization has been traced over a strike length of 900 metres over horizontal widths that vary from two metres to greater than 70 metres. It comprises a broad lower grade shell (over 1.0 gram of gold per tonne) containing higher-grade (over 3.0 grams of gold per tonne) lenses with variable lateral and vertical continuity. Gold mineralization has been traced by drilling to a maximum depth of 360 metres and is open at depth.

In the Central Zone, the host rocks are variably altered to a quartz-sericite-potassium feldspar-pyrite-arsenopyrite assemblage.

Gold is associated with three styles of mineralization:

- The most important style of mineralization is contained in fracture-controlled stockwork zones of quartz-sericite alteration with quartz and sulphide veinlets. Predominant sulphides are pyrite and acicular arsenopyrite in equal amounts. Sulphide concentrations reach 10% and tend to be higher in the intrusive rocks as compared to the sedimentary rocks. The gold grade is positively correlated with the amount of sulphides present, but native gold has also been observed in this facies of mineralization. Petrographic studies have identified micron size gold as discrete particles within pyrite grains. Some “lattice-bound” gold within arsenopyrite is also suspected.
- Pervasive silicified zones lack the abundant sericite of the quartz-sericite type of mineralization. In addition to pyrite and arsenopyrite, trace amounts of tetrahedrite, stibnite, sphalerite, scheelite and galena have been observed. Free gold is common in this setting and the so-called “black quartz zones” can attain very high gold values of up to several hundred grams of gold per tonne.
- Discrete white quartz veins with variable sulphide content and occasional visible gold are generally restricted to the sedimentary inclusions in the intrusive rocks.

Due to its location beneath a valley floor, the oxide zone is typically only 5 to 15 metres thick, much of it having been eroded and re-deposited giving rise to the placer deposits in the local valley. The boundary between the transition zone and fresh rock is erratic, but most material below a depth of 60 metres is in the fresh (sulphide) zone. An oxide zone is present in the area of the Central Zone of Gatsuurt, but the oxides are not significant in volume at the Main Zone.

The Main Zone contains fairly continuous gold mineralization over a 400 metre strike length. The gold mineralization is limited along strike but remains open at depth. The altered and mineralized zone trends parallel to the Sujigtei fault and dips subvertically.

At the Main Zone, the gold mineralization is hosted within pervasively altered rhyolitic volcanic rocks that are characterized by widespread micro brecciation, veinlets and stockworks. The gold is associated with disseminated fine-grained pyrite and acicular arsenopyrite, and fracture filling sulphide veinlets. The younger vein systems with coarse free gold are lacking in the Main Zone. The gold is refractory as indicated from four bottle roll cyanide leach tests completed during 2001 on transitional and fresh material that returned gold recoveries of 13% to 15%.

### ***Historical Exploration and Drilling***

Gold was originally detected in pan concentrates from the Gatsuurt valley during a Mongolian Government mapping program in 1970. Trenches and shallow pits were excavated and sampled without additional follow-up, as mercury was the commodity of interest at that time. Two cable tool placer drill hole fences were completed in 1989 and detected low gold concentrations in the valley. The Gatsuurt placer deposit was discovered during detailed exploration in the district in 1991. The initial placer resource was estimated at 2.7 milligrams per cubic metre or 2,500 kilograms of contained gold (80,000 ounces).

In 1995, mining licenses covering the Gatsuurt placer deposit were issued to Mongolian company Gurvan Gol Co., which later became Gatsuurt LLC. The placer deposit was mined from 1995 until 2002, with the last year of operations essentially reprocessing tailings.

In 1996, Cascadia LLC acquired three major exploration licenses in this part of northern Mongolia, including the Kharaagol license, which covers a significant part of the Yeroogol gold trend and contains the Gatsuurt placer area. In 1997, quartz veins with visible gold were observed in the Gatsuurt placer bedrock floor and altered granite was noted in the placer debris. Cameco acquired an initial interest in Cascadia in 1997 and by 2004 had consolidated a 100% interest in the project.

In 1998, detailed mapping of the placer floor and a soil sampling survey were completed. Strong gold and arsenic soil anomalies were detected on the South Slope and over the Main Zone. Topographic, ground magnetic and induced polarization (“IP”) surveys were completed over the Gatsuurt area, and major chargeability anomalies were detected over the South Slope, Central Zone and Main Zone. Four diamond drill holes tested the IP anomalies and bedrock targets in the Central Zone and the Main Zone. Drill hole GT-06 returned encouraging results of 1 to 2 grams of gold per tonne over broad widths at the Main Zone and is considered to be the discovery hole for the Gatsuurt deposit.

Limited drilling programs were completed in 1999 to 2000 with 16 diamond drill holes totalling 2,138 metres completed at the Central Zone and 8 diamond drill holes totalling 1,174 metres completed at the Main Zone. Preliminary metallurgical test work on drilling samples determined that the gold mineralization at both zones was refractory.

During 2001 and 2002, an additional 80 diamond drill holes totalling 7,552 metres were completed at the Central Zone. Much of the Central Zone deposit was systematically tested to vertical depths of 75 to 100 metres. Drilling information was compiled and a resource estimate was prepared. Other exploration programs that were completed included metallurgical test work, topographic surveying, soil and rock sampling, gradient IP surveys and a ground magnetic survey.

During 2003, 15 RC and diamond drill holes totalling 1,993 metres were completed in the Central Zone to test for strike extensions to the mineralization and other targets in the immediate vicinity. Ten shallow RC holes totalling 435 metres were also completed in the Main Zone to determine the cyanide leach characteristics of the shallow oxidized mineralization.

The 2004 exploration program at the Gatsuurt Central Zone largely comprised in-fill drilling and systematically drilling the deposit to greater depths. Four drill holes were also completed at the Main Zone to test this target at greater depths. A total of 110 drill holes for 17,066 metres were completed. Most of the drilling program was completed late in the year and, as such, drilling information for 52 drill holes was not available at the time of the year-end resource estimate. These drill holes were subsequently incorporated into the April 2005 update of the resource model.

Exploration/development drilling in 2005 focused on expanding and defining resource in the Central and Main Zone deposits. At the Central Zone, 28 holes, largely in-fill, were drilled totalling 4,097 metres. At the Main Zone, 59 holes totalling 10,254 metres were drilled, mostly as 35 by 35 metre spaced resource definition holes in the central portion of the mineralized body. New geological interpretations and mineralization envelopes were produced for both the Main and Central Zones and incorporated into updated resource models for year-end 2005.

Core drilling in 2005 at the Central Zone consisted of geotechnical holes, grinding study holes, and BIOX<sup>®</sup> bulk sample holes totalling 22 holes and 2,489 metres. At the Main Zone, five holes totalling 1,034 metres were drilled for grinding test media and for geotechnical purposes. Other drilling at Gatsuurt included 19 holes for 1,464 metres for condemnation, a tailings management facility and water well testing.

Core drilling in 2006 was limited to three holes drilled to test for continuation of the Sujigtei Fault structure to depths of up to 800 metres below surface at Central Zone, and one hole to test a deep geophysical anomaly in the volcanics at Central Zone.

No exploration drilling was carried out on the Gatsuurt property in 2007.

### ***Sampling and Analysis***

Prior to 2001, the mineralized zones were sampled at two to three metre intervals along the drill cores. After 2001, the sampling intervals were reduced to one metre intervals where the cores were mineralized and two metre intervals in unaltered rocks. In all programs, the core samples were cut using a diamond saw and one half of the core was placed in a bag for analysis and the second half of the core was returned to the core box.

Most of the samples collected by Cascadia and Centerra during the drilling programs were analyzed at an SGS Analabs (SGS Mongolia LLC) (“SGS”) facility in Ulaanbaatar. Dunn Analytical was used for analyses during Cascadia’s earlier programs and some samples from recent programs have been analyzed at the Alex Stewart Assayers Mongolia LLC facility in Karabalta, Kyrgyz Republic.

An industry standard quality assurance-quality control program has been used during all of Cascadia’s and Centerra’s drilling programs at the Gatsuurt deposits. The protocols include the routine submission of standard reference materials, duplicate core samples and blanks with the sample batches that go to the laboratory. Check assaying at other laboratories is also routinely performed on selected sample pulps.

The 2005 drill sample quality assurance/quality control program at Gatsuurt was extensive and included 2,160 assays. Check assays on the SGS results were performed by American Assay Laboratories Inc. (“AAL”) in Sparks, Nevada. Four hundred twenty one samples/assays were reviewed and indicated that SGS assays were reproducible and accurate. Standards (426) and blanks (89) were regularly inserted with drill samples to monitor SGS’s performance. More than 90% of the results of samples submitted were acceptable, while the remaining unacceptable or questionable results were generally attributed to coarse gold in the samples. Screen fire assays were completed on Central and Main Zone drill samples and indicated variable amounts of free gold, but back-calculations of total gold grade were generally consistent with the original 30 grams fire assay value. Overall the quality assurance-quality control program verified the drill assay database and lends further confidence to resulting resource models.

Roscoe Postle reviewed the quality control program results in their NI 43-101 technical report on the Gatsuurt project dated May 9, 2006 filed on SEDAR at [www.sedar.com](http://www.sedar.com). In the report, Roscoe Postle concluded that sample preparation, security and analytical procedures are adequate for mineral resource and mineral reserve estimation.

### ***Data Verification***

At the end of 2005, and again in 2006, Roscoe Postle performed a validation of the digital Gemcom database provided by Centerra. They also verified the assay database by comparing the digital records with about 50 assay certificates. In both instances, a few minor errors were identified, but the errors were not significant. Roscoe Postle concluded that the Gemcom database is valid and adequate for supporting resource estimation work.

In 2005, CGM re-checked 5% of the new drill assay database against the original hard-copy assay reports from SGS and verified that no errors existed in the holes checked.

### ***Gatsuurt Reserve and Resource Estimates***

Centerra produced updated reserve and resource estimates for both the Gatsuurt Central Zone and Main Zone for 2006. This work was based on the reserve and resource estimation work carried out in 2005, as described in more detail below and in “2006 Optimization Studies”.

On April 29, 2005, Centerra published updated resources for the Gatsuurt Central Zone using a cut-off grade of 1.6 grams of gold per tonne with estimated indicated resources of 11.3 million tonnes at an average grade of 3.5 grams of gold per tonne for a total of 1.27 million ounces of contained gold and inferred resources of 2.2 million tonnes at an average grade of 3.0 grams of gold per tonne for a total of 210,000 ounces of contained gold.

The resource model was updated in August 2005 to include 28 additional drill holes consisting of infill drilling and drill holes along strike. This model was used as the basis for two feasibility studies. The first, with an overall  $\pm 15\%$  intended level of accuracy, was completed by SNC-Lavalin in December 2005 and the second was completed by Centerra, also in December 2005 (the “Centerra 2005 Study”). For more details regarding these studies, see “Gatsuurt Development Property — 2005 Feasibility and Technical Studies” below.

Subsequent to the development of the resource model and at the same time as the feasibility studies were being undertaken for the Central Zone, Centerra continued delineation drilling on the Main Zone. The drilling was completed in November 2005 and the results were incorporated into the updated resource models for both the Central Zone and Main Zone developed in January 2006.

On January 23, 2006, Centerra published updated resource estimates for the Gatsuurt project that included resource estimates for both the Central Zone and Main Zone. Using a cut-off grade of 1.6 grams of gold per tonne, the estimated indicated resources for the Gatsuurt project were 18.6 million tonnes at an average grade of 3.1 grams of gold per tonne for a total of 1.85 million ounces of contained gold and inferred resources of 4.0 million tonnes at an average grade of 3.0 grams of gold per tonne for a total of 378,000 ounces of contained gold.

Based on the positive results of the Centerra 2005 Study on the Central Zone and the new resource estimates for the Central Zone and Main Zone announced in January 2006, work continued to further optimize the project. An updated feasibility study was carried out and completed by Centerra in the first quarter of 2006 that added an economic open pit in the Main Zone in addition to the Central Zone open pit identified in the Centerra 2005 Study. See “Gatsuurt Development Property — 2006 Optimization Studies” below. The updated reserve and resource estimates for the Gatsuurt project as of December 31, 2005 were announced on March 29, 2006.

No additional drilling was completed in the Central Zone or Main Zone in 2007 and so the 2005 resource model was used for the purpose of the 2007 year-end reserve and resource estimates. In December 2007, the operating costs and economic parameters were reviewed and a gold price of \$550 was used, which resulted in an updated economic model. The 2007 year-end reserve and resource estimates used a cut-off grade of 1.2 grams of gold per tonne for oxide material and 1.8 grams of gold per tonne for sulphide material for both the Central Zone and the Main Zone.

Centerra received approvals for Gatsuurt in-situ reserves and resources from the Government of Mongolia on December 27, 2007.

### ***Central Zone Resource Block Model***

During December 2004, Roscoe Postle constructed a resource block model for the Gatsuurt Central Zone utilizing drilling results in a Gemcom database that was provided by Centerra and that was updated as of late November 2004. Based on this block model, Roscoe Postle prepared a mineral resource estimate that was incorporated into their technical report for the Gatsuurt gold deposit in accordance with Canadian reporting standards as required by NI 43-101 and dated January 27, 2005.

Subsequent to the resource estimate by Roscoe Postle, Centerra updated the resource block model for the Central Zone with information from an additional 52 drill holes and reported an updated resource estimate on April 29, 2005. The resource model was again updated with information from an additional 28 drill holes and with the database current as of July 30, 2005, a resource estimate as of the year-end 2005 was reported on January 23, 2006. No additional drilling was completed in 2006, but a revised cut-off grade was used for the 2006 year-end resource estimate.

The resource estimate relied on an overall drill hole spacing of 30 to 35 metres along strike and with vertical pierce points at 20 to 50 metres. The drilling pattern has systematically delineated the mineralization to the 1,050 metre elevation or 220 metre vertical depth with some sections in the central part of the deposit drilled to the 900 metre elevation or 320 metre vertical depth.

The resource model for the Central Zone was constructed using a series of 3-D grade shells ranging from 0.5 to 3.0 grams of gold per tonne as a primary guide to define the ore shapes. Within each shell, blocks were interpolated into the model using ordinary kriging of 1.5 metre composite gold data, with restrictive kriging used in some local higher-grade areas.

Upper capping levels for the 1.5 metre composites varied for the grade shells and ranged from 45 grams of gold per tonne in the highest grade shell to 20 grams of gold per tonne in the lowest grade shell. The overall effect of upper capping of high-grade values resulted in a decrease of the resource grade by approximately 12%.

An average bulk density of 2.7 tonnes per cubic metre was used to convert volume into tonnage. The resources were classified as indicated or inferred based on the mean distance of the block from the composite data used to interpolate the block grade. Blocks with a mean sample distance of less than 30 metres were classified as indicated while blocks with a mean sample distance of greater than 30 metres but less than 60 metres were classified as inferred. All mineralized blocks above cut-off below the 1,000 metre elevation were classified as inferred given the limited drilling density in the area and the depth below the pit.

#### *Main Zone Resource Block Model*

During 2005, the Main Zone was systematically delineated at a drill hole spacing of 35 metres along strike by 35 metres down dip to the 1,140 metre elevation or 230 metre vertical depth. The 2005 drilling program comprised 59 holes totalling 10,254 metres, bringing the overall drilling database for the Main Zone up to 83 drill holes and 12 trenches.

During December 2005 and January 2006, Roscoe Postle, in collaboration with Mr. Robert S. Chapman, at that time Centerra's Director, Mergers & Acquisitions and Centerra's qualified person, constructed a resource block model and prepared a resource estimate for the Gatsurt Main Zone utilizing drilling results in a Gemcom database that was provided by Centerra and that was updated as of late November 2005. Centerra also provided a 1.0 gram of gold per tonne wireframe grade envelope, and 3-D surfaces representing surface topography and the oxide, transition and fresh weathering zones.

Roscoe Postle modified the grade envelope slightly and constructed the 3-D wireframe resource model using a minimum 1.0 gram of gold per tonne over a minimum core length of two metres.

Normal frequency histograms were used to establish an upper capping level for high-grade gold assays of 20 grams of gold per tonne. The overall effect of upper capping of the high-grade assays is negligible at the Main Zone as the average resource grade is reduced by less than 1%.

The capped assays were composited over two metre down hole intervals within the mineralized envelope. The composites were used to interpolate a gold grade into the blocks of the block model by ordinary kriging using search ellipses and kriging parameters as defined by a variography study. The model uses blocks 10 metres along strike by 4 metres wide by 5 metres vertical thickness. An average bulk density of 2.7 tonnes per cubic metre was used to convert volume into tonnage.

Roscoe Postle has classified the Gatsurt Main Zone mineral resources into indicated and inferred categories, based on the apparent continuity of mineralized zone and the drill hole density. The indicated mineral

resources have drill hole spacings in the order of 35 metres or less. Based on a visual interpretation, Roscoe Postle built a solid for the volume with drill spacing greater than 35 metres. This solid was used to assign the blocks within it as inferred. In general the majority of mineralized ore blocks above the 1,200 metre elevation were classified as indicated while the majority below were classified as inferred.

As in the Central Zone, no additional drilling was completed in the Main Zone in 2006. However, revised cut-off grades were used by Centerra for the 2006 year-end reserve estimate.

*Mineral Reserves Estimate*

In 2007, an updated Whittle pit optimization analysis by Centerra was completed on both the Central and Main Zone resource block models using a gold price of \$550 per ounce, mining costs of \$1.20 per tonne mined, ore haulage and processing costs of \$17.49 per tonne milled for sulphide material, \$10.24 per tonne milled for oxide material, administration of \$6.00 per tonne milled of sulphide material and \$6.00 per tonne of oxide milled. A 5% reduction in ore grade was added to account for mining dilution. No change to diluted tonnage was added as it was assumed that dilution tonnage increase would be offset by tonnage mining losses. Metallurgical recoveries used in the pit optimization are 92% for oxide and 87.6% for sulphide ore.

Pit designs were constructed from the optimum pit shells and included haulage ramps and berms. The optimization analysis outlined that the incremental cut-off grade for the oxide material was 1.2 grams of gold per tonne and 1.8 grams of gold per tonne for sulphide material. These cut-offs were used to outline the updated Gatsuurt reserves and resources outlined below. The 2007 year-end reserve update reflects the use of a \$550 gold price, versus \$475 at the end of 2006 and \$400 at the end of 2005. This work was completed by the Boroo/Centerra staff under the supervision of Ian Atkinson, Certified Professional Geologist, Centerra's Vice President, Exploration, who is the qualified person for the purpose of NI 43-101.

*Mineral Reserve Estimate*

**Gatsuurt Reserves as of December 31, 2007**

CATEGORY			<u>Tonnes</u> (thousands)	<u>Gold Grade</u> (g/t)	<u>Contained Gold</u> (thousands of ounces)
<b>Probable (Central Zone Pit)</b>	In situ	Greater than 1.2/1.8 g/t	6,890	3.7	822
<b>Probable (Main Zone Pit)</b>	In situ	Greater than 1.2/1.8 g/t	2,211	2.6	183
<b>Total Probable.....</b>			<u>9,101</u>	<u>3.4</u>	<u>1,005</u>

Reserves within the Central and Main Zones were classified as probable as no mining production has occurred at Gatsuurt to date to classify reserves as proven.

*Mineral Resources Estimate*

Beyond the limits of the updated pit designs, the resource blocks exceeding the cut-off grades noted above were classified as indicated or inferred.

The table below sets out mineral resources in addition to reserves as of December 31, 2007:

**Gatsuurt Resources as of December 31, 2007**

CATEGORY		<u>Tonnes</u> (thousands)	<u>Gold Grade</u> (g/t)	<u>Contained Gold</u> (thousands of ounces)
<b>Indicated</b>	Open Pit (> 1.2/1.8 g/t)	6,238	3.0	607
<b>Total Measured and Indicated Resources.....</b>		6,238	3.0	607
<b>Inferred</b>	Open Pit (> 1.2/1.8 g/t)	2,437	3.3	256
<b>Total Inferred Resources .....</b>		2,437	3.3	256

### ***Metallurgical Test Work***

Preliminary cyanidation leach tests on mineralization from the transition and fresh sulphide zones at the Central Zone yielded gold extractions ranging from 19% to 75%, which indicated a variable resistance to the cyanidation of samples from different parts of the deposit. Further testing established flotation as an effective concentration method and revealed that the majority of the gold not recovered by cyanidation was refractory in nature.

Subsequent test work examined the effects of fine grinding, flotation circuits and gravity circuits on the gold recovery from refractory material. Study results indicate that a relatively high-grade flotation concentrate at 60 to 70 grams of gold per tonne can be achieved, and that the process of sulphide flotation followed by an oxidation stage and cyanidation is considered the correct option for liberating the gold contained in the sulphide mineralization for the Central Zone.

During 2005, a series of studies was undertaken to determine the optimum method of gold recovery from the predominately refractory mineralization found in the Central Zone. A trade-off study performed by SNC-Lavalin compared the bio-oxidation, pressure oxidation and roasting processes. Centerra chose the bio-oxidation process and arranged for appropriate testing. Preliminary flotation and leach bench test work for the Main Zone have found similar metallurgical results as for the Central Zone.

### ***2005 Feasibility and Technical Studies***

In 2005, a series of technical studies was conducted to determine the characteristics of the mineral resource. The studies included environment baseline, geotechnical drilling and an analysis of the mineralization and its metallurgical characterization, which supported the feasibility studies completed in December 2005 in respect of the Gatsuurt Central Zone, located on mining license 372A.

In February 2005, CGM completed an internal analysis of the option of hauling the oxide ore from the Gatsuurt deposit to Centerra's existing processing facilities at Boroo. This study concluded that the oxide mineralization could be economically processed at a profit by hauling the ore to and processing it at the Boroo facilities.

In May 2005, Centerra retained SNC-Lavalin to complete an independent feasibility study with an overall  $\pm 15\%$  intended level of accuracy, based on geology and resource estimates provided by Centerra and process parameters for a bio-oxidation process supplied by Biomin Technologies S.A. ("Biomin"). The first part of this feasibility study included a trade-off study that evaluated various processing options to recover gold from refractory transition zone and sulphide zone mineralization at Gatsuurt. The trade-off study was completed in two phases.

In Phase 1, comparative capital and operating cost estimates were developed for a 4,000 tonne per day plant to process Gatsuurt resources using direct cyanidation (base case), pressure oxidation of flotation concentrate, and bio-oxidation of flotation concentrate. The study included an economic analysis to determine the process option having the highest pre-tax net present value ("NPV"). SNC-Lavalin concluded that both oxidation process options had significantly higher NPVs than the whole ore direct cyanidation option, and that the relative economics of stand-alone pressure oxidation and bio-oxidation processing plants were equal. Based on Centerra's assessment of the risks associated with the pressure oxidation process, it instructed SNC-Lavalin to proceed with Phase 2 of the study based on the bio-oxidation process option.

In Phase 2, SNC-Lavalin evaluated two further options based on the bio-oxidation process option, namely, (i) a stand-alone plant option where all processing facilities would be located at the Gatsuurt site; and (ii) a split-plant option that retained the crushing, grinding, flotation and flotation concentrate oxidation facilities at Gatsuurt and shipped oxidized concentrate and gravity concentrate to Centerra's Boroo facility for cyanidation and gold recovery. Based on this Phase 2 study, CGM instructed SNC-Lavalin to proceed with the feasibility study on the basis of the split-plant option.

As the ore at Gatsuurt is refractory, CGM decided, in parallel with the studies being performed by SNC-Lavalin, to undertake bio-oxidation studies on the Gatsuurt ore. It retained Biomin of South Africa to conduct a

continuous BIOX<sup>®</sup> pilot plant test on a bulk concentrate sample from the Gatsuurt Central Zone deposit. This test work confirmed, among other things, the amenability of the gold concentrate to the BIOX<sup>®</sup> process.

In June 2005, CGM retained SNC-Lavalin to provide additional engineering and cost estimates for the construction of all processing facilities at the Gatsuurt site. This study, completed in September 2005 with an overall  $\pm 30\%$  intended level of accuracy, estimated that the capital cost of the project would be \$223 million, including pre-production stripping. CGM concluded that utilization of part or all of the Boroo processing facilities would result in reduced capital costs and thus improved economics.

SNC-Lavalin completed its split-plant feasibility study in December 2005. The mine plan for this feasibility study only included the Central Zone. The oxide cap was scheduled to be mined initially, with the balance of the pre-development mining to follow to expose the refractory ores. The mine production rate was to be 1,000 tonnes per day for the oxide ores, and the ore would be hauled to the Boroo milling facility for processing. The exposure and mining of the sulphide ores would be coordinated with the commissioning of the Gatsuurt processing facility. The mine's sulphide ore production was then to peak at 4,000 tonnes per day. The split-plant option provided for all crushing, grinding, flotation and flotation concentrate oxidation facilities to be located at Gatsuurt and the oxidized concentrate and gravity concentrate to be shipped to Boroo for cyanidation and gold recovery. The operating costs for this option resulted in estimated cut-off grades for the oxide and the refractory ores of 1.1 and 1.6 grams of gold per tonne, respectively. The study concluded that the estimated capital cost for the project would be \$185 million. All estimated costs of pre-production stripping were excluded from this capital cost estimate.

Based on the capital estimates contained in the SNC-Lavalin studies for both the stand-alone and split-plant options, Centerra prepared the Centerra 2005 Study that evaluated the prospect of processing the refractory Gatsuurt Central Zone ore at a modified Boroo processing facility. The Centerra 2005 Study provides for ore from Gatsuurt to be hauled directly to the existing Boroo processing facility, modified to treat the refractory Gatsuurt transition and sulphide ore. This study was based in part on the studies by SNC-Lavalin, Biomin and other consultants conducted in 2005, and results in significantly lower capital costs relative to the split-plant option. Additional equipment and infrastructure capital will be required at the expanded Boroo facility to enable the bio-oxidation of the refractory ore. In summary, the Centerra 2005 Study concluded that the estimated capital cost for the project using a modified Boroo facility as opposed to the split-plant option would be approximately \$60 million and that the project would produce a positive internal rate of return.

### *2006 Optimization Studies*

Based on the positive results of the Centerra 2005 Study on the Central Zone and the resource estimates for the Central Zone and the Main Zone announced in January 2006, Centerra carried out and completed an updated feasibility study in April 2006 that added an economic open pit in the Main Zone in addition to the Central Zone open pit previously identified in the Centerra 2005 Study. Centerra's updated feasibility study included a revised engineering design and capital cost estimate of approximately \$72 million. About \$59 million for plant and infrastructure was estimated by SNC-Lavalin based on the scope of work, intended level of accuracy and methodology presented in its report of March 2006. Centerra's estimate of owner's costs and equipment amounted to approximately \$13 million. Centerra's updated feasibility study also includes updated reserve and resource estimates prepared by Centerra, and reviewed and approved by Roscoe Postle in May 2006.

As discussed above in "Boroo Mine — Mongolian Legal Regime and Stability Agreement — Boroo Stability Agreement", Centerra has suspended the development of the Gatsuurt project pending completion of negotiations with the Mongolian Government. Assuming successful completion of negotiations and the resolution of the dispute with Gatsuurt LLC, the project will be developed in two stages. The first stage is budgeted at \$20 million and is to construct the 54 kilometre access road, mine facilities at Gatsuurt, expand the camp at Boroo and provide the required mobile mining equipment. The second stage is budgeted for \$55 million and is to prepare detailed engineering. Procurement and construction is scheduled to begin thereafter. This stage will modify the Boroo Process plant to process the sulphide ores with the addition of the BIOX<sup>®</sup> plant.

## *Mining*

The Gatsuert mine plan has been developed by Centerra from the reserve model, geotechnical data and the application of this data into Whittle and Gemcom programs that define and model the most efficient and cost effective method of mining the reserve. Material increases in potential production costs at Gatsuert could impact the economic recovery of ore from the deposit and ultimately a decision to develop the project.

The mining of the Central Zone and the Main Zone will occur during three distinct phases. The initial phase involves the oxide mining of the Central Zone. The refractory fresh ore body is capped with 1.4 million tonnes of oxide ore at an average diluted mill feed grade of 2.63 grams of gold per tonne that will be mined and stockpiled at Gatsuert. A typical mining program is planned with a 15 cubic metre shovel and a fleet of 90-tonne trucks to move the waste and ore appropriately. As Gatsuert is approximately 54 kilometres (by road) from Boroo, the ores will be recovered from the Gatsuert stockpiles and hauled to Boroo using road haul truck vehicles with 30-tonne capacity trailers. Haulage vehicle capacity will be optimized to maximize the efficiency and minimize costs. The haulage of the oxide ores to Boroo is presently planned to take place over approximately a two-year period at an increasing daily rate, which is maximized at 5,100 tonnes per day. The rate of oxide mining and shipping will be coordinated with the Boroo production and reserve replacement and depletion program.

The second phase of mining is the pit development to expose the refractory ores of the Central Zone pit. The mining rate and haulage rate will operate to support the instantaneous 5,100 tonnes per day milling rate at the modified Boroo processing facility. The Central Zone oxide and fresh reserves are 6.89 million tonnes at an average diluted mill feed grade of 3.71 grams of gold per tonne. The Central Zone pit has a reserve based on a gold price of \$550 per ounce with a cut-off mining gold grade of 1.22 grams of gold per tonne and 1.88 grams of gold per tonne for oxide and fresh ores types respectively.

The third phase of the mine plan presently supported by the reserves is the development and mining of the Main Zone. The Main Zone is primarily refractory ore with little oxides associated with the pit. The mining plan is similar to the Central Zone as to rates of ore extracted, the pit design and technical support. The Main Zone sulphide ore reserves are 2.2 million tonnes at an average diluted mill feed grade of 2.58 grams of gold per tonne. The mining of the Main Zone pit has a reserve based on a gold price of \$550 per ounce with a cut-off mining gold grade of 1.88 grams of gold per tonne.

## *Processing*

The Gatsuert oxide ores will be processed at the Boroo milling facility once project approvals have been obtained. This is a result of higher gold prices and the available capacity of the mill. High-grade zones of oxide ore will be re-routed to the Boroo heap leach facility. The ore will be crushed in the heap leach crushing facility and delivered to the pad. The Gatsuert refractory ores will be processed in the modified Boroo mill.

The processing of the refractory ores at Boroo will require modifications and additions to the Boroo facility. As the refractory ores from Gatsuert are harder, the instantaneous feed rate will be 5,100 tonnes per day (an average feed rate of 4,800 tonnes per day for 365 days per year) at a grind of 80% passing 75 microns. Following the grinding circuit, a flotation circuit composed of a rougher and scavenger circuit will be added to recover the sulphides and produce a concentrate with 16.7% sulphide-sulphur and 9% of the original mass. The flotation concentrate will then report to the BIOX<sup>®</sup> circuit. Following oxidation of the sulphides and neutralization of the slurry, the oxidized slurry will then be leached with cyanide for 24 hours and the gold will be recovered on carbon in the Kemix carbon cells. The slurry reports to the cyanide destruction circuit initially and then to the tailings management facility.

Test work has assessed the recovery of gold in the gravity gold recovery circuit, the amenability of the oxide ores to cyanide leaching and the recovery of gold following the bio-oxidation process. An overall gold recovery of 92% is projected for the oxide via the mill leach circuit, with 80% recovery projected for low grade oxide amenable to the heap leach process and 87.6% total recovery projected for the refractory ores by the BIOX<sup>®</sup> treatment process. The process of treating the refractory ores has been tested and reported to Centerra by Biomin, the legal proprietor of BIOX<sup>®</sup>, a proprietary and patented process.

The Gatsuurt ores will be crushed and ground at the Boroo mill. The slurries will be processed through a sulphide recovery flotation plant, which is part of the planned expansion of the Boroo plant. The concentrates, which will represent approximately 9% of the original mass and have a sulphide-sulphur level of 16.7%, will then be introduced to the BIOX® circuit.

#### *Production Estimate*

The Gatsuurt production estimate is described above in “Boroo Mine — Mining Operations — Production Estimate”.

#### *Taxes and Royalties*

The Gatsuurt project will be required to pay an NSR of 3% to Gatsuurt LLC and a royalty to the Government equal to 5% of the sales value of gold sold. The Gatsuurt project is not protected by the Boroo Stability Agreement and as such may be subject to all current Mongolian laws, including the windfall profits tax. Centerra expects to engage in negotiations in 2008 with the Mongolian Government regarding an investment agreement to establish and stabilize the tax and legal regime applicable to the development of the Gatsuurt project.

#### *Decommissioning and Reclamation*

Former placer operations in Gatsuurt valley have disturbed a large area of river alluvium and terraces. In assuming title to the mining licenses, Centerra has assumed the responsibility for reclamation and environmental rehabilitation of the placer workings.

A conceptual level closure plan will be included as part of the Gatsuurt mine detailed environmental impact assessment (“EIA”).

Much of the area disturbed by placer mining is the same area where a potential open pit mining operation could be located. The area would have to be reclaimed upon mine closure. Reclamation of placer mining areas further downstream in the valley is considered a long-term liability that could possibly be remedied by allowing an independent operator to re-mine the placer areas and perform simultaneous reclamation.

#### *Environmental, Health and Safety Matters*

As part of the feasibility studies, baseline studies and an EIA were developed and conclusions and recommendations made. Baseline data collection for groundwater, air and meteorological data has been initiated and will continue into the future. Applications for environmental permits and licenses for the Gatsuurt project continued during 2007.

General and detailed EIAs for a road to Gatsuurt were submitted and approved during 2006, with construction scheduled to begin pending the negotiation of an investment agreement with the Government of Mongolia. A general EIA has been submitted for the Gatsuurt mine, with a detailed EIA (DEIA) expected to follow.

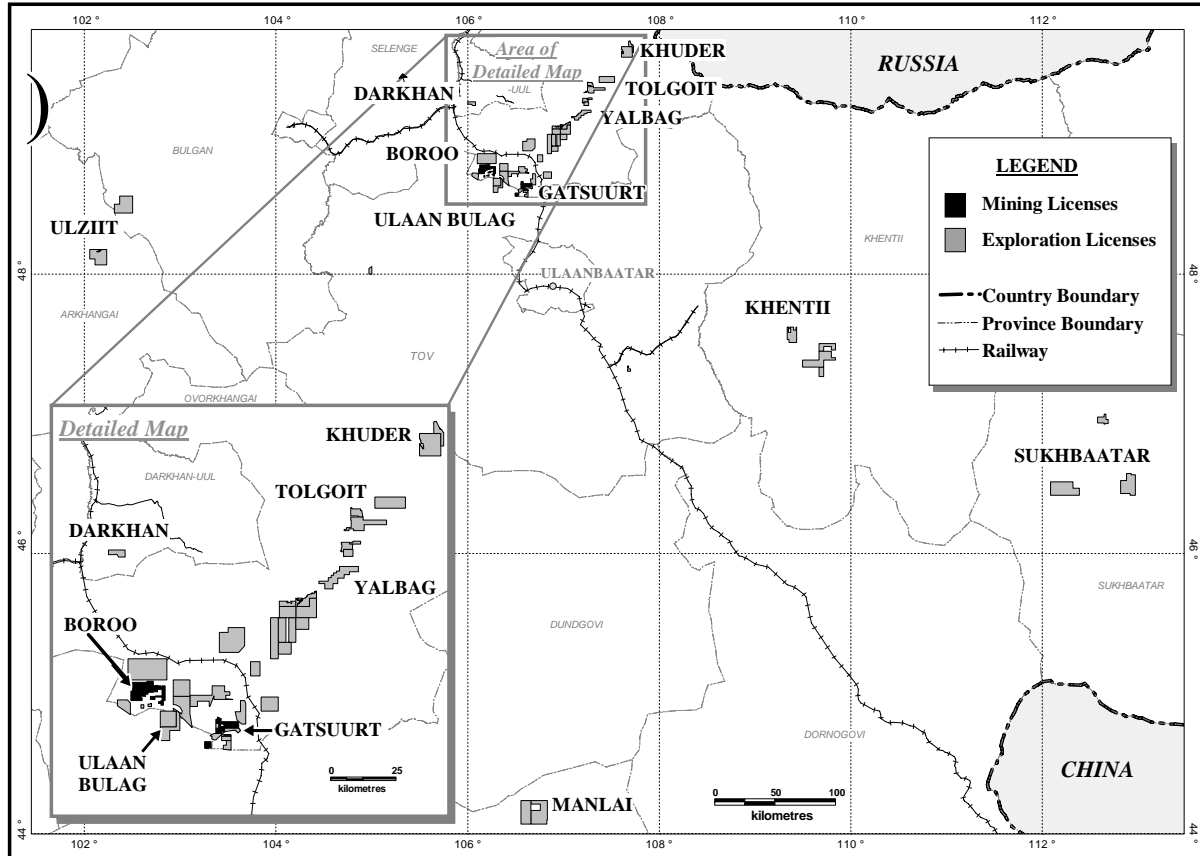
#### *Exploration Activities*

Exploration expenditures at Gatsuurt were \$0.12 million in 2007, which were made up of property maintenance fees, geological compilation and target definition work. In 2008, exploration will focus on target generation in the Gatsuurt district.

In addition to the drilling program in the immediate vicinity of the Boroo deposit, regional exploration programs with expenditures of \$1.32 million were completed during 2007. Drilling programs were completed at the Ulaan Bulag target 15 kilometres southeast of Boroo, which was tested by 11 drill holes totalling 1,137 metres, and the Yalbag target 50 kilometres to the northeast of Boroo, which was tested by 11 drill holes totalling 1,953 metres. Geochemical sampling surveys, geophysical surveys and mapping programs were completed over other areas.

As of December 31, 2007, total exploration and mining licenses held by BGC and CGM comprise 76 licences for 257,913 hectares located along projected strike extensions of the regional structural trends associated with the Boroo and Gatsuurt deposits.

### BGC and CGM Mining and Regional Exploration License Locations

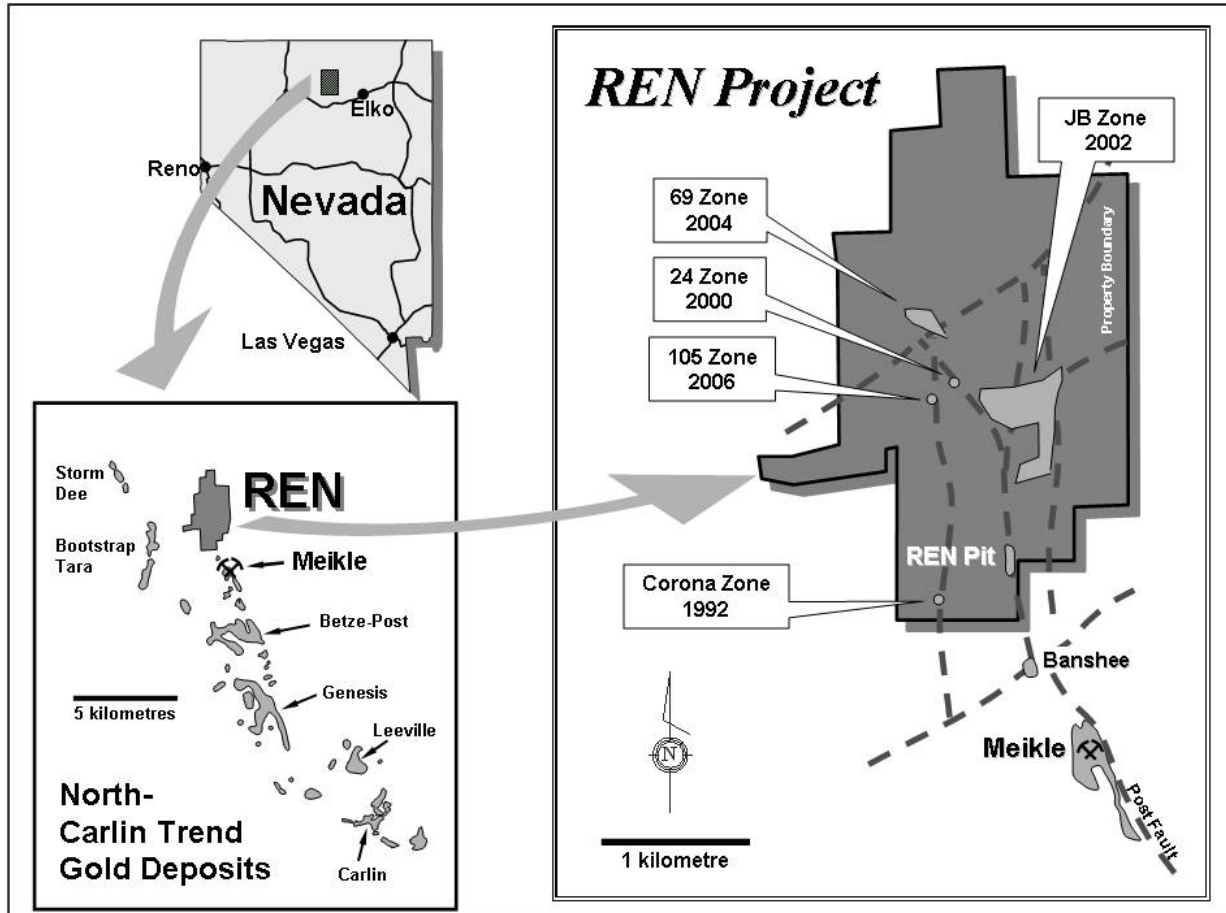


Additional information about the Gatsuurt property is contained in the Gatsuurt Technical Report, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## REN Exploration Property

The REN gold exploration property is located at the north end of the Carlin Trend of gold mines in northern Nevada, the most prolific gold producing area in the United States. It is an advanced exploration property that is 63% owned by Centerra through its subsidiary CGUS and 37% owned by Homestake Mining Company of California (“Homestake”), a subsidiary of Barrick Gold Corporation (“Barrick”). REN’s southern boundary is 1,500 metres from Barrick’s Meikle mine. In addition, significant sources of gold production for both Barrick and Newmont Mining Corporation (“Newmont”) are located in a continuous 40-kilometre trend starting to the south of the REN property.

### REN Property Location



### REN Joint Venture Agreement

UUS Inc., a subsidiary of Cameco, entered into the REN Joint Venture Agreement with Homestake on August 9, 2000 in order to set out the terms and conditions for Centerra’s joint exploration, development and mining activities on the REN property. The agreement encompasses all interests or rights to acquire any interests in minerals, mineral rights or real property within this property, whether currently held or acquired in the future. Prior to Centerra’s initial public offering in June 2004, UUS Inc. assigned its interest in the REN joint venture to CGUS.

Centerra earned a 60% interest in the project by expenditure of approximately \$5.3 million over the period 1995 to 2000. Centerra’s participating interest was subsequently increased to 62% due to Homestake’s election not to contribute to an extension to the 2000 budget. Homestake was subsequently acquired by Barrick in 2001. Centerra’s participating interest was subsequently increased to 63% due to Barrick’s election not to contribute to budgets. All contributions to and proceeds from the REN joint venture are calculated in proportion to Centerra’s respective participating interest.

Overall policies, objectives, procedures, methods and actions are determined by a management committee, consisting of one member appointed by each party. Decisions are made by majority vote in proportion to participating interests. As holder of the majority interest, Centerra also has overall management responsibility for operations at the REN property. The term of the REN Joint Venture Agreement is specified as a minimum of 20 years. Withdrawal by either participant is permitted upon the later of 30 days' notice or the end of the then current program or budget. Certain obligations continue after withdrawal or termination, including costs relating to future monitoring, environmental compliance or a budget previously agreed upon.

### ***Property Description and Location***

The REN property is located in Elko County, northern Nevada, 56 kilometres northwest of the town of Elko, Nevada, and is centered at 41° 01'45" North, 116° 23'00" West. It lies at the northern end of what is commonly referred to as the Carlin Trend of gold mines.

REN consists of 91 contiguous unpatented mining claims covering approximately 740 hectares located on U.S. federal lands administered by the U.S. Bureau of Land Management ("BLM"). The claims consist of two claim groups. The largest group consists of 86 claims owned by VEK/Andrus Associates, a general partnership. The second group of five claims is leased to the REN joint venture from the Weise family.

The lease obligations of the REN joint venture include: (i) annual maintenance fee payments of \$125 per claim to the BLM, (ii) annual advance royalty payments to the claim owners, (iii) production royalties of 3% and 4% of gross proceeds, respectively, on the VEK/Andrus and Weise family properties, and (iv) a 3.5% net profits interest to another individual, which applies to the VEK/Andrus claims. The 3.5% net profits interest royalty converts into a 3.5% net proceeds of sale royalty in the event the property is sold to a third party.

### ***Site Accessibility, Infrastructure and Physiography***

The property is approximately 98 kilometres by road from the town of Elko, Nevada, and access is by paved highway followed by graded county and mine roads.

The property is located in hills of moderate relief on the southwest side of the Tuscarora Mountains, in the typical high-desert basin-and-range topography of northern Nevada. Elevations on the property range from 1,645 metres to about 1,770 metres above sea level. Vegetation consists of sagebrush and other varieties of brush and grasses. Two intermittent streams drain the property to the southwest. Bell Creek is located south of the property and a branch of Boulder Creek is in the northern part of the property.

The climate at the REN property is characterized by hot and dry summers and relatively cold and occasionally snowy winters. Average annual precipitation is less than 25 centimetres and accumulates mainly from December to March as snow and rain, while the rest of the year is generally dry with the exception of occasional thunderstorms in late spring and summer. The most favourable time for exploration is from late May through late November, but drilling and other exploration activities can be carried out all year.

The REN property is situated on land in respect of which the surface and the mineral rights are owned by the Federal Government and administered by the BLM. The land is subject to multiple use and is used for cattle grazing during the summer months.

The close proximity to several gold mines provides excellent infrastructure, and possibilities exist for sharing of mining and milling facilities and for custom milling of ore. A skilled mining workforce is available in Elko County and much of the rest of northern Nevada.

The size of the REN property is sufficient to meet all of the requirements of an underground mining operation. If ore is processed at one of the existing process plants on the Carlin Trend, no new tailings storage would be required.

## *History and Financing*

The REN claims were staked between 1982 and 1987. Since the early 1980s several companies have had lease and option agreements with the claim owners and carried out exploration for gold on the claims including geological mapping, geochemical sampling, geophysical surveying and drilling.

Newmont explored the property from 1983 to 1986 and drilled 13 holes totalling 1,768 metres. Exploration targeted shallow gold mineralization amenable to open pit mining. Gold was discovered in brecciated dike rock in the southeast corner of the property.

The Cordex Syndicate leased the property in 1987 and conducted exploration through 1989, drilling 115 short holes totalling 10,646 metres, mostly to define a reserve in the dike-hosted gold mineralization discovered earlier by Newmont. From 1989 to 1992, an affiliate of Cordex, Dee Gold Mining Company, operated the small REN open pit mine and heap-leaching operation and produced about 16,000 ounces of gold from approximately 408,000 tonnes of ore with a grade of 1.5 grams of gold per tonne.

A Corona Corporation subsidiary optioned the REN property from the Cordex Syndicate in 1990 and started to explore at greater depth, targeting high-grade gold deposits hosted in "lower plate" calcareous rock units below the Roberts Mountains thrust fault. A total of 8,191 metres was drilled during a two-year period. One hole (RNN 90004) intersected 2.6 grams of gold per tonne over 85 metres along the Corona fault and dike zone in the southwest corner of the property.

Homestake acquired Corona in 1992. The high cost of deep exploration on the REN property prompted the formation of a joint venture among Homestake, Barrick and Newmont. Seventeen holes were drilled for a total of 10,086 metres during the period 1992 to 1993, with most of the work concentrated on the southern one third of the property. One hole, BR-01C, drilled as an offset to hole RNN 90004, intersected 12 metres grading 34 grams of gold per tonne at a depth of 413 metres. However, subsequent drill holes did not encounter similar intersections.

After 1993, the REN property interest reverted back to Homestake with 72% and Rayrock Mines, successor to the Cordex Syndicate, with 28%. The property was idle in 1994. In 1995, Cordex-Rayrock assigned its interest to Homestake, reserving a 3.5% net profits interest for an employee of Cordex.

In November 1995, Uranerz U.S.A. Inc. ("Uranerz") and Romarco Minerals Inc. entered into an exploration option with Homestake, whereby each company could earn a 30% interest in the project by spending a total of \$5.3 million on exploration. From 1996 to 1998, 15 deep holes were drilled, but no gold mineralization of economic grade was intersected. Core drilling was not extensively used and most target intercepts were in RC holes. During 1996 and 1997, the exploration focus was on the Corona fault zone, while in 1998 new targets were explored in the central part of the property. In 1997, RC hole RU-10, drilled to explore a northwest trending structurally disturbed zone that is now known as the Dike Swarm, intersected 44 metres of 1.5 grams of gold per tonne below 760 metres depth. In 1998, new targets were explored in the central area of the property, based on the results in hole RU-10.

Cameco acquired Uranerz in 1998. Romarco withdrew from the venture in 1999, relinquishing its option. By August 2000, Cameco subsidiary Cameco Gold had completed cumulative expenditures of \$5.3 million to earn a 60% interest in the project and thereby formed a joint venture with Homestake. Between August and December of 2000, Cameco earned an incremental 2.14% additional interest in the joint venture. Homestake was acquired by Barrick in late 2001.

Cameco Gold completed 43 deep drill holes from 1999 to 2002. High-grade mineralization was discovered in the "24 zone" in 2000, when drill hole RU-24C returned an intersection of 43 metres with a grade of 35.0 grams of gold per tonne, and the "JB zone" was subsequently discovered in 2001. Drilling in 2002 confirmed that the JB zone is of significant size.

In 2003, the REN joint venture completed 22 holes with a combined length of 15,360 metres in the JB zone.

A scoping study was completed in late 2003 and early 2004 and included a resource estimate for the JB zone. The scoping study, based on a gold price of \$350 per ounce, concluded that the existing resources would have to be expanded to a minimum threshold of 4.8 million tonnes with an average diluted grade of 14.5 grams of gold per tonne (2.2 million ounces of gold) to consider development of an underground mine.

In 2004, exploration activities continued with the completion of 28 drill holes for a total length of 17,396 metres. The south extension of the JB zone was delineated, and a new mineralized zone, the “69 zone”, was intersected in five new holes. An updated resource estimate was completed in December 2004.

In 2005, 28 holes totalling 19,926 metres were drilled. Resources were increased in the 69 and JB zones. In addition, drilling identified favourable alteration zones along the East Fault and the Corona dike structure.

In 2006, exploration expenditures by the REN joint venture totalled \$3.2 million. Fifteen deep tests were completed for a total of 10,250 metres. The JB zone was further expanded and a small new zone of high-grade mineralization named the 105 zone was discovered.

In 2007, exploration expenditures by the REN joint venture totalled \$0.73 million. No drilling was completed.

### ***Geological Setting***

The geology, structure, alteration and mineralization encountered in drilling at the REN property are typical of Carlin-type gold deposits. Since 1965, the Carlin Trend has produced over 50 million ounces of gold from an area 56 kilometres long and eight kilometres wide. Total production and reserves are close to 100 million ounces. Deposits along the Carlin Trend have gold concentrations that range from 0.7 to 34 grams of gold per tonne. The Meikle underground mine owned by Centerra’s joint venture partner Barrick on the property immediately south of REN has a life of mine average grade of over 20 grams of gold per tonne. Barrick’s Rodeo underground mine, located immediately south of Meikle, with which REN has the most geologic similarities, has a production grade of about 10 to 14 grams of gold per tonne.

Five zones of high-grade mineralization have been discovered at REN to date: the JB, 24, 69, 105 and Corona zones. The JB zone is the largest, containing over two-thirds of the total resource. It extends from 700 to 960 metres below surface.

The primary host rocks for gold mineralization at REN are calcareous to dolomitic, carbonaceous siltstone and mudstone of the Middle to Late Devonian Popovich Formation within the lower plate of the Roberts Mountains thrust fault. Other host rocks include diorite lamprophyre dikes and sills and sandstone, mudstone and chert of the Late Devonian Rodeo Creek unit.

Structural controls to gold mineralization are complex. High-angle ore-controlling faults and dikes strike east, north, northwest, and northeast. The JB zone is parallel to and in the footwall of the east-striking MBX fault. The highest-grade intercepts at JB align north-south along its east margin and are likely controlled by a north-striking fault.

Mineralized intervals at REN frequently consist of a high-grade interval within a thicker envelope of low-grade material. High-grade intervals are typically composed of multiple high-grade 1.5-metre samples; the high-grade bodies commonly show relatively abrupt boundaries against adjacent low-grade material.

Gold mineralization is refractory in nature and metallurgical processes for treating Carlin-type refractory ores will be required. Similar ores are treated at adjacent ore processing facilities of Barrick and Newmont that employ roasters and autoclaves. Bench scale test work on samples of JB zone mineralization indicate that either processing option achieves acceptable recoveries.

At Barrick’s Meikle mine, ground temperatures of about 60 degrees Celsius necessitate cooling of ventilation air for mining. Similar temperatures are recorded in groundwater at the elevation of the mineralization on the REN project. The depth of the JB zone also results in the mineralization being located up to 300 metres below the regional groundwater level that is being maintained by pumping at the adjacent Goldstrike and Meikle mines.

Lowering the water level on the REN property will be a major undertaking as indicated in a report by Centerra's groundwater consultant.

Underground mining operations on the REN property will also have to be carried out in relatively poor to incompetent ground conditions necessitating good ground support. Similar conditions occur at other underground mining operations along the Carlin Trend and elsewhere in northern Nevada.

### ***Drilling***

While geochemical and geophysical surveys have been completed, the host rocks favourable for gold mineralization on the REN property are located at considerable depth and cannot easily be detected from surface by conventional exploration methods except drilling.

Drilling techniques for deep targets employed by Centerra include the use of relatively inexpensive and fast RC drilling to reach close to the target depth followed by core drilling to recover core samples through the potential zone of economic interest. Directional drilling is used to precisely place holes and wedging new holes off an original hole allows several closely-spaced intersections of a mineralized zone at depth. Since late 2003, drilling has utilized split core tubes for recovery of undisturbed samples and core orientation was determined using a core marking system. Data were collected to characterize and classify geotechnical aspects of the rocks that would be necessary for assessing future mining conditions and to assist in geological interpretation.

### ***Sampling and Analysis***

Cuttings from RC drilling on the REN property are collected in rotary wet splitters at 3-metre or 1.5-metre intervals and the samples weighing approximately five to seven kilograms are analyzed for gold and a suite of major and trace elements. Analytical results are used for multi-element geochemical modeling.

ALS Chemex is currently the primary assay laboratory for the REN project. Samples are prepared at the Chemex preparation facility in Elko and assayed at Chemex laboratories in Sparks, Nevada, and Vancouver, British Columbia. Most check assay work has been done at AAL and BSI Inspectorate in Sparks, Nevada. The labs use a 30-gram fire assay fusion and extraction followed by AA finish to assay for gold. A one assay-ton (29.2 gram) fire assay with a gravimetric finish is performed on a pulp duplicate for every sample with an AA gold value greater than 5.0 grams of gold per tonne. Systematic check assay programs have been employed to validate the assay results.

A partial validation of the electronic database used in the 2003 resource estimate was completed by Resource Modeling Inc. Gold assay values in the electronic database for 12 drill holes representing the greatest concentrations of gold at REN were manually compared with assay certificates, and geological logs for five core holes were compared with the electronic lithologic files. Both the assay and geologic databases were found to be maintained in accordance with industry standards.

In their May 2004 technical report, Strathcona concluded that the overall quality of the sample analytical database for the REN property is considered reasonable and can be used for resource estimates. Sampling, analytical and quality assurance/quality control protocols used during the 2005 and 2006 drilling programs were the same as those used in drilling programs completed in previous years.

### ***Mineral Resource Estimate***

In December 2004, Roscoe Postle, in collaboration with Mr. Robert S. Chapman, at that time Centerra's Director, Mergers & Acquisitions and Centerra's qualified person, prepared a REN resource model to include drilling through November 2004. In December 2005, Roscoe Postle, in collaboration with Mr. Robert S. Chapman, at that time Centerra's Director, Mergers & Acquisitions and Centerra's qualified person, updated the resource model. In December 2006 and January 2007, Centerra, under the supervision of Centerra's qualified person, Mr. Ian Atkinson, again updated the REN resource model using all drilling results through the end of 2006.

No additional drilling was completed on the REN property in 2007, so the 2006 resource model was used for the purpose of the 2007 year-end resource estimate.

The drilling database and 3-D wireframes of mineralized zones were built by Centerra. Wireframes were constructed using a minimum intercept of 5.0 grams of gold per tonne over 3.0 metres minimum drill thickness. Centerra also prepared a 3-D geological model. In 2004 and 2005 Roscoe Postle verified the databases and corrected several minor errors, and minor modifications to the shapes provided by Centerra were made. In 2006, wireframes were modified by Centerra to include new drill intercepts, and a new wireframe was constructed for the 105 zone. At the end of 2006, 29 separate lenses of mineralization were modeled within five zones: JB, 69, 24, 105 and Corona.

At year-end 2005, Roscoe Postle examined the distribution of very high-grade gold values in the 24 and JB zones and determined that the upper capping level of 40 grams of gold per tonne used in the 2004 resource estimate should be increased to 70 grams of gold per tonne for the 2005 resource estimate. The 70 grams of gold per tonne capping level of individual assays prior to compositing is also used for the year-end 2006 and 2007 estimates.

Sample results are composited within mineralized zones to 1.5 metre core lengths for grade interpolation, beginning at the top of each mineralized intersection. Any resulting composites with a length less than 0.76 metres are not included. These short composites occur occasionally at the lower contact of mineralized zones. In most cases composites correspond to the original sample intervals.

Composites are used to interpolate gold grades in a block model by the inverse distance squared algorithm using search ellipses derived from a 2005 variography study and ellipse orientations customized for each mineralized lens. The model utilizes blocks 15.24 by 15.24 metres and a vertical thickness of 3.05 metres. An average bulk density of 2.46 tonnes per cubic metre was used to convert volume into tonnage.

The estimated resources for the REN Project, at an 8.0 grams of gold per tonne cut-off grade, are summarized in the table below. The resources are classified as indicated or inferred based on the density of drilling and the continuity of the mineralization.

#### **REN Project Resources as of December 31, 2007**

<b>CATEGORY</b>	<b><u>Tonnes</u></b>	<b><u>Gold Grade</u></b>	<b><u>Contained Gold</u></b>
<b>Total Resources</b>	<b>(thousands)</b>	<b>(g/t)</b>	<b>(thousands of ounces)</b>
<b>Total Indicated Resources</b> .....	<u>2,991</u>	<u>12.7</u>	<u>1,220</u>
<b>Total Inferred Resources</b> .....	<u>835</u>	<u>16.1</u>	<u>432</u>

#### ***Exploration Activities***

REN joint venture exploration expenditures in 2007 totalled \$0.73 million, of which Centerra's portion was \$0.73 million, as Barrick did not contribute to the 2007 exploration program. As a result, Barrick's participating interest in the REN joint venture decreased to 37.1% and Centerra's interest increased to 62.9%. The exploration program consisted of property maintenance, data compilation and site reclamation work. No drilling was carried out in 2007.

The 2008 REN program is a property maintenance budget and Barrick has informed Centerra that it will not contribute to the exploration program for the REN property in 2008. Centerra may exercise its right under the REN Joint Venture Agreement to fund the deficiency. Consequently, Barrick's participating interest in the joint venture may decrease slightly in 2008. The amount by which it may decrease will depend on the expenditures incurred by Centerra in 2008. Barrick may earn back its participating interest only under certain circumstances.

Additional information about the REN project is contained in the technical report dated June 15, 2004, prepared by Strathcona and available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **DIRECTORS AND OFFICERS**

The following tables set out the directors and executive officers of Centerra as at March 28, 2008. The term of office for each of the directors will expire at the time of Centerra's next annual shareholders meeting on May 7, 2008. Other than John Auston, all directors will be standing for re-election. Other than O. Kim Goheen, each of the directors was elected to his present term of office by the shareholders of Centerra at the annual and special meeting of Centerra's shareholders held on May 9, 2007. Mr. Goheen was appointed by the board upon the recommendation of the Nominating and Corporate Governance Committee on October 28, 2007 to replace Gerald Grandey who resigned on October 28, 2007. As a group, the directors and executive officers of Centerra beneficially own, control or direct, directly or indirectly, or exercise control or direction over 296,456 common shares representing less than 1% of Centerra's total outstanding common shares.

### **Executive Officers**

<b><u>Name and Municipality of Residence</u></b>	<b><u>Offices Held with Centerra Gold Inc.</u></b>
LEONARD A. HOMENIUK..... Toronto, Ontario	President, Chief Executive Officer and Director
DAVID M. PETROFF..... Toronto, Ontario	Executive Vice President and Chief Financial Officer
STEPHEN A. LANG..... Toronto, Ontario	Vice President and Chief Operating Officer
IAN ATKINSON..... Toronto, Ontario	Vice President, Exploration
RONALD H. COLQUHOUN ..... Oakville, Ontario	Vice President, Project Development and Engineering
FRANK H. HERBERT..... Oakville, Ontario	General Counsel and Corporate Secretary
JEFFREY S. PARR ..... Oakville, Ontario	Vice President, Finance
JOHN A. ROSS ..... Oakville, Ontario	Vice President, Human Resources and Administration

### **Directors**

<b><u>Name and Municipality of Residence</u></b>	<b><u>Director Since</u></b>	<b><u>Principal Occupation</u></b>
IAN G. AUSTIN ..... Vancouver, British Columbia	April 30, 2004	Corporate Director
JOHN S. AUSTON <sup>(1)</sup> ..... Vancouver, British Columbia	April 30, 2004	Corporate Director
ALMAZBEK S. DJAKYPOV..... Bishkek, Kyrgyz Republic	October 31, 2005	President of Kyrgyzaltyn JSC

<u>Name and Municipality of Residence</u>	<u>Director Since</u>	<u>Principal Occupation</u>
O. KIM GOHEEN ..... Saskatoon, Saskatchewan	October 28, 2007	Senior Vice President and Chief Financial Officer of Cameco Corporation
LEONARD A. HOMENIUK..... Toronto, Ontario	December 11, 2002	President and Chief Executive Officer of Centerra
PATRICK M. JAMES ..... Castle Rock, Colorado	April 16, 2004	Corporate Director and CEO of Constellation Copper Corporation
TERRY V. ROGERS ..... McCall, Idaho	February 1, 2003	Corporate Director
JOSEF SPROSS ..... Saskatoon, Saskatchewan	April 30, 2004	Corporate Director
ANTHONY J. WEBB ..... Victoria, British Columbia	April 30, 2004	Corporate Director

(1) Mr. Auston is not standing for re-election at the May 7, 2008 annual meeting of Centerra's shareholders.

Except as noted below, each of the directors and executive officers has been engaged for more than five years in his present principal occupation or in other capacities with the company or organization (or predecessor) in which he currently holds his principal occupation.

Except as noted below, to Centerra's knowledge, no director or executive officer of Centerra is or has been in the last 10 years a director, chief executive officer or chief financial officer of any company that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes of the foregoing, "order" means (i) a cease trade order, (ii) an order similar to a cease trade order, or (iii) an order that denied the relevant company access to any exemption under securities legislation, which was in effect for a period of more than 30 consecutive days.

On November 8, 2007, Constellation Copper Corporation's management requested that relevant securities regulatory authorities put in place a management cease trade order covering all directors, officers and insiders of Constellation Copper Corporation during the period that financial statements were being prepared as a result of a delay in filing interim financial statements due to the possibility of the need to disclose a subsequent event. The financial statements were filed as scheduled on January 16, 2008 and the management cease trade order was lifted on that day. Mr. Patrick M. James, Chairman of Centerra's board of directors is currently and was during the time the management cease trade order of Constellation Copper Corporation was in effect a director and chief executive officer of Constellation Copper Corporation.

To Centerra's knowledge, no director or executive officer of Centerra, or a shareholder holding a sufficient number of securities of Centerra to affect materially the control of Centerra: (a) is or has been in the last 10 years a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has in the last 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

The following table sets out the members of each of the committees of Centerra's board of directors as at March 28, 2008:

*Audit Committee*

Ian G. Austin (Chair)  
John S. Auston<sup>(1)</sup>  
Patrick M. James

*Safety, Health and Environmental Committee*

Josef Spross (Chair)  
Almazbek S. Djakypov  
Patrick M. James  
Terry V. Rogers

*Nominating and Corporate Governance Committee*

Patrick M. James (Chair)  
Ian G. Austin  
O. Kim Goheen  
Anthony J. Webb

*Reserves Committee*

John S. Auston (Chair)<sup>(1)</sup>  
Almazbek S. Djakypov  
Josef Spross

*Human Resources and Compensation Committee*

Anthony J. Webb (Chair)  
Ian G. Austin  
Josef Spross

(1) Mr. Auston is not standing for re-election at the May 7, 2008 annual meeting of Centerra's shareholders.

## **Directors and Executive Officers**

The following is a brief biography of each of Centerra's executive officers and directors.

### *Executive Officers*

**Leonard A. Homeniuk**, President, Chief Executive Officer and Director, has over 30 years of experience in the mineral sector including exploration, development and production. After assuming progressively more responsible positions with Cameco, he then managed Cameco's uranium exploration program and was involved in early work on the McArthur River high-grade uranium deposit, now the world's largest uranium mine. Mr. Homeniuk assumed the position of Chair and President of KOC in 1992 and was responsible for the acquisition, feasibility work and development of the Kumtor mine. Mr. Homeniuk served in this position, located in Bishkek, Kyrgyz Republic, until 1997 when he was promoted to the position of Executive Vice President with Cameco Gold. In 1999, he became President of Cameco Gold and was responsible for acquiring an ownership interest in the Australian gold exploration company AGR Limited, which directly led to the development of the Boroo mine. In 2004, he was appointed to his present position and was responsible for the public listing of Centerra Gold Inc. on the Toronto Stock Exchange. Mr. Homeniuk received a Bachelor of Science degree in Geological Engineering in 1970 and a Master of Science in 1972, both from the University of Manitoba. He is a member of the Ontario Society of Professional Engineers, Canadian Institute of Mining and Metallurgy and the Prospectors and Developers Association of Canada. Mr. Homeniuk was made an Honorary Professor of the Kyrgyz Mining Institute in 1998.

**David M. Petroff**, Executive Vice President and Chief Financial Officer, has over 25 years of experience in finance and administration in the mineral sector. From 1997 to 2004, Mr. Petroff worked for Cameco, most recently as Senior Vice President, Finance and Administration and Chief Financial Officer. From 1984 to 1997, Mr. Petroff worked for Denison Mines Limited, most recently as Vice-President and Treasurer. From 1980 to 1984, he worked in corporate finance at Wood Gundy Inc., mostly recently as Vice President. Mr. Petroff received a Master of Business Administration degree (finance concentration) from the Schulich School of Business, York University in 1980 and a Bachelor of Mathematics degree from the University of Waterloo in 1978. Mr. Petroff is a member of Financial Executives International.

**Stephen A. Lang**, Vice President and Chief Operating Officer since 2007, has over 25 years of experience in the mineral sector including engineering, development and production in gold, platinum and palladium operations. Between 2003 and 2007, Mr. Lang served as Executive Vice President and Chief Operating Officer of Sillwater Mining Company. Mr. Lang was employed with Barrick Gold Corporation from 2001 to 2003 as Vice President and General Manager of Barrick Gold's Goldstrike/Meikle operation. Prior to joining Barrick Gold, Mr. Lang served as Vice President of Engineering and Project Development of Rio Algom, Limited in Santiago, Chile

from 1999 to 2001. From 1996 to 1999, Mr. Lang served as Vice President and General Manager of Kinross Gold Corporation/ Amax Gold Corporation's Fort Knox Mine in Fairbanks, Alaska. From 1981 to 1996, he held various positions with Santa Fe Pacific Gold Minerals Corporation, including General Manager of the Twin Creeks Mine in Golconda, Nevada. Mr. Lang earned a Bachelors of Science in Mining Engineering from the University of Missouri-Rolla and a Masters Degree in Mining Engineering from the University of Missouri-Rolla.

**Ronald H. Colquhoun**, Vice President, Project Development and Engineering, has more than 25 years of international experience in mine operations, project development, design and construction in the mineral resource industry. Between 1977 and 1987, Mr. Colquhoun was with Dome Mines Limited, where he oversaw the milling operations and participated in the modernization of the mine. While with Barrick between 1987 and 2004, Mr. Colquhoun participated in the development of the Holt-McDermott Mine in Ontario, the Goldstrike Mine in Nevada and managed the Barrick El Indio – Tambo projects in Chile. From 2002 to 2004, he participated in the development and enhancement of the Bulyanhulu and Tulawaka projects in Tanzania. Most recently, Mr. Colquhoun was the Vice President of Technical Services of Crystallex International, where he was responsible for project permitting, design and construction of the Las Cristinas Project in Venezuela. Mr. Colquhoun is a graduate of the Haileybury School of Mines and was the recipient of the 1985 Special Achievement Award and the 2007 Mineral Processor of the Year Award, national awards presented by the CMP Division of the Canadian Institute of Mining – Metallurgy.

**Ian Atkinson**, Vice President, Exploration, has more than 30 years of experience in natural resource management. Mr. Atkinson started his career as a geologist and geophysicist for various organizations, including Falconbridge Nickel Mines Ltd., Yvanex Developments Limited, McIntyre Mines Ltd. and Resource Associates of Alaska. In 1979, Mr. Atkinson joined the Noranda Group and was involved in base and precious metal exploration. Between 1991 and 1996, Mr. Atkinson was the Senior Vice President of Hemlo Gold Mines in Toronto, where he was a member of the executive management team that developed the overall corporate strategy, objectives and management of Hemlo Gold Mine's worldwide activities. Between 1996 and 2001, Mr. Atkinson was the Senior Vice President, Operations & Exploration of Battle Mountain Gold in Houston, where he was responsible for directing the operations and project development activities at four operating mines and two development projects. Prior to joining Centerra, Mr. Atkinson was Vice President, Exploration & Strategy for Hecla Mining Company, where he was responsible for directing exploration activities and managing the technical services and environmental groups. Mr. Atkinson graduated from King's College, University of London in 1971 with a Bachelor of Science degree in Geology. Mr. Atkinson also received a Master of Science degree in Geophysics from the Royal School of Mines, University of London in 1973.

**Frank H. Herbert**, General Counsel and Corporate Secretary, has more than 19 years of experience providing legal advice to public and private corporations. As a partner in two major Canadian law firms, he has provided advice on a variety of corporate, securities and commercial matters and has extensive experience in international transactions, especially in the natural resources sector. Mr. Herbert has also practiced with Freshfields in London, where he focused on international natural resource transactions and joint ventures. Mr. Herbert joined Centerra in November 2004. Mr. Herbert holds a LL.B. from Queen's University and a B.A. from the University of Toronto.

**John A. Ross**, Vice President, Human Resources and Administration, has more than 29 years of senior strategic human resource leadership experience in three industries, natural resources, high tech and consumer products; in companies such as Rio Algom, Dynatec, Labatt Brewing, Lafarge, Stratos Global and Hewlett Packard. Mr. Ross has had global accountability for the HR function for well over half of his career supporting operations in 28 countries and has lived and worked in Washington DC. In these previous roles Mr. Ross has become highly experienced in organizational change management and in providing HR support on M&A transactions and in leading integration activities. He graduated from the University of Waterloo with a Bachelor of Environmental Studies (Honours) and did his graduate studies at the University of Guelph. Mr. Ross also serves on two Boards of Directors; St. Genevieve Resources as Chairman of the HR & Compensation Committee and on Wildlife Preservation Canada as Chairman of the Organizational Effectiveness Committee.

**Jeffrey S. Parr**, Vice President, Finance, has over 20 years of experience in the mining and service provider industries. From 1997 to 2006 Mr. Parr worked for Hatch Acres Inc. (formerly Acres Inc.), most recently as Chief Financial Officer and Director of Shared Services. From 1988 to 1997, Mr. Parr worked for WMC International, most recently as Executive Vice President. A subsidiary of WMC, WMC International was responsible for mining and exploration activities in the Americas. From 1985 to 1988, he worked for National Business Systems as Corporate Controller. From 1982 to 1985, he worked for Ernst and Whitney Chartered

Accountants as an Advanced Senior Auditor. Mr. Parr is a Chartered Accountant and received his Master of Business Administration degree from McMaster University in 1982 and a Bachelor of Arts (Economics) from the University of Western Ontario in 1979. Mr. Parr is a member of the Canadian Institute of Chartered Accountants, the Financial Executives International (FEI Canada) and the Institute of Chartered Accountants of Ontario. He also serves as Director and Vice Chair of the Oakville Economic Development Alliance and is a member of the Executive Committee.

#### *Directors*

**Patrick M. James**, Chair and Director, has more than 35 years of experience in the mining industry. He served as President and Chief Executive Officer of Rio Algom Limited from 1997 to 2001. Prior to joining Rio Algom, Mr. James spent 18 years working for Santa Fe Pacific Gold Corporation, where he held various positions of increasing responsibility before being appointed Chairman, President and Chief Executive Officer in 1995. Mr. James holds a M.A. in Management from the University of New Mexico and a B.Sc. in Mining Engineering from the Colorado School of Mines. He currently serves on the Boards of Stillwater Mining Company, Dynatec Corporation and Constellation Copper Corporation and is the chief executive officer of Constellation Copper Corporation.

**Ian G. Austin**, Director, currently serves as a director of Skye Resources Inc., a development stage nickel company. From 2003 to 2008, Mr. Austin served as President and Chief Executive Officer of Skye Resources Inc. He has extensive experience in the mining industry and financial management. From 1989 to 2001, Mr. Austin worked for Placer Dome Inc., serving first as Senior Vice President and Chief Financial Officer and then as Executive Vice President, Strategic Development from 1997 to 2001. Prior to joining Placer Dome, Mr. Austin spent 15 years with Inco Limited, where he served as Treasurer from 1981 to 1989. Mr. Austin holds a B.A. and a M.A. in Economics from Cambridge University.

**John S. Auston**, Director, is a graduate of McGill University, earning degrees in Geology and Mineral Exploration in 1957 and 1959, and attended the Program for Management Development at Harvard University in 1972. During a career of over 40 years in the minerals industry, he has been active in the exploration for and development and operation of base metal, precious metal, uranium and coal mines in Canada, Australia and the United States. From 1959, this work was with the Selection Trust Group of London, which in 1981 became the minerals arm of British Petroleum. He was President and CEO of Ashton Mining of Canada from 1996 to 2000 and was President and CEO of Granges, Inc. from 1993 to 1995. Mr. Auston is currently a director of Cameco Corporation and Eldorado Gold Corporation. He is a registered Professional Engineer (Ontario) and a Life Member of the Canadian Institute of Mining.

**Almazbek S. Djakypov**, Director, is the president of Kyrgyzaltyn, which owns approximately 16% of Centerra's shares. He became president of Kyrgyzaltyn on July 22, 2005 and became a director of Centerra on October 31, 2005. From 2002 to 2005, Mr. Djakypov served as an economic expert on the Investment Roundtable, a non-governmental organization, in the Kyrgyz Republic. Mr. Djakypov has had a distinguished career in government service. He served as Deputy Head of the Department of State Procurement; Head of the Department of Industry and Agro-Industrial Complex; Head of the Organization Department for the Administration of the Presidential Apparatus; and Vice-President, State Concern for Kyrgyzaltyn. In 1999, he became Acting President of Kyrgyzaltyn. Between 2000 and 2002, he consulted on various investment projects. Mr. Djakypov graduated from the Moscow Energy Institute as an electrical engineer in 1978.

**O. Kim Goheen**, Director, currently serves as Senior Vice President and Chief Financial Officer of Cameco Corporation. Prior to that role with Cameco, he served as Vice President and Treasurer. He has been with Cameco since 1997 and has extensive experience in domestic and international finance in the transportation, petroleum, mining and energy industries. Mr. Goheen received a Bachelor of Commerce from the University of British Columbia in 1977 and a Master of Business Administration from the University of Western Ontario in 1979. He is also a Certified Management Accountant.

**Terry V. Rogers**, Director, has more than 30 years of experience in coal, gold, lignite and uranium mining operations. Mr. Rogers was Senior Vice President and Chief Operating Officer of Cameco from 2003 until January 8, 2007. He is currently Senior Vice President at Cameco responsible for remediation of the Cigar Lake Mine. Prior to being appointed Senior Vice President and Chief Operating Officer of Cameco in 2003, he served as president of

KOC in the Kyrgyz Republic. Prior to his association with Cameco, Mr. Rogers served with Morrison-Knudsen Company and its subsidiaries at a variety of operating sites worldwide and in the corporate headquarters in Boise, Idaho. His assignments included that of Managing Director, Technical for MIBRAG mbH, a company in Leipzig, Germany, producing lignite from three open cast mines and generating electricity at three coal-fired power stations. Mr. Rogers has also served as president of the Jerooy Gold Company, worked for MK Gold Company in the Kyrgyz Republic and served as General Manager of American Girl Mining Joint Venture with MK Gold in Southern California. Other assignments with Morrison-Knudsen include operations management at several gold and coal mining projects in the United States. Mr. Rogers received an Associate degree in Applied Science from the Superior Technical Institute in Wisconsin in 1972.

*Josef Spross*, Director, has extensive experience in mining and has played an important role in the development and operation of Cameco's uranium and gold properties. After managing the Key Lake Operation for 15 years, he was appointed Vice President of Uranium Mining in 1993. In 1995, he was appointed Vice President of Mining, and in May 1996, Mr. Spross assumed the position of Executive Vice President of KOC in the Kyrgyz Republic and managed the successful transition of the project from development to production. After his return to Canada in April 1997, he was appointed as Cameco's Senior Vice President and Chief Operating Officer. Mr. Spross received a Master's degree in Mine Engineering from Clausthal-Zellerfeld University in Germany and completed a three-year post graduate studies program with the Ministry for Mining and Administration where he graduated as "Bergassessor". At the end of 1999, Mr. Spross retired and assumed the position of President and Past President of the Saskatchewan Mining Association in February 2000 (a four-year term).

*Anthony J. Webb*, Director, has over 30 years of diverse experience in the mineral sector including, most recently, business development, strategic planning and minerals marketing. He served as Vice President, Corporate Development of Cameco from 1997 until his retirement in 2003. He originally joined the predecessor company to Cameco in 1982 and held positions of increasing responsibility including Assistant to the Chairman and CEO and Director, Corporate Development. Mr. Webb received a Bachelor of Science degree in 1968 and a Master of Science degree in 1970, both from McGill University. He received a Master of Business Administration degree from the University of Western Ontario in 1974.

#### **AUDIT COMMITTEE**

The Board and management believe that sound and effective corporate governance is essential to Centerra's performance. Centerra has adopted certain practices and procedures to ensure that effective corporate governance practices are followed and that the Board functions independently of management. Centerra's Board carries out its responsibilities directly and through the following committees: the Audit Committee; the Nominating and Corporate Governance Committee; the Human Resource and Compensation Committee; the Safety, Health and Environmental Committee; and the Reserves Committee. Information regarding Centerra's Audit Committee is set out below. A discussion of Centerra's approach to corporate governance and other committees can be found in its management information circular regarding Centerra's 2008 annual meeting.

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities in relation to the following:

- the integrity of Centerra's financial statements;
- Centerra's compliance with legal and regulatory requirements (other than with respect to health, safety and the environment);
- compliance with Centerra's Code of Ethics for employees;
- the qualifications and independence of Centerra's external auditor;
- the design and implementation of internal controls over financial reporting and disclosure controls;
- management of financial risk delegated by the Board;

- related party transactions;
- the performance of Centerra’s internal audit function and independent auditor; and
- any additional matters delegated to the Audit Committee by the Board.

*Audit Committee Charter*

A copy of the Audit Committee’s revised charter is attached as Schedule A to this Annual Information Form and is also available on Centerra’s website at [www.centerragold.com](http://www.centerragold.com).

*Composition of the Audit Committee*

On December 31, 2007, the Audit Committee was comprised of Ian G. Austin (Chair), John S. Auston and Patrick M. James. Each member of the Audit Committee is independent and financially literate within the meaning of Multilateral Instrument 52-110 — *Audit Committees* of the Canadian Securities Administrators. For a description of their relevant education and experience, see “Directors and Officers”.

*External Audit Pre-Approval Procedures*

As part of Centerra’s corporate governance practices, under Centerra’s Audit Committee charter, the Audit Committee is required to pre-approve the audit and non-audit services performed by external auditors in accordance with applicable law.

*Fees Paid to External Auditors*

Audit, tax and other fees billed by Centerra’s external auditor, KPMG LLP, in respect of the years ended December 31, 2006 and December 31, 2007 are set out below.

	<u>2007</u> (US\$)	<u>2006</u> (US\$)
Audit Fees.....	694,000	614,000
Audit Related Fees <sup>(1)</sup> .....	118,000	-
Tax Fees <sup>(2)</sup> .....	21,000	15,000
All Other Fees <sup>(3)</sup> .....	<u>13,000</u>	<u>-</u>
Total.....	846,000	629,000

(1) Audit Related Fees in 2007 comprise amounts paid for accounting for potential corporate transactions.

(2) Tax Fees comprise amounts paid for tax compliance and advisory services.

(3) All Other Fees comprise amounts paid for training Boroo staff on International Financial Reporting Standards.

**DIVIDEND POLICY**

Centerra has not declared a dividend in any of the three most recently completed fiscal years. Centerra does not currently anticipate that it will pay dividends. Centerra intends to follow a policy of retaining earnings in order to finance further business development. The declaration of dividends on Centerra’s common shares is within the discretion of its Board of Directors and will depend upon their assessment of Centerra’s earnings, capital requirements, operating and financial condition and other factors it considers to be appropriate. There are no restrictions on Centerra’s ability to pay dividends.

**DESCRIPTION OF SHARE CAPITAL**

The authorized share capital of Centerra Gold Inc. consists of an unlimited number of common shares, an unlimited number of Class A non-voting shares and an unlimited number of preference shares, issuable in series, the

share conditions of which are summarized below. The following summary does not purport to be complete and reference is made to Centerra's articles of incorporation, as amended, for the full text of the provisions.

### **Common Shares**

Each common share is entitled to one vote at meetings of shareholders, except for meetings at which only holders of another specified class or series of shares are entitled to vote separately as a class or series. Each common share is also entitled to receive dividends if, as and when declared by Centerra's Board of Directors. Holders of common shares are entitled to participate in any distribution of Centerra's net assets upon liquidation, dissolution or winding-up on an equal basis per share but subject to the rights of the holders of the preference shares. There are no pre-emptive, redemption, purchase or conversion rights attaching to the common shares.

The Board of Directors of Centerra Gold Inc., at a meeting held on May 9, 2006, approved a three-for-one stock split of Centerra's outstanding common shares, which was effected by way of a stock dividend. Payable on June 1, 2006, shareholders of record at the close of business on May 29, 2006 received two additional common shares for each common share held. Centerra's common shares began trading on a split basis on May 25, 2006 on the Toronto Stock Exchange. As at December 31, 2007 and March 28, 2008, there were 216,318,188 common shares outstanding.

### **Class A Non-Voting Shares**

The Class A non-voting shares have the same terms and conditions as Centerra's common shares, except in respect of the following:

- they will be non-voting; and
- they will not be entitled to any dividends or distributions that can be attributed reasonably to KGC or its assets or operations.

There are currently no Class A non-voting shares outstanding as they have been created solely for the purposes of the insurance risk rights plan described below under "Political Risk Insurance Rights Plan".

### **Preference Shares**

The preference shares may be issued at any time or from time to time in one or more series as may be determined by the Board of Directors. The Board of Directors is authorized to fix before issue the number, the consideration per share and the designation of and, subject to the special rights and restrictions attached to all preference shares, the rights and restrictions attached to the preference shares of each series. The preference shares of each series rank on a parity with the preference shares of each other series with respect to the payment of dividends and the return of capital on liquidation, dissolution or winding-up. The preference shares are entitled to a preference over the common shares and any other shares ranking junior to the preference shares with respect to the payment of dividends and the return of capital. The special rights and restrictions attaching to the preference shares as a class may not be amended without any approval as may then be required by law, subject to a minimum approval requirement of at least two thirds of the votes cast at a meeting of the holders of preference shares to be called and held for that purpose.

There are currently no preference shares outstanding.

### **Political Risk Insurance Rights Plan**

As a prerequisite to acquiring political risk insurance for Centerra's Kumtor mining operations, Centerra has adopted an insurance risk rights plan. The plan applies if an event occurs relating to KGC or its assets or operations at a time when Kyrgyzaltyn is controlled by the Government of the Kyrgyz Republic and the event is caused by that Government and results in a payment to Centerra under the political risk insurance coverage. In this event, the following will occur:

- each holder of Centerra's common shares will be entitled to exchange its shares for Centerra's Class A non-voting shares;
- Kyrgyzaltyn has irrevocably elected to exchange all of its common shares for Class A non-voting shares and it is expected that no other shareholders would elect to do this;
- the holders of Centerra's common shares (but not Class A non-voting shares) will be entitled to acquire additional common shares for \$0.01 per share, with the aggregate number of common shares available determined by a formula designed to provide for the holders of Class A non-voting shares to be diluted by an amount that approximates the proceeds received under the political risk insurance; and
- following the exercise of the rights to acquire additional shares by Centerra's common shareholders, the Class A non-voting shares will convert back into Centerra's common shares.

Kyrgyzaltyn has also agreed that, following the determination by Centerra's Board that an event has occurred that could reasonably result in this plan being triggered and for so long as such event continues or until the process described above has been completed, it will not transfer its shares or exercise any voting rights in respect of its shares or be entitled to receive any dividends or distributions on its shares that can be attributed reasonably to KGC or its assets or operations or distributions from KGC during such period. The plan will continue in effect until terminated by the Board of Directors based on a determination that it is no longer necessary or desirable having regard to, among other things, the extent of Centerra's operations based in the Kyrgyz Republic.

## **PRINCIPAL SHAREHOLDERS**

### **Centerra Shareholders Agreement**

In connection with the Kumtor restructuring, Centerra Gold Inc. entered into a shareholders agreement with Cameco Gold, KMC and Kyrgyzaltyn (the "Shareholders Agreement") governing certain matters related to their ownership of common shares of Centerra Gold Inc.

The Shareholders Agreement provides for each of Kyrgyzaltyn and Cameco Gold to meet from time to time, not less frequently than annually, to consider the disposition of the common shares held by them. Despite this agreement to consult, each of Kyrgyzaltyn and Cameco Gold may at any time initiate a further distribution of Centerra's common shares, and Centerra has agreed to furnish all reasonable assistance in preparing the required disclosure documents. Centerra is obliged to provide such assistance only once for each of those shareholders in any 12-month period and the costs of this are for the account of the selling shareholder. Also, if Centerra proposes to issue any of its common shares by private placement or public offering, Centerra will provide them with an opportunity to sell their shares as part of the offering provided that Centerra's reasonable capital needs take priority.

So long as Kyrgyzaltyn and its affiliates continue to hold 5% or more of Centerra's outstanding common shares, Cameco Gold will vote its common shares to approve the election or appointment of one nominee designated by Kyrgyzaltyn to the Board and Centerra will include in Centerra's proposed slate of directors nominated for election at each annual or special meeting one Board nominee designated by Kyrgyzaltyn.

So long as Cameco Gold and its affiliates continue to hold 5% or more of Centerra's outstanding common shares, Kyrgyzaltyn will vote its common shares to approve the election or appointment of that number of nominees designated by Cameco Gold to Centerra's Board of Directors as is proportionate to Cameco Gold's common shareholding percentage. Centerra has agreed that the final agreements contemplated by the Agreement on New Terms will provide for the election of a second representative of the Government of the Kyrgyz Republic to Centerra's board following release of Escrow Shares from escrow. See "Centerra's Properties – Kumtor Mine – Agreement on New Terms".

Centerra Gold Inc. also entered into a separate agreement with Kyrgyzaltyn confirming that, following the Kumtor restructuring, Centerra will use commercially reasonable efforts to have at least one representative of

Kyrgyzaltyn elected as Chairman of the KGC Board of Directors, a member of the KGC Management Committee and a member of the KGC Auditing Committee.

The Shareholders Agreement includes an acknowledgement that Centerra Gold Inc. will enter into the Administrative Services Agreement described under the heading “Administrative Services Agreement” below. It also provides that Centerra will indemnify Cameco for any payments made under the guarantees and other commitments issued by Cameco of various financial obligations of Centerra’s and as soon as practicable relieve Cameco of these obligations.

### **Location Agreement**

On April 22, 2004, Centerra entered into an agreement with Cameco that provides that Centerra will not carry on business in Canada by owning, acquiring, exploring, developing or mining mineral properties located in Canada (the “Location Agreement”). The Location Agreement will terminate and the prohibition will end once Centerra ceases to be a subsidiary of Cameco under applicable corporate law.

### **Administrative Services Agreement**

Centerra has entered into a services agreement with Cameco (the “Administrative Services Agreement”) pursuant to which Cameco has agreed to provide certain services and expertise to Centerra in return for reimbursement of all its direct and indirect costs relating to such services.

The Administrative Services Agreement will be in effect until terminated, with or without cause, by either party upon 180 days’ written notice. Either party may terminate the provision of any specific service being provided under the Administrative Services Agreement, with or without cause, upon 90 days’ written notice to the other.

Cameco is providing services to Centerra on a transitional basis to assist Centerra pending its ability to perform the services internally or procure such services from a third party. Centerra has agreed to use commercially reasonable efforts to put itself in a position where it no longer requires Cameco’s services as soon as reasonably practicable.

## **ESCROWED SECURITIES**

For a period of five years following the date of the closing of the Kumtor restructuring, for so long as Kyrgyzaltyn is controlled, directly or indirectly, by the Government of the Kyrgyz Republic, Kyrgyzaltyn or its affiliates have agreed to maintain record and beneficial ownership of at least 5.0% of the outstanding Centerra common shares at the time of the closing of the Kumtor restructuring, except in the case of certain permitted takeover bids and subject to appropriate anti-dilution adjustments, as determined from time to time by Centerra’s Board of Directors. In addition, Kyrgyzaltyn has agreed not to sell, transfer or encumber any of its shares during any period during which the Government is in default of its obligations under the principal agreements relating to the Kumtor restructuring, including the Investment Agreement and the Concession Agreement. Kyrgyzaltyn’s shares are held in escrow to ensure compliance with these transfer restrictions. As at March 28, 2008, Kyrgyzaltyn had 33,869,151 common shares held in escrow, representing 15.7% of common shares issued and outstanding.

As described under “Centerra’s Properties – Kumtor Mine – Agreement on New Terms”, the Agreement on New Terms provides that, upon the satisfaction to the conditions to completion, Cameco will transfer 32.3 million common shares of Centerra to the Government of the Kyrgyz Republic; 17.3 million of such shares to be held in escrow to be released within four years subject to earlier release under certain circumstances.

## **RISK FACTORS**

### **Risk Factors Relating to Centerra's Business and Industry**

#### ***Centerra's business is sensitive to the volatility of gold prices***

Centerra's revenue is largely dependent on the world market price of gold. Gold prices are subject to volatile movements over time and are affected by numerous factors beyond Centerra'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 Centerra's 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. Centerra 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 Centerra's gold reserves and resources. These factors could have an adverse impact on Centerra's future cash flows, earnings, results of operations, stated reserves and financial condition.

#### ***Centerra's reserves may not be replaced***

The Kumtor and Boroo mines are currently Centerra's only sources of gold production and will be depleted by 2014 and 2010 respectively, based upon the current life of mine. If these reserves are not replaced, this could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

#### ***Centerra may experience 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 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible. Consequently, Centerra milled lower-grade ore and achieved lower recovery rates. In February 2004, movement was also detected in the southeast wall of the open pit and a crack was discovered at the crest of the wall. In February 2006, there was further movement detected in the southeast wall of the open pit. In July 2006, there was ground movement in the northeast wall of the open pit that resulted in a new mining sequence and lower than anticipated gold production in 2006. In the first quarter of 2007, minor slope movement was detected in the waste dump above the SB Zone highwall in the Central Pit. Deformation cracks in the waste rock above the till focused attention on wall instability seated in the glacial till between the waste dumps and the underlying bedrock. Drilling has indicated that further push backs of the Kumtor pit will encounter unfrozen, water-saturated till. The outer face of the till is frozen and hence the water behind the slope face is pressurized. If depressurization of the till and of the underlying rocks cannot be achieved, a flatter slope angle will be required which would lead to a reduction of the mineral reserves mineable by open pit. For a description of these incidents, see "Centerra's Properties — Kumtor Mine — Mining Operations — Geotechnical Issues Affecting the Kumtor Open Pit".

Although extensive efforts are employed by Centerra 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 a material increase in costs, if it is necessary to redesign the open pit as a result of a ground movement. The consequences of a 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.

#### ***Centerra's principal operations are located in the Kyrgyz Republic and Mongolia and are subject to political risk***

All of Centerra's current gold production and reserves are derived from assets located in the Kyrgyz Republic and Mongolia, countries that have experienced political difficulties in recent years including, in the Kyrgyz

Republic, a revolution in March 2005 that resulted in the ouster of the long-time incumbent President. Although the election of a new President has brought a measure of stability to the Kyrgyz Republic, the political situation in the country continues to evolve. There continues to be a risk of future political instability. While Centerra entered into the Agreement on New Terms with the Government in August 2007, the transactions contemplated by such agreement have not yet been completed and are subject to a number of conditions, including approval of the Parliament of the Kyrgyz Republic, Centerra's board of directors and Cameco's board of directors, the negotiation and signing of definitive agreements among Centerra, Cameco and the Government and any required regulatory approvals. These conditions have not yet been satisfied. See "Centerra's Properties — Kumtor Mine — Doing Business in the Kyrgyz Republic — Government and Political Factors".

Centerra's mining operations and gold exploration activities are affected in varying degrees by political stability and government regulations relating to foreign investment, social unrest, 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 it 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 renewal of permits or concessions, changes in government regulations or shifts in political attitudes beyond Centerra'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 Centerra's assets will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body. While there are often provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would effectively restore the value of Centerra's original investment. Similarly, Centerra'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, labour 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 above. Furthermore, there can be no assurance that the agreements Centerra has with the governments of these countries, including the Investment Agreement and the Boroo Stability Agreement, will prove to be enforceable or provide adequate protection against any or all of the risks described above.

Centerra has made an assessment of the political risk associated with each of its foreign investments and currently has political risk insurance to mitigate a portion of the losses. From time to time, Centerra assesses the costs and benefits of maintaining such insurance and may not continue to purchase the coverage. However, Centerra's 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. Cameco will cease to control Centerra following completion of the transactions contemplated in the Agreement on New Terms. Centerra's insurers have waived the right to terminate coverage under those circumstances. 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 Centerra's future cash flows, earnings, results of operations and financial condition if not adequately covered by insurance.

#### ***Changes in, or more aggressive enforcement of, laws and regulations could adversely impact Centerra's business***

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters.

Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays and other effects associated with these laws and regulations may impact Centerra's decision as to whether to continue to operate

existing mines, ore refining and other facilities or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, Centerra is unable to predict the ultimate cost of compliance with these requirements or their effect on operations.

In this regard, the Mongolian Parliament has passed a new Minerals Law that, among other things, empowers Parliament to designate mineral deposits that have a potential impact on national security, economic and social development or deposits that have a potential of producing above 5% of the country's GDP as deposits of strategic importance. The state may take up to a 50% interest in the exploitation of a minerals deposit of strategic importance where state-funded exploration was used to determine proven reserves and up to a 34% interest in an investment to be made by a license holder in a mineral deposit of strategic importance where proven reserves were determined through funding sources other than the state budget. See "Centerra's Properties — Boroo Mine — Mongolian Legal Regime and Stability Agreement — Minerals Law". The Mongolian Parliament has also passed a new law that imposes a windfall profits tax of 68% when gold reaches \$500 per ounce. See "Centerra's Properties — Boroo Mine — Mongolian Legal Regime and Stability Agreement — Windfall Profits Tax". While the Boroo Stability Agreement affords Boroo protection against these laws Centerra's Gatsuurt project does not yet benefit from such status.

Since there is not yet an investment agreement for the Gatsuurt project, there is a risk that the Mongolian Parliament could designate it as a strategic deposit and take up to a 34% interest in it under the new Minerals Law. In addition, Gatsuurt may be subject to the windfall profits tax. See "Centerra's Properties — Gatsuurt Development Property". Accordingly, Centerra has suspended further development of the property pending the completion of negotiations with the Government. See "Centerra's Properties — Gatsuurt Development Property".

The foregoing uncertainties and changes in governments, regulations and policies and practices could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

#### ***Centerra's reserve and resource estimates may be imprecise***

Reserve and resource figures are estimates and no assurances can be given that the indicated levels of gold will be produced or that Centerra will receive the price assumed in determining its reserves. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While Centerra believes that the reserve and resource estimates included are well established and reflect management's best estimates, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove unreliable.

Furthermore, fluctuations in the market price of gold, as well as increased capital or production costs or reduced recovery rates, may render ore reserves uneconomic and may ultimately result in a reduction of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time.

No assurances can be given that any resource estimate will ultimately be reclassified as proven or probable reserves.

If Centerra's reserve or resource figures are inaccurate or are reduced in the future, this could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

#### ***Centerra's production and cost estimates may be inaccurate***

Centerra prepares estimates of future production and future production costs for particular operations. No assurance can be given that production and cost estimates will be achieved. These production and cost 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; labour availability; access to the

mine; facilities and infrastructure; sufficient materials and supplies on hand; and the accuracy of estimated rates and costs of mining and processing, including the cost of human and physical resources required to carry out Centerra's activities. Failure to achieve production or cost estimates, or increases in costs, could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Actual production and costs 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; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, floods, earthquakes, pit wall failures and cave-ins; and unexpected labour shortages or strikes. Costs of production may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade metallurgy, labour costs, costs of supplies and services (such as, for example, fuel and power), general inflationary pressures and currency exchange rates. Failure to achieve production estimates could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

#### ***Centerra's future exploration and development activities may not be successful***

Exploration for and development of gold properties involve significant financial risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling, constructing mining and processing facilities at a site, connecting to a reliable infrastructure, developing metallurgical processes and extracting gold from ore. Centerra cannot ensure that its current exploration and development programs will result in profitable commercial mining operations or replacement of current production at existing mining operations with new reserves. Also, substantial expenses may be incurred on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define reserves that can be mined economically.

Centerra's ability to sustain or increase present levels of gold production is dependent in part on the successful development of new ore bodies and/or expansion of existing mining operations. The economic feasibility of development projects is based upon many factors, including the accuracy of reserve estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental protection; and gold prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

Development projects have no operating history upon which to base estimates of future cash flow. Estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. Centerra also conducts feasibility studies that derive estimates of capital and operating costs based upon many factors, including anticipated tonnage and grades of ore to be mined and processed; the configuration of the ore body; ground and mining conditions; expected recovery rates of the gold from the ore; and anticipated environmental and regulatory compliance costs.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from Centerra's best estimates. It is not unusual for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated. These uncertainties could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

#### ***Centerra's future prospects may suffer due to enhanced competition for mineral acquisition opportunities***

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, Centerra may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that Centerra will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. Centerra's inability to acquire such interests could have an adverse impact on its future cash flows,

earnings, results of operations and financial condition. Even if Centerra does acquire such interests, the resultant business arrangements may not ultimately prove beneficial to Centerra's business.

***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, disputes or strikes; cost increases for contracted and/or purchased goods and services; shortages of required materials and supplies; electrical power interruptions; mechanical and electrical equipment failure; changes in the regulatory environment; natural phenomena, such as inclement weather conditions, floods, earthquakes, pit wall failures, tailings dam failures and cave-ins; encountering unusual or unexpected climatic conditions that may or may not result from global warming; 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, Centerra's gold properties, personal injury or death, environmental damage, delays in or interruption of or cessation of production from Centerra's mines or in its exploration or development activities, costs, monetary losses and potential legal liability and adverse community and/or governmental action, all of which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Although Centerra 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 losses in relation to certain risks and hazards against which it cannot insure or for which it may elect not to insure. The occurrence of operational risks and/or a shortfall or lack of insurance coverage could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

The tailings dam crest at Kumtor is presently at elevation 3,658 metres and only has capacity to store tailings until the end of 2008. Permits have been received to raise the tailings dam by three metres, which will allow continuation of the use of the facility to the end of 2010. Another three metres of additional dam height would extend the life of the facility to last to the end of the current reserves. If the initial planned raise of the tailings dam by three metres is not successfully completed on schedule by the end of 2008 or if all necessary permits and authorizations are not obtained, or all work is not successfully completed for a further raise of the tailings dam by an additional three metres by 2010, delays in, or interruptions or cessation of Centerra's production from Kumtor may occur.

***Centerra is subject to 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. Centerra believes it is in material compliance with these laws. Centerra anticipates that it will be required to continue to do so in the future as the historical trend toward stricter 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 Centerra's exploration, operations and the cost or the viability of a particular project.

Centerra's facilities operate under various operating and environmental permits, licenses and approvals that contain conditions that must be met and Centerra's right to continue operating its 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 Centerra's future cash flows, earnings, results of operations and financial condition. Centerra is unable to quantify the costs of such a failure.

***Centerra's properties, including the Gatsuurt project, may be subject to defects in title***

Centerra has investigated its rights to explore and exploit all of its material properties, and to the best of its knowledge, those rights are in good standing. However, no assurance can be given that such rights will not be revoked or significantly altered to Centerra's detriment. There can also be no assurance that Centerra's rights will not be challenged or impugned by third parties, including local governments. On December 6, 2006, Gatsuurt LLC commenced arbitration before the MNAC alleging non-compliance by CGM with its obligation to complete a feasibility study on the Gatsuurt property by December 31, 2005 and seeking the return of the license. Centerra believes that Gatsuurt LLC's position is without merit. CGM has challenged the MNAC's jurisdiction and the independence and impartiality of the Gatsuurt LLC nominee to the arbitration panel. Although Centerra and Gatsuurt LLC have agreed in principle on settlement terms and suspended proceeding in the MNAC, final settlement remains subject to negotiating a definitive agreement. See "Centerra's Properties — Gatsuurt Development Property — Property Description and Location".

The validity of unpatented mining claims on U.S. public lands is sometimes uncertain and may be contested. Due to the extensive requirements and associated expense required to obtain and maintain mining rights on U.S. public lands, Centerra's interests in the REN property may be subject to various uncertainties that are common to the industry, with the attendant risk that Centerra's title may be defective. Although Centerra is not currently aware of any existing title uncertainties with respect to any of its properties except as discussed in the preceding paragraph, there is no assurance that such uncertainties will not result in future losses or additional expenditures, which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

***Centerra's operations in the Kyrgyz Republic and Mongolia are located in areas of seismic activity***

The areas surrounding both Centerra's Kumtor mine and Boroo operations are seismically active. While the risks of seismic activity were taken into account when determining the design criteria for Centerra's Kumtor and Boroo operations, there can be no assurance that Centerra's operations will not be adversely affected by this kind of activity, all of which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

***Centerra's properties are located in remote locations and require a long lead time for equipment and supplies***

Centerra operates in remote locations and depends on an uninterrupted flow of materials, supplies and services to those locations. In addition, Centerra uses expensive, large equipment that requires a long time to procure, build and install. Any interruptions to the procurement of equipment, or the flow of materials, supplies and services to Centerra's properties could have an adverse impact on its future cash flows, earnings, results of operations and financial condition. Access to the Kumtor mine has been restricted on several occasions by illegal roadblocks. See "Centerra's Properties — Kumtor Mine — Environmental, Health and Safety Matters — Cyanide Spill".

***Illegal mining has occurred on Centerra's Mongolian properties, is difficult to control, may disrupt its operations and may expose it to liability***

Illegal mining is widespread in Mongolia. Illegal miners have and may continue to trespass on Centerra's properties and engage in very dangerous practices, including climbing inside caves and old exploration shafts without any safety devices. Although Centerra has hired security personnel to protect its active sites, it is unable to continuously monitor the full extent of its exploration and operating properties. The presence of illegal miners could also lead to project delays and disputes regarding the development or operation of commercial gold deposits. The illegal activities of these miners could cause environmental damage (including environmental damage from the use of mercury by these miners) or other damage to Centerra's properties or further personal injury or death, for which Centerra could potentially be held responsible, all of which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

### ***Centerra may be unable to enforce its legal rights in certain circumstances***

In the event of a dispute arising at Centerra's foreign operations, Centerra may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Centerra is involved in arbitration proceedings before the MNAC, which have been suspended pending settlement negotiations, and has challenged the jurisdiction of that body over a dispute. See "Gatsuurt Development Property — Property Description and Location". Centerra may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

The dispute resolution provisions of the Investment Agreement and the Boroo Stability Agreement stipulate that any dispute between the parties thereto is to be submitted to international arbitration. However, there can be no assurance that a particular governmental entity or instrumentality will either comply with the provisions of these or any other agreements or voluntarily submit to arbitration. Centerra commenced two arbitration proceedings in relation to the Kyrgyz Republic which have been suspended pending completion of the transactions set out in the Agreement on New Terms. See "Kumtor Mine — Doing Business in the Kyrgyz Republic — Legal Proceedings". Centerra's inability to enforce its rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

### ***Centerra faces substantial decommissioning and reclamation costs which may be difficult to predict accurately***

At each of Centerra's mine sites, Centerra 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. Centerra 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 Centerra's future cash flows, earnings, results of operations and financial condition.

### ***Centerra may experience reduced liquidity and difficulty in obtaining future financing***

The further development and exploration of mineral properties in which Centerra holds or acquires interests may depend upon its ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that Centerra will be successful in obtaining required financing as and when needed. Volatile gold markets and/or capital markets may make it difficult or impossible for Centerra to obtain debt financing or equity financing on favourable terms or at all. Centerra'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 economic and 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 Centerra to postpone development plans, forfeit rights in its properties or joint ventures or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

### ***Centerra's success depends on its ability to attract and retain qualified personnel***

Recruiting and retaining qualified personnel is critical to Centerra's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Centerra's business activity grows, it will require additional key financial, administrative and mining personnel as well as additional operations staff. The Concession Agreement relating to Centerra's Kumtor operations also requires two thirds of all administrative or technical personnel to be citizens of the Kyrgyz Republic. However, it has been necessary to engage expatriate workers for Centerra's operations in Mongolia and, to a lesser extent, the Kyrgyz Republic because of the shortage of locally trained personnel. Although Centerra believes that it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If Centerra is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

***As a holding company, Centerra's ability to make payments depends on the cash flows of its subsidiaries***

Centerra is a holding company that conducts substantially all of its operations through subsidiaries, many of which are incorporated outside North America. Centerra has no direct operations and no significant assets other than the shares of its subsidiaries. Therefore, Centerra is dependent on the cash flows of its subsidiaries to meet its obligations, including payment of principal and interest on any debt Centerra incurs. The ability of Centerra's subsidiaries to provide it with payments may be constrained by the following factors:

- the cash flows generated by operations, investment activities and financing activities;
- the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which they operate; and
- the introduction of exchange controls and repatriation restrictions or the availability of hard currency to be repatriated.

If Centerra is unable to receive sufficient cash from its subsidiaries, it may be required to refinance its indebtedness, raise funds in a public or private equity or debt offering or sell some or all of its assets. Centerra can provide no assurances that an offering of its debt or equity or a refinancing of its debt can or will be completed on satisfactory terms or that it would be sufficient to enable it to make payment with respect to its debt. The foregoing events could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

***Centerra may experience difficulties with its joint venture partners***

Centerra operates the REN project through a joint venture with Barrick, and it may in the future enter into additional joint ventures. Centerra is subject to the risks normally associated with the conduct of joint ventures. These risks include disagreement with a joint venture partner on how to develop, operate and finance a project and possible litigation between Centerra and a joint venture partner regarding joint venture matters. These matters may have an adverse effect on Centerra's ability to pursue the projects subject to the joint venture, which could affect its future cash flows, earnings, results of operations and financial condition.

***Centerra is controlled by Cameco Gold, which is in a position to affect Centerra's governance and operations***

For as long as Cameco Gold maintains a controlling interest in Centerra, it will generally be able to approve any matter submitted to a vote of shareholders without the consent of Centerra's other shareholders, including, among other things, the election of Centerra's Board of Directors and the amendment of Centerra's articles of incorporation and by-laws. In addition, Cameco Gold will be able to exercise a controlling influence over Centerra's business and affairs, the selection of its senior management, the acquisition or disposition of assets by it, its access to capital markets, the payment of dividends and any change of control of it, such as a merger or takeover. The effect of this control by Cameco Gold may be to limit the price that investors are willing to pay for Centerra's common shares, which could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

In addition, the Location Agreement provides that, so long as Centerra remains a subsidiary of Cameco, it will not carry on business in Canada by owning, acquiring, exploring, developing or mining mineral properties located in Canada. This may prevent Centerra from acquiring or combining with companies that have operations in Canada, which could have an adverse impact of its future cash flows, earnings, results of operations and financial condition.

***Centerra's directors may have conflicts of interest***

Certain of Centerra's directors also serve as directors and/or officers of other companies, including Cameco, involved in natural resource exploration, development and production and consequently there exists the possibility for such directors to be in a position of conflict.

## MARKET FOR SECURITIES

Centerra completed its initial public offering on June 30, 2004. Centerra's common shares are listed on the Toronto Stock Exchange under the symbol "CG".

### Trading Price and Volume

The following table sets out the share price trading range and volume of shares traded on the Toronto Stock Exchange by month in 2007.

	High \$	Low \$	Volume of Shares Traded
January	14.63	12.10	7,624,700
February	14.15	11.85	4,924,600
March	12.78	10.25	8,346,400
April	11.90	10.55	8,589,600
May	11.35	10.50	5,192,600
June	11.50	9.84	4,108,600
July	10.65	6.43	5,989,300
August	8.90	3.16	5,759,400
September	9.62	7.77	6,658,100
October	12.30	8.90	8,524,000
November	11.98	9.97	6,585,400
December	12.61	9.97	3,347,800

## LEGAL PROCEEDINGS

The following is a list of outstanding or threatened legal proceedings that, if decided adversely, could reasonably be expected to have a material adverse impact on Centerra's financial position or results of operations:

- The dispute with Gatsuurt LLC regarding the Gatsuurt mining licenses described in "Centerra's Properties — Gatsuurt Development Property".
- The arbitration proceedings involving the Government of the Kyrgyz Republic described under "Centerra's Property — Kumtor Mine — Doing Business in the Kyrgyz Republic — Legal Proceedings".

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Itemized below are all material transactions entered into during the three years prior to the date of this Annual Information Form with any director, executive officer or shareholder of Centerra or any associate or affiliate of such person that have materially affected or will materially affect Centerra:

- the transactions referred to under "Management's Discussion and Analysis — Related Party Transactions" in Centerra's Management's Discussion and Analysis for the year ended December 31, 2007;
- the internal reorganization pursuant to which Centerra Gold Inc. acquired the business formerly carried on by Cameco Gold, discussed under the heading "Corporate Structure and History — History — Internal Reorganization" in this Annual Information Form;
- the arrangements related to the Kumtor restructuring, discussed under the heading "Corporate Structure and History — History — Kumtor Restructuring" in this Annual Information Form;
- the Administrative Services Agreement, discussed under the heading "Principal Shareholders — Administrative Services Agreement" in this Annual Information Form;

- the Centerra Shareholders Agreement, discussed under the heading “Principal Shareholders — Centerra Shareholders Agreement” in this Annual Information Form;
- the Location Agreement, discussed under the heading “Principal Shareholders — Location Agreement” in this Annual Information Form;
- the Gold and Silver Sale Agreement, discussed under the heading “Centerra’s Properties — Kumtor Mine — Mining Operations — Gold Sales” in this Annual Information Form;
- the Management Services Agreement described under “Centerra’s Properties — Kumtor Mine — Mining Operations — Kyrgyzaltyn Management Fee” in this Annual Information Form;
- the Agreement on New Terms described under “Centerra’s Properties — Kumtor Mine — Doing Business in the Kyrgyz Republic — Government and Political Factors” in this Annual Information Form; and
- the Agency Agreement described under “Centerra’s Properties — Kumtor Mine — Doing Business in the Kyrgyz Republic — Government and Political Factors” in this Annual Information Form.

In addition, Centerra is party to a consulting agreement with Ms. Marina Stephens, a lawyer, the spouse of Centerra’s President and Chief Executive Officer, Mr. Homeniuk. Pursuant to this agreement, Ms. Stephens provides certain designated legal and business advisory services to Centerra related to Centerra’s international operations. In return for these services, Ms. Stephens receives a sum of C\$200,000 per year. The agreement also provides that Ms. Stephens will receive C\$275 per hour for any additional services she provides to Centerra, as authorized by the Chairman of the Board. In 2007, Ms. Stephens received approximately C\$550,000 for her services. She was paid aggregate amounts of C\$590,000 in 2006, C\$429,055 in 2005 and C\$375,137 in 2004.

### **MATERIAL CONTRACTS**

The following are the only material contracts, other than contracts entered into in the ordinary course of business not otherwise required to be disclosed, that have been entered into by Centerra within the most recently completed fiscal year or before the most recently completed fiscal year but still in effect:

- the Kumtor Restructuring Agreement dated December 31, 2003 between Centerra, Cameco, Kyrgyzaltyn and Cameco Gold;
- the Investment Agreement dated December 31, 2003 between Centerra, the Government of the Kyrgyz Republic and KGC;
- the Amended and Restated Concession Agreement dated December 31, 2003 between the Government of the Kyrgyz Republic and KGC;
- the Centerra Shareholders Agreement dated January 9, 2004 between Centerra, Kyrgyzaltyn, Cameco Gold and KMC;
- the Administrative Services Agreement dated April 1, 2004 between Centerra and Cameco;
- the Agency Exchange Agreements dated April 30, 2004 between Centerra and each of IFC and EBRD, respectively;
- the Location Agreement dated April 22, 2004 between Cameco and Centerra;
- the Insurance Risk Rights Plan Agreement dated June 21, 2004 between Centerra and CIBC Mellon Trust Company;

- the Agreement on New Terms dated August 28, 2007 between Centerra and the Government of the Kyrgyz Republic; and
- the Agency Agreement dated August 28, 2007 between Centerra and Cameco.

#### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for Centerra's common shares is CIBC Mellon Trust Company at its principal offices in Toronto, Ontario.

#### **EXPERTS**

As of March 28, 2008 each of the designated professionals of BGC Engineering, Biomin, Golder, Lorax, Reserva, Roscoe Postle, SNC-Lavalin, SRK Canada, SRK UK, Strathcona and Ian Atkinson, Henrik Thalenhorst, Iain Bruce, Dan Redmond, Graham Farquharson, Reinhard von Guttenberg, James W. Hendry, P.Eng., William E. Roscoe, and David A. Ross beneficially owned, directly or indirectly, less than 1.0% of the outstanding common shares of Centerra and Cameco. KPMG LLP, Centerra's auditor, is independent in accordance with applicable rules of professional conduct of the Institute of Chartered Accountants of Ontario.

#### **ADDITIONAL INFORMATION**

Additional information about Centerra may be found at [www.sedar.com](http://www.sedar.com).

Further additional information, including directors' and officers' remuneration and indebtedness, principal holders of Centerra's securities and securities authorized for issuance under equity compensation plans is contained in Centerra's most recent management information circular which is filed on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional financial information can be found in Centerra's financial statements and Management's Discussion and Analysis for the year ended December 31, 2007, which are filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## GLOSSARY OF GEOLOGICAL AND MINING TERMS

The following is a glossary of technical terms and abbreviations that appear in this Annual Information Form:

<b>adit</b>	A passage driven horizontally into the side of a hill to provide access to a deposit from the surface.
<b>alluvial</b>	Relating to deposits made by flowing water, washed away from one place and deposited in another.
<b>assay</b>	An analysis to determine the presence, absence or concentration of one or more chemical components.
<b>atomic absorption (“AA”)</b>	An analytical technique for measuring the concentration of metallic elements.
<b>ball mill</b>	A large steel cylinder containing steel balls into which crushed ore is fed. The ball mill is then rotated, causing the balls to cascade and grind the ore.
<b>belt</b>	An area characterized by a particular assemblage of mineral deposits, or by one or more characteristic types of mineralization.
<b>bench</b>	A ledge that, in open pit mines and quarries, forms a single level of operation above which minerals or waste materials are excavated from a contiguous bank or bench face. The mineral or waste is removed in successive layers, each of which is a bench.
<b>BIOX<sup>®</sup></b>	A bio-oxidation process patented by Biomin to oxidize refractory ores using bacteria. The BIOX <sup>®</sup> process uses and applies specific bacteria (typically <i>Acidithiobacillus ferrooxidans</i> ) in a controlled environment (slurry density, elevated oxygen, controlled levels for pH and heat) in a series of agitated tanks. The process uses the bacteria to accelerate the natural oxidization characteristic of sulphide minerals. The digestion of the sulphide compounds exposes the gold element in the residue whilst producing sulphuric acid as a by-product.
<b>blast hole</b>	A hole drilled for the purpose of inserting an explosive charge in a material to be blasted.
<b>block model</b>	A model that utilizes a three-dimensional block grid of a fixed or variable size to estimate in-situ resources and reserves.
<b>breccia</b>	Rock consisting of fragments, more or less angular, in a matrix of finer-grained or cementing material.
<b>capping</b>	Individual assays above this assay grade value are limited to prior grade interpolation. Also referred to as high-grade top cutting.

<b>carbon-in-leach (“CIL”)</b>	A recovery process in which a slurry of gold ore, carbon granules and cyanide are mixed together. The cyanide dissolves the gold, which is then absorbed by the carbon. The carbon is subsequently separated from the slurry and the gold removed from the carbon.
<b>circuits</b>	Facilities for removing valuable minerals from ore so that it can be processed and sold.
<b>colluvium</b>	A loose deposit of rock debris accumulated through the action of gravity at the base of a cliff or slope.
<b>concentrate</b>	A product containing valuable metal from which most of the waste material in the ore has been eliminated.
<b>concession</b>	Grants made under a system whereby the state or the private owner has the right to grant concessions or leases to mine operators subject to certain general restrictions. Concession systems are used in almost every mining country in the world except the United States.
<b>crosscut</b>	A horizontal opening driven from a shaft at (or near) right angles to the strike of a vein or other ore body.
<b>cut-off grade</b>	The minimum metal grade at which a tonne of rock can be economically mined and processed.
<b>cuttings</b>	The particles of rock produced in a borehole by the abrasive or percussive action of a drill bit.
<b>cyanidation</b>	A method of extracting gold or silver by dissolving it in a weak solution of sodium cyanide.
<b>cyclone</b>	A cone-shaped separator into which pulp is fed and then spun in a circular path. Coarser and heavier solids exit at the apex of the cone (“cyclone underflow”) while finer particles overflow from the central vortex (“cyclone overflow”).
<b>deposit</b>	A mineralized body that has been physically delineated by sufficient drilling, trenching and/or underground work and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing mineral reserves until final legal, technical and economic factors have been resolved.
<b>depressurization</b>	The mechanical process of lowering or removing hydraulic water pressure from a geological structure or unit without the complete removal of the contained water.
<b>dewatering</b>	The mechanical process of removing or controlling water contained within a geological structure, unit or excavated opening such as an open pit or

underground working.

**diamond drill**

A type of rotary drill that cuts by abrasion rather than percussion. The cutting bit is set with diamonds and is attached to the end of long hollow rods through which water is pumped to the cutting face. The drill cuts a core of rock which is recovered in long cylindrical sections, approximately two centimetres or more in diameter.

**dip**

The angle at which a bed, stratum or vein is inclined from the horizontal, measured perpendicular to the strike and in the vertical plane.

**dilution**

The effect of waste or low-grade ore being included in mined ore, increasing tonnage mined and lowering the overall ore grade.

**doré**

Unrefined gold and silver bullion bars usually consisting of approximately 90% precious metals that will be further refined to almost pure metal.

**drift**

A horizontal tunnel generally driven alongside an ore deposit, from a shaft, to gain access to the deposit.

**drill core**

A long cylindrical sample of rock, approximately two centimetres in diameter, brought to the surface by diamond drilling.

**electrowinning**

Recovery of a metal from ore by means of electro-chemical processes.

**facies**

A term of wide application, referring to such aspects of rock units as rock type, mode of origin, composition, fossil content or environment of deposition.

**fault**

A fracture in the earth's crust, along which there has been displacement of the two sides relative to one another and parallel to the fracture. The displacement may be a few inches or many miles long.

**feasibility study**

A comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

**fire assay**

The assaying of metallic ores, in particular gold and silver, at high temperatures with an assay furnace.

**flotation**

A milling process by which some mineral particles are induced to become attached to bubbles of froth and float. Others are left to sink so that the valuable minerals are concentrated and separated from the remaining rock or mineral material.

**fresh**

Said of a rock or rock surface that has not been subjected to or altered by surface weathering, such as a rock newly exposed by fracturing.

<b>g/t</b>	Grams per tonne.
<b>geotechnical drilling</b>	Drilling for the purpose of collecting information to be used in rock stability analyses.
<b>grade</b>	The amount of mineral in each tonne of ore.
<b>gravimetric</b>	Of or relating to measurement by weight.
<b>gravity concentration</b>	The separation of grains of minerals using a concentration method based on the different densities of those minerals.
<b>host rock</b>	The body of rock in which mineralization of economic interest occurs.
<b>hydrothermal alteration</b>	Alteration of rocks or minerals by the reaction of hydrothermal water with pre-existing solid phases.
<b>igneous</b>	Said of a rock or mineral that has solidified from molten or partly molten material, i.e., from a magma. Also applied to processes leading to, related to or resulting from the formation of such rocks.
<b>in-fill drilling</b>	Drilling within a defined mineralized area to improve the definition of the known mineralization.
<b>intrusive</b>	Rock which, while molten, penetrated into or between other rocks but solidified before reaching the surface.
<b>induced polarization (“IP”) survey</b>	An electrical geophysical survey method used to aid in geological mapping and the identification of potential mineralized zones containing sulphide minerals.
<b>kaolinization</b>	The formation of the mineral kaolin as a result of weathering or hydrothermal alteration.
<b>kriging</b>	A commonly used method to compute resources using a weighted moving average to interpolate values (grades) from a sample data set onto a grid.
<b>lattice</b>	An array of points in space such that any straight line drawn between any two points and continued will pass at equal intervals through a succession of similar points. Fourteen possible lattices exist.
<b>leach</b>	To extract minerals or metals from ore with chemicals.
<b>lens</b>	A body of ore or rock that is thick in the middle and converges toward the edges, resembling a convex lens.

<b>loess</b>	A widespread, nonstratified, porous, friable, usually highly calcareous, blanket deposit (generally less than 30 metres thick), consisting predominantly of silt with subordinate grain sizes ranging from clay to fine sand.
<b>lost core</b>	The portion of a core that is not recovered. It may include soft rock that crumbles and falls from the core barrel or solid pieces of core that drop to the bottom of a borehole after slipping out of the core barrel while the drill string is being pulled from a drill hole.
<b>matrix</b>	The non-valuable minerals in an ore.
<b>mesothermal</b>	Said of a hydrothermal mineral deposit formed at considerable depth and in the temperature range of 200 to 300 degrees Celsius. Also, said of that environment.
<b>metasediment</b>	A sediment or sedimentary rock that shows evidence of having been changed in form or structure by heat and pressure.
<b>micron</b>	Former term for “micrometer,” meaning a unit of length equal to one-millionth of a metre.
<b>mill</b>	A processing facility where ore is finely ground and thereafter undergoes physical or chemical treatment to extract the valuable metals.
<b>mineral reserves</b>	<p>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.</p> <p><i>Proven mineral reserve:</i> 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.</p> <p><i>Probable mineral reserve:</i> The economically mineable part of an indicated mineral resource, 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.</p>
<b>mineral resources</b>	<i>A mineral resource:</i> A concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the earth’s crust in such form and quantity and of such a grade or quality that it has reasonable

prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

*Measured mineral resources:* That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

*Indicated mineral resources:* That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

*Inferred mineral resources:* 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.

**mineralization**

The concentration of minerals within a body of rock.

**Net Smelter Return (“NSR”)**

A royalty payment made by a producer of metals, normally to a previous property owner, based on gross mineral production from the property, less deduction of certain costs.

**nugget effect**

Grade variation due to measurement errors and short-range special variation at short distances.

**open pit mine**

A mine that is entirely open to the surface.

**ore**

A metal or mineral, or a combination of these, of sufficient quality and quantity to enable it to be mined at a profit.

**ounces (“oz”)**

Troy ounces = 31.103 grams.

**oxidation**

A chemical reaction caused by exposure to oxygen that results in a change in the chemical composition of a mineral.

<b>pit design</b>	An open pit contour surface based on an optimized pit shell that has been engineered in detail by adding access ramps and by smoothing of the pit walls. Pit designs are supported by detailed mining plans.
<b>pit shell</b>	A non-engineered open pit contour surface produced by optimization software at a particular gold price, without consideration to equipment access and mining plans.
<b>placer</b>	A deposit of sand or gravel that contains particles of gold or other heavy, valuable minerals. The common types are stream gravels and beach sands.
<b>preg-robbing</b>	When leaching ore, a dilute cyanide solution is used to dissolve the gold to produce a “pregnant solution”. When carbon mineralization is present in the ore it may re-absorb some of the gold from the pregnant solution. This process is referred to as “preg-robbing”.
<b>pulp</b>	A mixture of ground ore and water capable of flowing through suitably graded channels as a fluid.
<b>pyrite</b>	An iron sulfide mineral, normally of little value and sometimes referred to as “fool’s gold”.
<b>recovery</b>	The proportion of valuable material obtained as a result of processing an ore. It is generally stated as a percentage of valuable metal in the ore that is recovered compared to the total valuable metal present in the ore.
<b>refractory material</b>	Ore from which it is difficult to recover valuable substances. Refractory material must be pre-treated before gold can be recovered from it through conventional cyanidation.
<b>reserves</b>	Means mineral reserves.
<b>resources</b>	Means mineral resources.
<b>reverse circulation (“RC”)</b>	The circulation of bit-coolant and cuttings-removal liquids, drilling fluid, mud, air or gas down a borehole outside the drill rods and upward inside the drill rods. Also called “countercurrent” or “counterflush”.
<b>roasting</b>	A method of oxidizing refractory ore using very high temperatures to thermally decompose the sulphide minerals encapsulating the gold, which is ultimately recovered using conventional cyanide leaching.
<b>rotary wet splitter</b>	A motorized spinning sampler that extracts representative samples from a mixture of liquid and solids.
<b>schist</b>	A strongly foliated crystalline rock that can be readily split into thin flakes or

	slabs due to the well developed parallelism of more than 50% of the minerals present in it.
<b>sedimentary rocks</b>	Secondary rocks, such as lime, shale and sandstone, formed from material derived from other rocks.
<b>semi-autogenous (“SAG”) grinding</b>	A method of grinding rock into fine sand, in which the grinding media consist of larger chunks of rock and steel balls.
<b>shear key</b>	The removal of weak materials in a specified area and replacement with engineered fills to provide improved shear resistance and impermeability in the foundation of a dam.
<b>shearing</b>	Deformation resulting from stresses that cause, or tend to cause, contiguous parts of a body to slide relative to each other.
<b>sinistral</b>	A fault on which the displacement is such that the side opposite the observer appears displaced to the left.
<b>slurry</b>	A suspension of fine solid particles in a liquid, not thick enough to consolidate as a sludge.
<b>stockwork</b>	A mineral deposit consisting of a three-dimensional network of planar to irregular veinlets closely enough spaced that the whole mass can be mined.
<b>strike</b>	The horizontal direction or trend of a geologic structure.
<b>strike-slip fault</b>	A fault on which the movement is parallel to the fault’s strike.
<b>strip (or stripping) ratio</b>	The tonnage or volume of waste material that must be removed to allow the mining of one tonne of ore in an open pit.
<b>sump</b>	An excavation made in the ground to collect water, from which it is pumped to the surface or to another sump closer to the surface.
<b>tailings</b>	The material that remains after recoverable metals or minerals of economic interest have been removed from ore through milling.
<b>tailings dam</b>	A natural or man-made confined area suitable for depositing tailings.
<b>tellurides</b>	Ores of the precious metals (chiefly gold) containing tellurium, a semi-metallic, trigonal mineral.
<b>terrane-bounding</b>	Referring to a fault-bounded body of rock of regional extent, characterized by a geologic history different than that of contiguous terranes. A terrane refers to a series of related rock formations.

<b>thrust</b>	An overriding movement of one crustal unit over another.
<b>unpatented mining claim</b>	In the United States, a mining claim to which a deed from the U.S. Federal Government has not been received. A claim is subject to annual assessment work to maintain ownership.
<b>vein</b>	A sheet-like body of minerals formed by fracture filling or replacement of host rock.
<b>waste</b>	Barren rock in a mine, or mineralized material that is too low in grade to be mined and milled at a profit.
<b>xenolith</b>	A foreign inclusion in an igneous rock.

### METRIC EQUIVALENT TABLE

<b>To Convert</b> <b>Imperial Measurement Units</b>	<b>To Metric</b> <b>Measurement Units</b>	<b>Multiply By</b>
Acres	Hectares	0.404686
Feet	Metres	0.30480
Miles	Kilometres	1.609344
Ounces (troy)	Grams	31.1035
Pounds	Kilograms	0.454
Short tons	Tonnes	0.907185
Troy ounces per ton	Grams per tonne	34.2857

## SCHEDULE A

### *Audit Committee Charter*

The following is the text of the Audit Committee's charter:

#### Purpose

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities in relation to (a) the external auditor, (b) the internal auditor, (c) financial reporting, (d) compliance with legal and regulatory requirements related to financial reporting and certain corporate policies, and (e) internal controls over financial reporting and disclosure controls.

#### Composition

The members of the Audit Committee and its Chair shall be appointed annually by the Board on the recommendation of the Nominating and Corporate Governance Committee. The Audit Committee shall consist of at least three and not more than six members. Each member will be an Independent Director (as defined in the mandate adopted by the Board) who is financially literate (as defined in Multilateral Instrument 52-110, as amended from time to time).

#### Meetings

The Audit Committee will meet at least four times annually and as many additional times as the Audit Committee deems necessary to carry out its duties effectively. The Audit Committee will meet privately with each of the external auditor, the internal auditor and management at each regularly scheduled meeting.

Notice of every meeting will be given to each member, the Chair of the Board, the external auditor and the internal auditor.

A majority of the members of the Audit Committee shall constitute a quorum. No business may be transacted by the Audit Committee except at a meeting of its members at which a quorum of the Audit Committee is present.

The Audit Committee may invite such officers, directors and employees of the Corporation and such other persons as it may see fit from time to time to attend meetings of the Audit Committee and assist in the discussion and consideration of any matter.

A meeting of the Audit Committee may be convened by the Chair of the Audit Committee, a member of the Audit Committee, the external auditor or the internal auditor.

#### Duties and Responsibilities

##### *Financial Reporting*

1. Review and recommend to the Board for approval the audited annual financial statements and related management's discussion and analysis.
2. Review and recommend to the Board for approval all interim financial statements and quarterly reports and related management's discussion and analysis.
3. Before the release of financial statements and related disclosures to the public, obtain confirmation from the CEO and CFO as to the matters addressed in the certifications required by the securities regulatory authorities.

4. Review and recommend to the Board for approval all earnings press releases.
5. Review and recommend to the Board for approval all other press releases containing financial information based upon the Corporation's financial statements prior to their release and all earnings guidance.
6. Review and recommend to the Board for approval all other financial statements that require approval by the Board before they are released to the public, including financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities.
7. Review status of significant accounting estimates and judgments (e.g., reserves) and special issues (e.g., major transactions, changes in the selection or application of accounting policies, off-balance sheet items, effect of regulatory and financial initiatives).
8. Review management's assessment and management of financial risks (e.g., hedging, insurance, debt).
9. Review any litigation, claim or other contingency that could have a material effect on the financial statements.
10. Discuss with the external auditor the quality, not just the acceptability, of the Corporation's accounting principles as applied in its financial reporting.
11. Discuss with the external auditor any (i) difference of opinion with management on material auditing or accounting issues and (ii) any audit problems or difficulties experienced by the external auditor in performing the audit.
12. Discuss with management and the external auditor any significant financial reporting issues considered and the method of resolution.

*External Auditor*

13. Recommend to the Board the external auditor to be nominated for appointment or re-appointment by the shareholders.
14. Evaluate the external auditor's qualifications, performance and independence.
15. Review the Corporation's policies for hiring employees and former employees of the external auditor.
16. Review and approve the external auditor's plans for the annual audit and interim reviews including the auditor's fees.
17. Review and pre-approve all non-audit service engagement fees and terms in accordance with applicable law.
18. Consider any matter required to be communicated to the Audit Committee by the external auditor under applicable generally accepted auditing standards, applicable law and listing standards, including the auditor's report to the Audit Committee (and management's response thereto).
19. Require, in accordance with applicable law, that the external auditor report directly to the Audit Committee.

*Internal Auditor*

20. Review and approve the appointment or removal of internal auditor.
21. Review and approve the mandate of internal auditor and the scope of the internal auditor's annual work plan.

22. Require that the internal auditor report directly to the Audit Committee.
23. Review significant audit findings and status updates on recommendations.
24. Review the internal auditor's ongoing assessments of the Corporation's business processes and system of internal controls.
25. Review the effectiveness of the internal audit function.

#### *Compliance*

26. Review procedures adopted by the Corporation to ensure that all material statutory deductions have been withheld by the Corporation and remitted to the appropriate authorities.
27. Monitor compliance with the Code of Ethics Policy and the Policy on International Business Conduct.
28. Review with legal counsel any legal matters that could have a significant effect on the Corporation's financial statements.
29. Review with legal counsel the Corporation's compliance with applicable laws and regulations and inquiries received from regulators and governmental agencies to the extent they may have a material impact on the financial position of the Corporation.
30. Oversee procedures in the Code of Ethics Policy for (i) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of concerns regarding such matters.

#### *Internal Controls and Disclosure Controls*

31. Oversee management's review of the adequacy of the internal controls that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records.
32. Review any special audit steps adopted in light of material control deficiencies.
33. Review the controls and procedures that have been adopted by the Corporation to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed.

#### *Other*

34. Review a report, at least annually, from the Reserves Committee on the Corporation's mineral reserves and resources.
35. Review and pre-approve all proposed related party transactions and situations involving a director's, a senior officer's or an affiliate's potential or actual conflict of interest that are not required to be dealt with by an "independent committee" pursuant to securities law rules, other than routine transactions and situations arising in the ordinary course of business, consistent with past practice.
36. Review the appointment of the CFO and review with the CFO the qualifications of new key financial executives involved in the financial reporting process.
37. In conjunction with Human Resources and Compensation Committee, review succession plans for the CFO and the Controller.

38. Review on an annual basis expenses submitted for reimbursement by the CEO.
39. Provide orientation for new members and continuing education opportunities for all members to enhance their expertise and competencies with finance and accounting.

#### *Reporting*

The Audit Committee will report regularly to the Board on all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

#### *Review and Evaluation*

The Audit Committee will annually review and evaluate the adequacy of its mandate and recommend any proposed changes to the Nominating and Corporate Governance Committee. It will also participate in an annual performance evaluation by the Nominating and Corporate Governance Committee.

#### *Chair*

Each year, the Board will appoint one member to be Chair of the Audit Committee. If, in any year, the Board does not appoint a Chair of the Audit Committee, the incumbent Chair will continue in office until a successor is appointed.

#### *Removal and Vacancies*

Any member of the Audit Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Audit Committee upon ceasing to be a director. The Board may fill vacancies on the Audit Committee by appointment from among its members. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as a quorum remains in office. Subject to the foregoing, each member of the Audit Committee shall remain as such until the next annual meeting of shareholders after that member's election.

#### *Access to Outside Advisors*

The Audit Committee may, without seeking approval of the Board or management, select, retain, terminate, set and approve the fees and other retention terms of any outside advisor, as it deems appropriate. The Corporation will provide for appropriate funding, for payment of compensation to any such advisors, and for ordinary administrative expenses of the Audit Committee.