

centerra**GOLD**



ANNUAL INFORMATION FORM

**For the Year Ended December 31, 2008
Dated March 10, 2009**

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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, 2008.

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 annual average exchange rate for 2008 and the exchange rate at December 31, 2008 were one Canadian dollar per US\$0.9381 and US\$0.8166, 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 the average price has increased for the last seven calendar years. The following table shows the average daily afternoon gold price fixing on the London Bullion Market from 1997 to the present.

Year	Average Gold Price (\$/oz)
1997.....	331
1998.....	294
1999.....	279
2000.....	279
2001.....	271
2002.....	310
2003.....	363
2004.....	409
2005.....	444
2006.....	604
2007.....	696
2008.....	872

TECHNICAL INFORMATION

The disclosure in this Annual Information Form of a scientific or technical nature for Centerra’s Kumtor, Boroo and Gatsuurt 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 was prepared under the supervision of Strathcona and written by Graham Farquharson, P. Eng. and Henrik Thalenhorst, P. Geo., 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.

The mineral reserve and mineral resource estimates and scientific and technical information for Centerra’s mineral properties as of December 31, 2008 were prepared under the supervision of Ian Atkinson, Certified Professional Geologist, Centerra’s Vice President, Exploration, who is a qualified person.

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 the outcome of litigation commenced in the Kyrgyz Republic by Vice Speaker K.S. Isabekov and of the international arbitration commenced by Centerra (suspended in September 2008 to allow for discussions with Cameco Corporation and the Government of the Kyrgyz Republic), gold prices, replacement of mineral reserves, reduction in mineral reserves related to geotechnical risks, ground movements, political risk, nationalization risk, changes in laws and regulations, civil unrest, labour unrest, legal compliance costs, mineral 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 in this Annual Information Form is as of March 10, 2009. 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 produced is calculated by dividing total cash costs by gold ounces produced for the relevant period. Total cash costs include mine operating costs such as mining, processing, administration, royalties and production taxes, but exclude amortization, reclamation costs, financing costs and capital, development and exploration. 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, 2008 filed on SEDAR at www.sedar.com for a reconciliation of total cash cost to the most directly comparable 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 and Centerra's telephone number is (416) 204-1953. As of December 31, 2008, Centerra has a total of 2,939 full-time employees.

Three Year History

Centerra is the successor to substantially all of the gold business previously carried on by Cameco Gold Inc. ("Cameco Gold"), which was a wholly-owned subsidiary of Cameco Corporation ("Cameco"). Since its initial public offering in 2004, Centerra has focused its business and efforts on its producing mines in the Kyrgyz Republic and Mongolia, and on its development property in Mongolia.

2008

Centerra's consolidated gold production for 2008 was 748,888 ounces at a total cash cost of \$483 per ounce.

In February 2009, the Company announced its 2008 year-end reserves estimate of 5.81 million ounces of contained gold in proven and probable reserves. The 2008 year-end reserves were estimated using a gold price of \$675 per ounce.

Production continued uninterrupted in and around Centerra's two mine sites in the Kyrgyz Republic and Mongolia. This occurred despite the expiry of framework agreements entered into between the Company, Cameco and the Government of the Kyrgyz Republic (the "Government") on August 30, 2007 (the "Agreement on New Terms") in relation to the Kumtor property as a result of not being ratified by the Parliament of Kyrgyz Republic. Consequently, on June 4, 2008 the Company resumed its international arbitration against the Government with respect to a number of ongoing disputes in accordance with its investment agreement entered into in 2004 among Centerra, Kumtor Gold Company ("KGC") and the Government (the "Investment Agreement"). However, the Company suspended the arbitration proceedings in September 2008 to allow for the continuation of discussions with Cameco and the Government regarding outstanding issues related to the Kumtor project.

In addition, in 2008 a Vice-Speaker of the Kyrgyz Parliament, K.S. Isabekov, filed two lawsuits against the Government seeking to invalidate certain decrees, agreements and licenses pursuant to which the Kumtor mine is operated. Although Centerra and KGC, a subsidiary of Centerra and the owner of the Kumtor mine, were not parties to those lawsuits, and despite their objections to the court's jurisdiction on the basis of the Investment Agreement's arbitration clause and the ongoing international arbitration, they were ordered to appear as third parties by the Kyrgyz court. On May 12, 2008, the Supreme Court of the Kyrgyz Republic, pending resolutions of these claims before the lower courts, issued an order suspending a number of the challenged decrees, agreements and mining and exploration licenses. On June 17, 2008, the Bishkek Inter District Court issued an order invalidating the Southwest and Sarytor mining and Kumtor exploration licenses. Acting on the orders, the State Agency on Geology and Mineral Resources Management notified KGC that as issues relating to the decrees and agreement are regulated by "international legislation", operations within the Kumtor concession area as well as work on the underground decline (to further develop the SB zone) should be continued but that operations on the licenses should be stopped. In response to the notice, KGC halted activity on the mining and exploration licenses and suspended development of the Sarytor deposit. All Kumtor mining operations take place in the concession area and continue uninterrupted.

Having been joined involuntarily as third parties in these two lawsuits, Centerra and KGC defended the validity of the decrees, agreements and licenses relating to Kumtor in the Kyrgyz court actions on procedural and substantive grounds. At the same time, KGC and Centerra maintained their position that the arbitration clause of the Investment Agreement, which sets out the terms and conditions applicable to Centerra's ongoing operation of the Kumtor mine, confers exclusive jurisdiction over the questions surrounding the validity of the decrees, agreements and licenses on the international arbitration tribunal. See "Legal Proceedings".

2007

Centerra's consolidated gold production for 2007 was 555,140 ounces at a total cash cost of \$441 per ounce.

In February 2008, the Company announced its 2007 year-end reserves estimate of 7.0 million ounces of contained gold in proven and probable reserves replacing, in aggregate, reserves mined in 2007. The 2007 year-end reserves and resources were estimated using a gold price of \$550 per ounce.

During 2007, the Company continued its exploration drilling activities in and around its two mine sites. The Company also reached significant agreements with the Mongolian and Kyrgyz Governments.

On August 3, 2007, the Company and the Mongolian Government amended the stability agreement governing the Boroo deposit (the "Boroo Stability Agreement") that was originally entered into between Boroo Gold Company ("BGC"), now a wholly-owned subsidiary of the Company, and the Mongolian Government in 1998, and first amended in 2000. This amendment reaffirmed the Company's right to exploit the Boroo deposit under a stable tax and operational regime. In addition, in December 2007 the Mongolian Government reviewed, approved and officially registered ore reserves from Gatsuurt, paving the way for an investment agreement between the Company and the Mongolian Government relating to the Gatsuurt property. On October 17, 2007, Centerra completed the acquisition, for \$8.3 million, of the remaining indirect 5% non-controlling interest in BGC and a net profits interest in the Ikh Dashir alluvial deposit in the vicinity of the Boroo mine.

During the first quarter of 2007, the Kyrgyz Parliament began to consider draft legislation that, among other things, challenged the legal validity of the Company's agreement with the Kyrgyz Republic governing the Kumtor mine, 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. Centerra, Cameco and the Kyrgyz Government held discussions in July and August to address outstanding issues regarding the Kumtor project, and on August 30, 2007 Centerra, Cameco and the Government of the Kyrgyz Republic entered into the Agreement on New Terms to resolve those issues. The Government submitted the Agreement on New Terms 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. However, on October 22, 2007, the President dismissed the Parliament effective that day. On October 31, 2007, Centerra, Cameco and the Government agreed to extend the deadline for closing the transactions contemplated by the Agreement on New Terms from October 31, 2007 to February 15, 2008.

2006

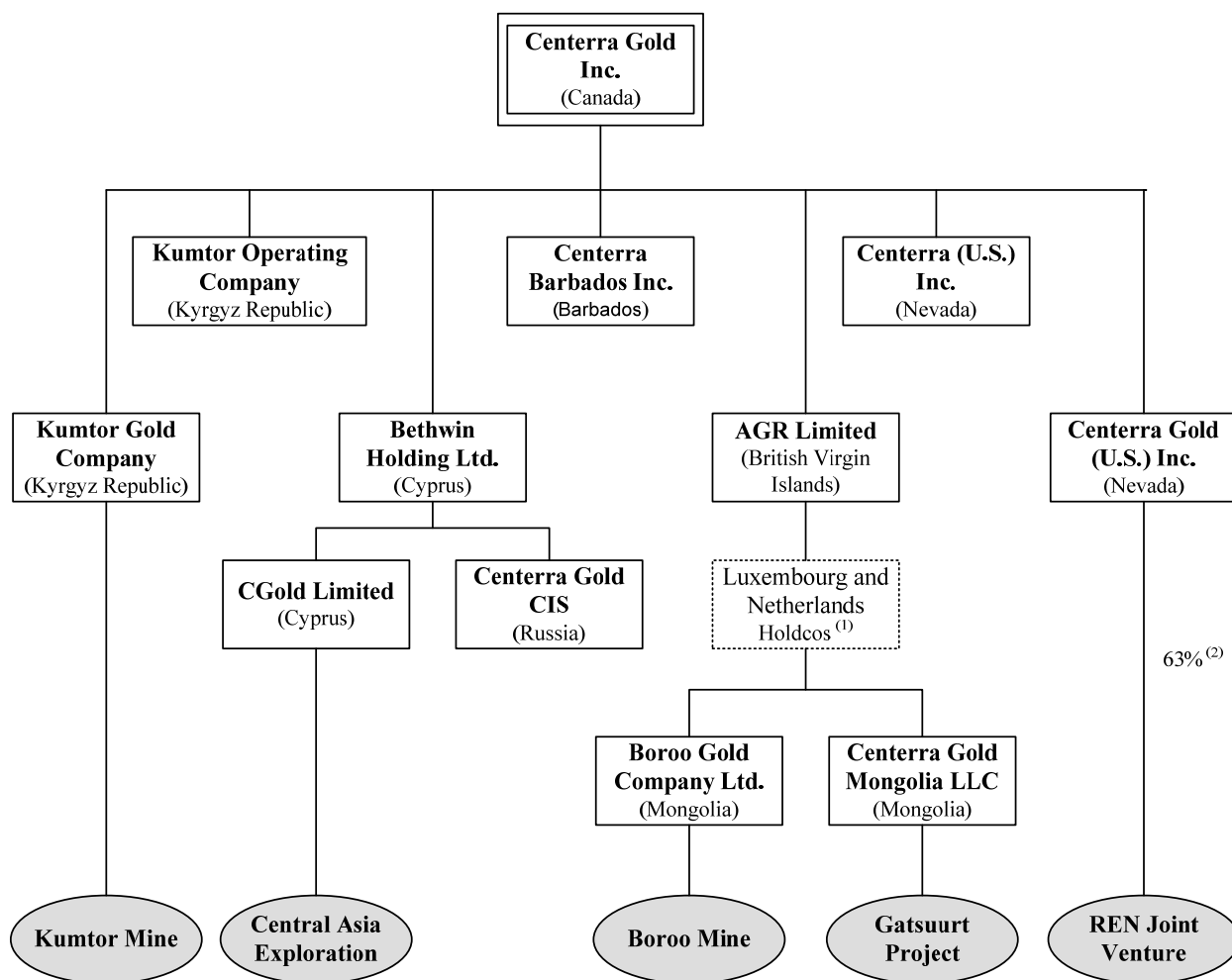
Centerra's consolidated gold production for 2006 was 586,000 ounces at a total cash cost of \$386 per ounce.

In February 2007, the Company announced its 2006 year-end reserves estimates of 7.0 million ounces of contained gold in proven and probable reserves (Centerra's share was 6.9 million ounces) replacing, in aggregate, the 742,000 reserves mined in 2006. The 2006 year-end reserves and resources were estimated using a gold price of \$475 per ounce.

During 2006, the Company continued its drilling activities in and around its two mine sites and at the Gatsuurt project. The reserve additions were a result of exploration drilling at the Kumtor mine (including Sarytor) in the Kyrgyz Republic and completion of a positive feasibility study for the development of a heap leach facility at its Boroo mine in Mongolia. Production at Kumtor was reduced due to highwall ground movement in July 2006. Centerra also completed a three-for-one stock split in May 2006.

Intercorporate Relationships

The following chart illustrates the relationship between Centerra and its principal subsidiaries together with the jurisdiction of incorporation of each subsidiary, as at March 10, 2009. All subsidiaries are 100% owned by their respective parent corporation except as otherwise noted.



- (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 indirectly 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 Asia, the former Soviet Union and other emerging markets worldwide. Centerra believes that its experience in successfully acquiring, financing, developing and operating significant gold mines in 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 Gatsuert property in Mongolia, located 35 kilometres from Boroo, and a 63% interest in the REN property in Nevada for which Centerra is the operator. The REN property is not considered material to Centerra's operations.

In 2008, the Kumtor mine produced 556,251 ounces of gold at a total cash cost of \$517 per ounce and the Boroo mine produced 192,637 ounces of gold at a total cash cost of \$382 per ounce.

As at December 31, 2008, Centerra's interest in the Kumtor and Boroo mines amounted to total proven and probable reserves of 4,803,000 ounces of contained gold, with a further 3,107,000 ounces of contained gold in measured and indicated resources and 2,617,000 ounces of contained gold in inferred resources. As at December 31, 2008, Centerra's interest in the Gatsurt 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. Centerra has made a substantial commitment to exploration activities focused on growing the reserves and resources at its properties, including \$23.5 million of exploration expenditures in 2008. Centerra has budgeted approximately \$25 million on exploration in 2009. Expenditures in respect of the underground project at the Kumtor mine were \$15 million in 2008.

For more information about Centerra's business, including a discussion of the gold industry, key economic trends and recent market uncertainty, see Centerra's Management's Discussion and Analysis for the year ended December 31, 2008, filed on SEDAR at www.sedar.com.

Mineral Reserves and Mineral Resources Information

The table below summarizes Centerra's mineral reserves and mineral resources as of December 31, 2008, estimated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101. The estimates for Kumtor, Boroo and Gatsurt 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 or 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 \$675 per ounce was used for all of the reserve and resource estimates. The reserve estimates as of December 31, 2007 used a gold price of \$550 per ounce.

For a further discussion of the key assumptions, methodologies and parameters used in the estimation of mineral reserves and resources see "Centerra's Properties".

2008 Year-End Mineral Reserve and Resource Summary
(as of December 31, 2008)

Reserves ⁽¹⁾	(Tonnes and ounces in thousands) ⁽¹¹⁾⁽¹²⁾										
	Proven			Probable			Total Proven and Probable Mineral Reserves				
Property	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
Kumtor ⁽¹⁾⁽⁶⁾⁽¹³⁾	3,412	1.4	150	32,008	3.8	3,875	35,420	3.5	4,025	4,025	OP
Boroo ⁽⁸⁾	9,015	0.8	232	9,440	1.8	546	18,455	1.3	778	778	OP
Gatsuurt ⁽¹⁾	-	-	-	9,101	3.4	1,005	9,101	3.4	1,005	1,005	OP
Total	12,427	1.0	382	50,549	3.3	5,426	62,976	2.9	5,808	5,808	

Measured and Indicated Resources ⁽²⁾	(Tonnes and ounces in thousands) ⁽¹¹⁾⁽¹²⁾										
	Measured			Indicated			Total Measured and Indicated Mineral Resources				
Property	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
Kumtor ⁽⁵⁾⁽⁶⁾⁽¹³⁾	18,966	2.8	1,689	14,989	2.4	1,176	33,955	2.6	2,865	2,865	OP
Boroo ⁽⁵⁾⁽⁸⁾	452	2.2	32	4,465	1.5	210	4,916	1.5	242	242	OP
Gatsuurt ⁽⁹⁾	-	-	-	6,238	3.0	607	6,238	3.0	607	607	OP
REN ⁽¹⁰⁾	-	-	-	2,991	12.7	1,220	2,991	12.7	1,220	767	UG
Total	19,418	2.8	1,721	28,682	3.5	3,213	48,100	3.2	4,934	4,481	

Inferred Mineral Resources ⁽²⁾	(Tonnes and ounces in thousands) ⁽¹¹⁾⁽¹²⁾⁽¹⁴⁾				
	Inferred			Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
Property	Tonnes	Grade (g/t)	Contained Gold (oz)		
Kumtor ⁽⁵⁾⁽⁶⁾⁽¹³⁾	600	1.8	34	34	OP
Kumtor Stockwork Underground ⁽⁷⁾	2,089	11.3	757	757	UG
Kumtor SB Underground ⁽⁷⁾	2,671	18.6	1,593	1,593	UG
Boroo ⁽⁵⁾⁽⁸⁾	7,323	1.0	233	233	OP
Gatsuurt ⁽⁹⁾	2,437	3.3	256	256	OP
REN ⁽¹⁰⁾	835	16.1	432	272	UG
Total	15,995	6.4	3,305	3,145	

- The reserves have been estimated based on a gold price of \$675 per ounce.
- Mineral resources are in addition to reserves. Mineral resources do not have demonstrated economic viability.
- Centerra's equity interests as at December 31, 2008 are: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 63%.
- "OP" means open pit and "UG" means underground.
- Open pit resources occur outside the current ultimate pits which have been designed using a gold price of \$675 per ounce.
- The open pit reserves and resources at Kumtor are estimated based on a cutoff grade of 1.0 gram of gold per tonne and includes the Central Pit and the Southwest and Sarytor deposits.
- Underground resources occur below the Central pit and are estimated based on a cutoff grade of 7.0 grams of gold per tonne.
- The reserves and resources at Boroo are estimated based 0.5 gram of gold per tonne cutoff grade.
- The reserves and resources at Gatsuurt are estimated using either a 1.2 or 1.8 grams of gold per tonne cutoff grade depending on process method and including the Main Zone and the Central Zone deposits.
- The resources at REN are estimated based on a cutoff grade of 8.0 grams of gold per tonne.
- A conversion factor of 31.10348 grams per ounce of gold is used in the reserve and resource estimates.
- Numbers may not add up due to rounding.
- Kumtor reserves and resources include Sarytor reserves of 2.8 million tonnes grading 3.4 g/t for 311,000 contained ounces, Sarytor and Southwest indicated resources of 8.5 million tonnes grading 2.2 g/t for 598,000 contained ounces and Sarytor inferred resources of 0.52 million tonnes grading 1.7 g/t for 29,000 contained ounces. The mining licenses for these deposits were invalidated by the Bishkek Inter District Court on June 17, 2008. That order is under appeal by the Company. The Company believes that its current negotiations with the Kyrgyz Republic are reasonably likely to lead to the resolution of outstanding issues, and to the reinstatement of the Sarytor and Southwest licenses. It therefore continues to include the Sarytor and Southwest reserves and resources in this statement. See "Legal Proceedings".
- Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or part of the inferred mineral resources will ever be upgraded to a higher category.

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 2008. 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.

Reconciliation of Gold Mineral Reserves and Mineral Resources (in thousands of ounces of contained gold)⁽⁸⁾⁽⁹⁾

	December 31 2007 ⁽¹⁾	2008 Throughput ⁽²⁾	2008 Addition (Deletion) ⁽³⁾	December 31 2008	Centerra's Share December 31 2008 ⁽⁴⁾
Mineral Reserves – Proven and Probable					
Kumtor ⁽⁵⁾	4,902	697	(180)	4,025	4,025
Boroo.....	1,048	303	33	778	778
Gatsuurt ⁽⁷⁾	<u>1,005</u>	<u>0</u>	<u>0</u>	<u>1,005</u>	<u>1,005</u>
Total Proven and Probable Mineral Reserves	<u>6,955</u>	<u>1,000</u>	<u>(147)</u>	<u>5,808</u>	<u>5,808</u>
Mineral Resources – Measured and Indicated					
Kumtor ⁽⁶⁾	3,672	0	(807)	2,865	2,865
Boroo.....	254	0	(12)	242	242
Gatsuurt ⁽⁷⁾	607	0	0	607	607
REN	1,220	0	0	1,220	767
Total Measured and Indicated Mineral Resources	<u>5,753</u>	<u>0</u>	<u>(819)</u>	<u>4,934</u>	<u>4,481</u>
Mineral Resources – Inferred					
Kumtor ⁽⁶⁾	46	0	(12)	34	34
Kumtor Stockwork Underground	0	0	757	757	757
Kumtor SB Underground	1,797	0	(204)	1,593	1,593
Boroo.....	239	0	(6)	233	233
Gatsuurt ⁽⁷⁾	256	0	0	256	256
REN	432	0	0	432	272
Total Inferred Mineral Resources.....	<u>2,770</u>	<u>0</u>	<u>535</u>	<u>3,305</u>	<u>3,145</u>

(1) Centerra's share of reserves and resources as reported in Centerra's AIF filed in March 2008 on a 100% equity basis.

(2) Corresponds to mill and heap leach pad feed. The discrepancy between the 2008 throughput and 2008 ounces of gold produced is due to gold recovery in the mill and heap leach pad.

(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, 2008 were as follows: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 63%.

(5) Kumtor's 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.

(9) Numbers may not add up due to rounding.

CENTERRA'S PROPERTIES

Material Properties

Kumtor Mine

Centerra Gold Inc.'s wholly-owned subsidiary, KGC, is the holder of the rights to the Kumtor gold deposit and its wholly-owned subsidiary Kumtor Operating Company ("KOC") is the operator of the Kumtor mine.

The Kumtor 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, and during the 12-year period from 1997 to 2008, the Kumtor mine produced about 6.71 million ounces of gold at a total cash cost of approximately \$251 per ounce.

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, is the largest foreign investment in the country and represents a significant portion of the country's gross domestic product, 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.

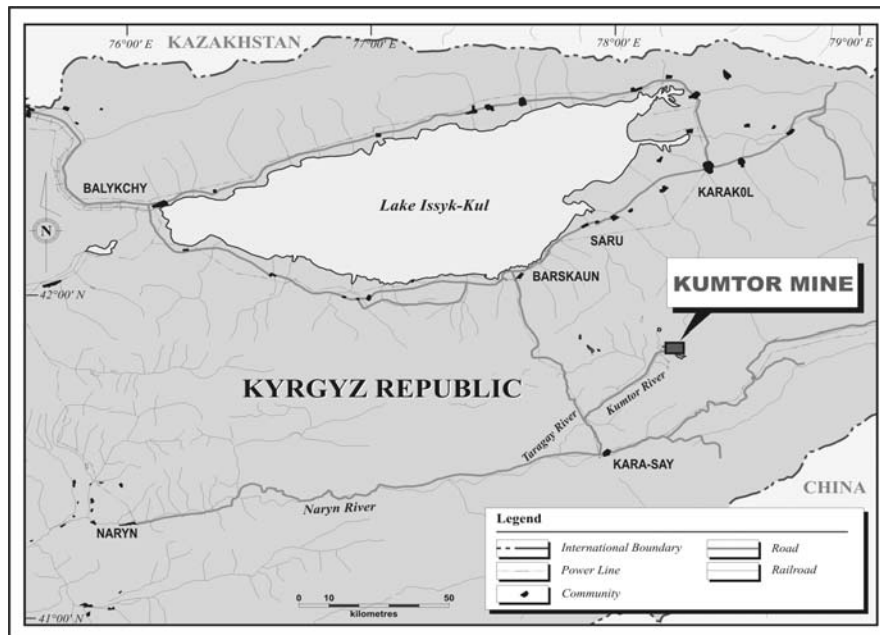
The Kumtor mine has been the subject of numerous disputes, including lawsuits and draft legislation that challenge the validity of the decrees, agreements and licences that govern the title, operation and taxation of the Kumtor mine. If these disputes are not resolved to the mutual satisfaction of the various parties thereto, the risks to Centerra will increase. See “Legal Proceedings” and “Risk Factors”.

As of December 31, 2008, Kumtor had approximately 2,328 employees (excluding long-term contractors), of which approximately 95% 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. The prior collective bargaining agreement expired upon the entering into of a new collective bargaining agreement which has retroactive effect from July 1, 2008 and expires on December 31, 2010.

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 June 22, 2004, 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. 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. 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. On June 17, 2008, the Bishkek Inter District Court issued an order invalidating the Southwest and Sarytor mining licenses. See “Legal Proceedings”.

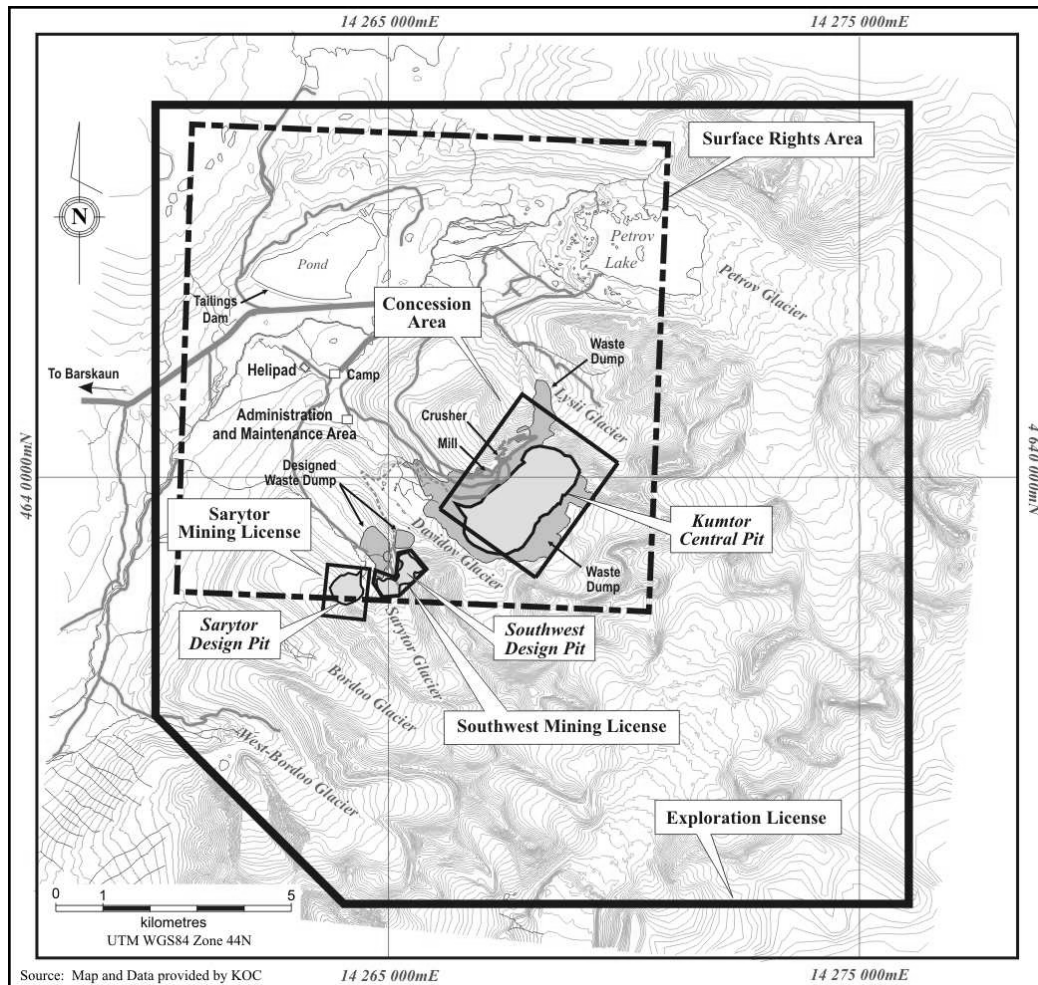
The Concession Agreement confirms Centerra’s right to use sufficient additional surface lands for the purposes of the construction and occupation of all mining and milling superstructure and facilities, work camp and other infrastructure facilities necessary to carry out work at the Kumtor mine. The 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 senior and subordinated loans outstanding as of December 31, 2003 are repaid (US\$ 5 million outstanding at December 31, 2008) and thereafter at 4% of its net profits until the end of the Kumtor operations.

Under a Master Agreement entered into in 1992 among Cameco, Kyrgyzaltyn JSC (a Kyrgyz joint stock company whose shares are 100% owned by the Government of the Kyrgyz Republic) and the Government of the Kyrgyz Republic (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 was 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 shape of the license was changed during the last renewal to coincide with 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 Exploration License cannot be renewed again, but a new license may be applied for. Although the expiry date of the Exploration License was December 18, 2009, the Bishkek Inter District Court issued an order on June 17, 2008 invalidating the Exploration License. See “Legal Proceedings”.

The Kumtor mine includes waste and ore stockpile areas as well as an area to dispose of 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 was completed at 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 in 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 31 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 tailings dam height was raised three metres in 2008 and now has capacity to store tailings until the end of 2010. An additional nine metres of dam height, scheduled for construction between 2009 and 2012, is expected to extend the life of the tailings facility to the end of the current reserves. Raising the dam to its final elevation is estimated to require an investment of \$27.6 million. The ultimate dam and the stabilizing toe berm have been designed to store up to 101 million tonnes (87 million cubic metres) of tailings.

As part of Centerra's management of environmental issues, Centerra actively assesses the physical characteristics of its tailings storage facilities. In 2003, in order to proactively deal with an ice-rich silt layer beneath the tailings dam that has been the cause of some minor horizontal movement of the tailings dam, a shear key and toe berm were built to reduce the rate of movement. Additional construction work completed in 2007 and 2008 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 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.

All permits and licenses required for current mining operations at the Kumtor central pit are in good standing. See “Legal Proceedings”.

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. As the area is seismically active, 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

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. In 1999, Kilborn Western Inc. was amalgamated with Kilborn Inc. and continued 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 Kumtor Mountain Corporation (“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 JSC (“Kyrgyzaltyn”) held the remaining two-thirds interest in KGC. KOC, a wholly-owned subsidiary of Cameco Gold, acted as operator of the Kumtor project, for which it received a management fee.

Project construction began in late 1994 and commercial production at Kumtor commenced in the second quarter of 1997. The Kumtor mine has produced approximately 6.71 million ounces of gold during the 12-year period from 1997 to 2008 at a total cash cost of approximately \$251 per ounce.

On December 31, 2003, Centerra entered into a 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 in exchange for, among other consideration, shares in Centerra.

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. The SB Zone gave rise to a 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.

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°.

The mineral reserves of the Southwest deposit were mined out by March 2008.

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 on any 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 2008, comprised of 556 holes in the Central Deposit totalling 186,628 metres and 426 holes on other targets totalling 69,503 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 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 192,367 KOC assays (123,126 for the Central deposit, 34,378 for the Southwest deposit and 31,284 for the Sarytor deposit 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 2008 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 wide by 5 centimetres 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 1998-2008, 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. Other than geotechnical holes and the unaltered portions of drill holes spaced less than 100 metres from other drill holes which had already intersected the same unaltered hanging wall stratigraphy, drill holes are sampled over their entire lengths.

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.

All sample collection, preparation and assaying from the 1998-2008 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 KOC mine laboratory routinely re-assays duplicate pulps at a rate of 20% as an internal check on assay precision. Prior to 2008, the KOC geological staff did 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.

Prior to 2008, the quality control checks on reject duplicates were 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. This has been standard practice since 1999 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.

Beginning in 2008, KOC geological staff began routinely submitting external blanks as blind samples with their drill core sample batches and 5-10% external blanks and standards from Geostats Pty. Ltd. as blind samples with their duplicate sample batches.

Beginning in 2008, routine check assaying, including use of internal blind blanks and standards have also been undertaken on 5-10% of all exploration samples with more than 1.0 gram per tonne of gold 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.

Kumtor Mineral Reserve and Mineral Resource Estimates

The mineral reserves and resources of the Kumtor project, which include the Central and Sarytor deposits, were most recently estimated as of December 31, 2008 by KOC's and Centerra's mining resource groups under the supervision of Ian Atkinson, P. Geo, Centerra's Vice President, Exploration, who is a qualified person, following procedures in accordance with Canadian reporting standards as required by NI 43-101.

The cut-off grade used to report the open pit reserves and resources is 1.0 gram of gold per tonne, while the cut-off grade used to report the underground resources below the updated open pit designs is 7.0 grams of gold per tonne. These values reflect a \$675 gold price assumption and current and estimated future operating costs and production parameters.

Central Deposit Block Model

The Central deposit block model was developed in 2007 and updated in 2008 and is based upon the most recent exploration drilling information, including the results of in-fill drilling completed to November 31, 2008, and uses blocks measuring 10 metres by 10 metres by 8 metres, with the vertical dimension matching the mining bench height.

Limits of gold mineralization were defined utilizing 3D solid geological modeling of vein and alteration intensities together with gold grade information which results in the subdividing of higher grade inner cores in the SB and Stockwork zones surrounded by a lower grade gold mineralization halo. Each block or part of a block is then assigned to a particular mineralized zone and a gold grade is interpolated into the block from the surrounding assay data within that zone only.

All individual assay results for a particular sample interval are averaged, and this average assay value is used for mineral resource estimation. Prior to compositing assay data into two-metre downhole intervals, individual assays were "capped" or "top cut" to values of 70 grams of gold per tonne in the SB high-grade core, 45 grams of gold per tonne in the Stockwork high grade core and 35 grams of gold per tonne in the surrounding lower grade halo. This updated capping strategy differs from the 100 grams of gold per tonne capping in the SB high-grade core and 60 grams of gold per tonne capping in the remaining surrounding lower grade mineralization used for the 2007 year-end reserve and resource estimate, and results in lower overall contained gold.

Grade interpolation was by ordinary kriging of the gold assay information residing in the two-metre composites using a three pass search strategy with a maximum search of 90 meters along strike and down dip and 30 meters across the zones. A minimum of four and a maximum of 12 composites are required from a minimum of two different drill holes to interpolate a block. Preliminary resource classification of individual blocks into measured, indicated and inferred categories of resources considered for open-pit mining is based upon the distance to the nearest composite. If the nearest composite 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. To account for the tighter drill spacing generally required to accurately define underground resources, all mineralized blocks within the SB and Stockwork high

grade cores, outside of the current ultimate pit design, were classified as inferred resources regardless of the distance of that block from surrounding exploration data used to interpolate the grade of that block.

Sarytor and Southwest Deposit Block Models

As a result of the order invalidating the Sarytor mining license, only limited exploration work was completed near the Sarytor deposit during 2008. See “Legal Proceedings”. Therefore, the same block model identified as SR-2 created for the year-end 2006 estimate was used again for the 2008 year-end estimate of reserves and resources at Sarytor. The model was constructed around 10 metre by 10 metre by 4 metre blocks, with the vertical dimension matching the mining bench height.

Limits of gold mineralization were defined utilizing 3D solid geological modeling of vein and alteration intensities together with gold grade information which results in the subdividing into ten mineralized zones, with two of the zones containing the majority of the resources and reserves at Sarytor.

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 utilizing a 2-pass search strategy, while the smaller less defined zones were interpolated using anisotropic inverse distance squared methods because of the lower overall drilling density. A minimum of two and a maximum of 12 composites are required to interpolate a block.

For preliminary resource classification, the distances used at Sarytor are smaller than used for the Central deposit, 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.

The mineral reserves of the Southwest deposit were exhausted in March 2008, and the remaining resources outside of the final pit were estimated using the block model originally established in 2004.

The following table sets out the Kumtor proven and probable mineral reserves estimate as of December 31, 2008:

Kumtor Mineral Reserves as of December 31, 2008

CATEGORY			<u>Tonnes</u> (thousands)	<u>Gold Grade</u> (g/t)	<u>Contained Gold</u> (thousands of ounces)
Proven	Stockpiles	Greater than 1.0 g/t	3,412	1.4	150
Probable (Central Pit)	In situ	Greater than 1.0 g/t	29,173	3.8	3,564
Probable (Sarytor Pit)	In situ	Greater than 1.0 g/t	<u>2,835</u>	<u>3.4</u>	<u>311</u>
Total Probable Mineral Reserves			<u>32,008</u>	<u>3.8</u>	<u>3,875</u>
Total Proven and Probable Mineral Reserves			35,420	3.5	4,025

Open pit mineral reserves were estimated using industry accepted open pit optimization methods which assumed average mining costs ranging from \$0.98 to \$1.20 per tonne of material mined, processing and administrative costs ranging from \$18 to \$21 per tonne milled, and current royalty and gold refining costs. Metallurgical recoveries used in the pit optimization follow a variable recovery equation and range from 47% to 87%. Allowances were also made in the models for internal and external dilution and mining losses.

A complex geotechnical model which defines the maximum pit slope limitations and can significantly impact the size of the optimum pit design was further refined in 2008 for both the highwall in the Stockwork zone and southeast to southwest bedrock walls and till/waste dump sections of the SB zone. Geotechnical uncertainties however still remain at Kumtor and constitute a certain risk for the annual production and possible eventual recovery of these reserves.

The current pit design at Kumtor assumes that the glacial till and bedrock will be hydrologically depressurized to permit mining at the planned pitwall slope angles. Geotechnical work to date has indicated that the till is amenable to depressurization. A program to hydrologically depressurize the till and bedrock was implemented in 2008. Therefore, to reflect the technical risks associated with implementing the depressurization program, all remaining mineral reserves in the central pit at Kumtor have been reclassified to probable mineral reserves. All ore in stockpile inventory as of December 31, 2008, has been placed in the proven mineral reserve category.

Except for the potential risks posed by the geotechnical issues described under the heading “Mining Operations – Geotechnical Issues Affecting the Kumtor Open Pit”, political risks described under “Risk Factors” and the claims described under “Legal Proceedings”, 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.

Mineral Resources Estimate

Additional mineral resources have been estimated outside the ultimate pit designs of the Central and Sarytor deposits and the completed pit of the Southwest deposit. The open pit mineral resources are not mineral reserves and do not have demonstrated economic viability but occur in the space between the current ultimate pit design that is based on the economic, geotechnical and gold price assumptions used to define the updated mineral reserves and optimized larger pit shells (resource shells) that are uneconomic under these same parameters yet have a reasonable expectation of economic extraction as required under NI 43-101 guidelines.

Kumtor Mineral Resources as of December 31, 2008

CATEGORY		<u>Tonnes</u> (thousands)	<u>Gold Grade</u> (g/t)	<u>Contained Gold</u> (thousands of ounces)
Measured (Kumtor Central Deposit)	Open Pit (> 1.0 g/t)	18,966	2.8	1,689
Indicated (Kumtor Central Deposit)	Open Pit (> 1.0 g/t)	6,468	2.8	578
Indicated (Kumtor Sarytor Deposit)	Open Pit (> 1.0 g/t)	5,846	2.1	386
Indicated (Kumtor Southwest Deposit)	Open Pit (> 1.0 g/t)	<u>2,675</u>	<u>2.5</u>	<u>212</u>
Total Measured and Indicated Mineral Resources		<u>33,955</u>	<u>2.6</u>	<u>2,865</u>
Inferred (Central Deposit)	Open Pit (> 1.0 g/t)	80	2.0	5
Inferred Stock Work Zone Underground	Underground (> 7.0g/t)	2,089	11.3	757
Inferred SB Zone Underground	Underground (> 7.0g/t)	2,671	18.6	1,593
Inferred (Kumtor Sarytor Zone)	Open Pit (> 1.0 g/t)	<u>520</u>	<u>1.7</u>	<u>29</u>
Total Inferred Mineral Resources		<u>5,360</u>	<u>13.8</u>	<u>2,384</u>

SB Zone Underground

In 2006, SRK Consulting (Canada) Inc. (“SRK Canada”) conducted a scoping study (the “2006 SRK 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 1.6 million ounces of contained gold at an average grade of 18.6 grams of gold per tonne.

Based on the results the 2006 SRK 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 was taken in February 2008. 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 underground mining of the SB Zone deposit will be considered as additional resource delineation drilling results become available in 2010. Planning for the future underground development was initiated in 2008. A second study was undertaken by SRK Canada in 2008 (the “2008 SRK Study”) to review the available technical information and site-specific facilities and infrastructure that would be required to develop the proposed underground mining operations to exploit the SB Zone inferred resources. The 2008 SRK Study reviewed in detail geological and geotechnical information to evaluate a proposal to construct a second access to the underground SB Zone inferred resources. Included in the study were various mining method options, the related ventilation requirements and mining equipment, as well as metallurgical characteristics and surface plant requirements. Socio-economic and environmental studies are on-

going and are expected to be concluded in the middle of 2009. A \$5.5 million drilling program to delineate the underground SB Zone inferred resource is planned as part of the 2010 program. In 2009, a further \$12 million has been allocated to phase 2 of the underground development for long lead time items for mining and infrastructure. The second portal is expected to be located in the region known as the Saddle Zone within the Kumtor pit. The Saddle Zone is an area located between the Stockwork Zone in the north and the SB Zone in the south. This hanging wall portal is expected to allow ramping to an elevation that accesses the upper portion of the SB underground zone. Additional horizontal and vertical development to properly ventilate and access the resources is included.

Additions to the local electrical grid and the water supply system are expected to provide the necessary power and water requirements. Mine site facilities are expected to provide the necessary support infrastructure for the development.

Mining Operations

Mining

Mining operations at Kumtor are carried on using conventional open-pit truck and shovel mining methods. The Central deposit is mined in a large open pit where total material mined in 2008 was nearly 112.1 million tonnes, or 307,000 tonnes per day. Additionally, 3.4 million tonnes were mined up to March 2008 from the Southwest pit, or 29,000 tonnes per day. The overall waste to ore ratio from the open pits in 2008 was 22.3 to 1. Total mining in 2008 thus amounted to 13,600 tonnes per day of ore including low-grade material to stockpiles, and more than 302,000 tonnes per day of waste.

The initial stripping of the Kumtor orebody in 1995 mined 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 highwall 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 SB zone 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 ore haulage distance from the Sarytor deposit, scheduled to be mined starting in 2010, will be 7.8 kilometers while the waste haulage distance will be considerably shorter.

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 and neutralization capacity. As the waste is being deposited, the glacier reacts as a result of the increasing load. The ice movement is measured and monitored on a constant basis. In 2008, a section of the east high-wall in the SB Pit containing waste dump materials and ice inclusions was observed to accelerate. The higher rate exceeded historical rates. Third party consultants reviewed the data and recommended a mining approach. Sufficient mining capacity is available to maintain the upper high-wall as planned. Mining to offload the waste material and the ice in this section of the highwall is planned.

Mining is based on average eight-metre benches in the Central pits, and is expected to include some split-bench mining of four metres in the Sarytor pits in areas of lower ore thickness. 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 nine hydraulic excavators (eight 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 2008, total capital expenditures at Kumtor amounted to \$57.1 million, including \$34.4 million to sustain current operations and \$22.7 million for growth capital, mainly for the SB Zone underground development.

Grade control in the pit is based on the sampling of blast hole cuttings, the grade and metallurgical character of which 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.

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 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. Parts of the pit are in frozen ground. The consequences for pit wall stability are described below in “Mining Operations – Geotechnical Issues Affecting the Kumtor Open Pit”.

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.

In late February 2008, Kumtor temporarily shut down the ball mill in order to repair the ring gear. 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, was completed in April 2008. The shutdown did not affect forecasted 2008 gold production or total cash costs. On February 16, 2009, monitoring of the Kumtor SAG mill drive train indicated an increase in vibration. A subsequent inspection determined that a tooth of the gear had been damaged. After a 12-hour shut down for minor repairs, the gear was tested and the mill restarted. It continued to operate at full capacity; however, it required replacing. On February 24, 2009, Centerra shut down the Kumtor SAG mill for approximately 7 days to replace the SAG mill girth gear with an on-site spare unit. This temporary unplanned shutdown of the SAG mill is not expected to affect Centerra’s 2009 guidance on gold production or cash costs. The impact on first quarter production is expected to be minimal. Centerra expects that it will achieve its gold production and cost guidance by processing higher grade ore over the balance of 2009 to make up for the approximately 110,000 tonnes of low-grade material (about 2,500 ounces recovered) not processed during the shut down.

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 gram 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 electrowinning. Gold recovery in the CIL circuits is 30% for the flotation tailings and 90% for the sulphide concentrate.

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.

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, resulted in the temporary suspension of mining operations and led to a considerable shortfall in 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible to mining.

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 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, however, 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. 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 in mid-2008.

Following the 2006 highwall ground movement, Centerra began an expanded program of structural mapping, and independent consultants 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. 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 independent consultants, the highwall slope for the year-end 2007 mineral reserve estimate and life-of-mine plan has now been designed with slope angles of 30 degrees (compared to an original overall slope design angle of 42 degrees and a redesigned slope angle of 36 degrees following the 2002 highwall ground movement). The slope has been flattened to excavate any deeper wedges that might exist to prevent further similar failures.

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. 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, and has included affected ore tonnage in Centerra’s current statement of mineral reserves. 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. No mining was undertaken at the Northeast pit highwall in 2008. Further geotechnical drilling and structural geology studies continue in order to better understand the nature of the basement rock in the Kumtor pit.

During 2008, vertical and horizontal drilling established dewatering and depressurization of the till lithography. The dewatering program was established, in consultation with a third-party consultant, to extract perched water and melt waters from the pit. The resulting higher strengths in the unfrozen till structure and the dewatered rock structures will improve the geotechnical characteristics in the pit walls as the mine is further developed. Additional geotechnical drilling of the northeast wall was conducted in 2008 where two deep drill holes were drilled. Hydrological tests were performed by Kumtor in one of the geotechnical holes, which determined low water pressure and suggested that groundwater pressures do not exist deep in the slope. Hydrological test work indicated that shallow groundwater pressures due to run-off and saturation of near surface rock caused the previous slope instabilities. It was recommended that additional hydrological testing be performed on the other rock walls in selected drain holes so that an understanding of hydraulic pressures and hydraulic conductivity in the rock walls can be developed. An additional four deep geotechnical drill holes are planned to be

drilled in the northeast wall area to further delineate the structural geology, once the decision is made to proceed with mining the northeast wall.

The Southeast Wall

The southeast wall of the Kumtor pit has a number of geotechnical challenges that have a significant effect 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 south-western 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 Kumtor life-of-mine plan continues this practice.

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 degrees slope in the lower bedrock, an 18 degrees face in the glacial till and a 36 degrees slope in waste rock overlying the till with an overall slope of 29 degrees to 31 degrees as recommended by Centerra's independent consultant.

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. A geotechnical drilling and analysis program, 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) undertaken since 2007 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 degrees - 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 Centerra's independent consultant has confirmed that a slope angle of 20 degrees is required in these areas where these structures are oriented poorly with respect to the pit geometry. However, Centerra's independent consultant notes that the rock slope angle can be steepened substantially to about 30 degrees if depressurization is undertaken.

The depressurization and dewatering program was established in consultation with an independent consultant and implemented in 2008. The equipment required to perform the program was purchased and the plan implemented. Depressurization tests of the rock below the till were undertaken in 2008. A series of horizontal drill holes were established to better understand the hydraulic characteristics in the structures identified by the structural geology studies. Drilling results indicate that some of the fracture structures are amenable to depressurization and dewatering, while other structures are barren of water. Water volumes drained from these holes were observed to be variable. The depressurization of the till has been tested using vertical drill holes. Wells have been developed where water was intersected. Water extracted from the strata was variable in volume. If depressurization of the till and of the underlying rocks cannot be achieved, however, a flatter slope angle would be required and could 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. Approximately 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, 2008 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 production and geotechnical risk total nearly 29.2 million tonnes with an average grade of 3.8 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 some of their resource counterpart was originally in the measured category.

Production Estimate

Over the approximately six years of the remaining life of the mine between 2009 and 2014, approximately 35.0 million tonnes of ore at an average grade of 3.5 grams of gold per tonne is scheduled to be processed through the Kumtor mill. Approximately 3.2 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.

In 2009 Approximately 5.9 million tonnes of ore at an average grade of 4.0 grams of gold per tonne will be processed through the Kumtor mill. Gold production for the full year 2009 at the Kumtor mine is expected to be in the 560,000 to 600,000 ounce range, which excludes any production from the nearby Sarytor satellite deposit. The 2009 forecast gold production is lower than the 697,000 ounce forecast outlined in the life-of-mine plan in the March 2008 Technical Report due to the necessity to accelerate the pre-stripping of the waste dump and glacial till in the SB Zone contributing to a lower overall head grade and the deferral of mining the Sarytor starter pit until 2010. Total cash cost for 2009 is expected to be \$485 to \$525 per ounce.

On a quarterly basis, Kumtor's 2009 gold production profile will be similar to 2008. The planned mining sequence for the year has approximately 10-15% of gold production being recovered in the first quarter and 40% in the fourth quarter. Consequently, the Company anticipates first quarter total cash costs to be higher than the annual guidance provided. Mining activity is expected to expose the unfrozen glacial tills in the second quarter of 2009. The depressurization and dewatering programs will need to be fully functional to allow for the geotechnical consolidation of the tills and to mine at the planned pitwall angles in 2009 and thereafter. In the third quarter of 2009, the Company anticipates a 2-week shutdown to replace the ball mill ring gear and SAG mill liner.

The 2009 Kumtor production forecast has been revised from the data shown in the Technical Report to reflect developments since the 2008 Kumtor Technical Report was filed in March 2008. Adjustments have been made to reflect the following: (1) the delayed access to the Sarytor deposit due to the invalidation of the Sarytor mining license (see "Legal Proceedings"); (2) the decrease in reserves resulting from the changes made to the resource/reserve model primarily the lowering the "top cut", or "capping" assays (see "Kumtor Mine – Kumtor Reserve and Resource Estimates – Central Deposit Block Model"); and (3) changes in mine sequencing to incorporate new geotechnical information into the pit design (see "Kumtor Mine – Mining Operations – Mining").

A new life-of-mine plan is being developed for the KS- 9 pit design which will incorporate the changes described above. The reduction in the amount of gold expected to be recovered in 2009 compared to the amount provided in the 2008 Kumtor Technical Report is expected to be recovered in subsequent years.

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:

- grades and recoveries at Kumtor will increase through the fourth quarter of 2009 in accordance with the Kumtor mine plan and the block model;
- the planned 2-week shutdown of the Kumtor mill in the third quarter of 2009 to change the ball mill ring gear and SAG mill liner is successfully completed on time;
- the dewatering and depressurization programs at Kumtor continues to function properly and the water management system works as planned;
- prices for reagents and other consumables will remain consistent with Company estimates;
- that the Sarytor mining license is reinstated in 2009;
- 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; and
- The Kumtor mine's remaining six year mine life does not take into account any underground development or mining of the SB Zone, which lies below the current pit design. A decision to commence mining SB Zone resources will be considered as further resource delineation drilling results become available in 2010. See " – Kumtor Reserve and Resource Estimates – SB Zone Underground".

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. 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 June 30, 2009, to defer payments for gold for up to 12 calendar days. The obligations of Kyrgyzaltyn are secured by a pledge of 2,850,000 Centerra shares owned by Kyrgyzaltyn. As at December 31, 2008, \$24.1 million was outstanding under these arrangements.

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 in June 2004.

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. 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. The management fees paid to Kyrgyzaltyn in 2008 were \$0.8 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. Because the Agreement on New Terms expired without approval of the Parliament of the Kyrgyz Republic, the tax-related provisions of the Investment Agreement continue to apply to KGC and KOC, and tax expense for KGC and KOC is determined by reference to the terms of the Investment Agreement. Should the tax-related terms of the Agreement on New Terms be incorporated in a new agreement with the Kyrgyz Republic (with retroactive effect to 2008), a substantial component of the 2008 taxes payable by KGC and KOC, as well as those for subsequent years, would be computed by reference to proceeds from products sold. In that event, the 2008 taxes paid pursuant to the Investment Agreement would be credited to the revised tax liability.

Corporate Profit Tax

As KGC and KOC are companies resident in the Kyrgyz Republic, income tax is imposed at a rate of 10%. KGC is also obligated to annually pay 2% of its net profits into a social development fund for the benefit of the residents of the Issyk-Kul area until its subordinated loans are repaid in full, and thereafter 4% of its net profits.

Value Added Tax

While value-added tax ("VAT") is imposed on goods and services produced in, as well as goods imported into, the Kyrgyz Republic, the Investment Agreement includes an exemption from VAT on capital equipment, operating supplies, raw materials and management fees paid by KGC to KOC.

Other Taxes

Other significant taxes imposed on Kumtor's operations in 2008 included road tax of 0.8%, emergency fund tax of 1.5% and mineral resource tax of 5%, each levied on the value of products sold. Road tax and emergency fund tax payments are made quarterly within 90 days of the end of the calendar quarter, based upon gold sales in that quarter, and mineral resource tax is paid monthly within 15 days after the end of month. KGC also makes a concession payment of \$4 per troy ounce of gold sold. Total payments on account of these taxes in 2008 amounted to \$33.6 million.

Additional taxes payable by KGC, including excise tax, payroll tax, environmental protection tax, customs fees and duties, withholding taxes on insurance premiums and services, and local taxes amounted to \$10.4 million in 2008.

Investment Agreement

Pursuant to the Investment Agreement, Kumtor 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 the tax liability is determined or calculated (whether or not the tax change increases or decreases the tax liability), or instead to remain subject to the tax in effect prior to the change for a term of ten 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), Kumtor will remain subject to that tax as it existed prior to its elimination. If Kumtor 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. Kumtor will also continue to benefit from an exemption from certain value-added taxes, as provided by the Concession Law.

In accordance with provisions of the Investment Agreement, KGC and KOC have filed elections with the Government of the Kyrgyz Republic to not be subject to certain changes in Kyrgyz tax laws that became effective January 1, 2009. Some of the provisions that would have been applicable had KGC and KOC, had they not so elected, include: i) the imposition of a new property tax, ii) the removal of the road tax, the emergency fund tax, as well as some local taxes, and iii) the conversion of the mineral resource tax to a tax on subsoil.

Environmental 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 Kumtor mine site's ecological passport (the "Passport") was approved by the Kyrgyz 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 annual permits for maximum allowable emission ("MAE") and maximum allowable discharge ("MAD") levels. 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 the MDP from the Kyrgyz Mines Inspectorate and the State Agency of Geology. The latest MAE permit by Kyrgyz legislation, Centerra uses the approved MDP to develop the MAE for the following year. The current MAD permits were obtained on July 14, 2008, and are valid for one year until July 1, 2009. Discharge of treated tailings and sewage effluent commenced after receiving the permits in July 2008. 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 2008 was \$0.3 million.

In addition to the MAE and MAD permits, in May 2008, 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 are valid until March 23, 2011. 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 an independent consultant 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 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.
- In September 2008, independent audits were conducted of the camp's kitchen/food handling, and of the site's storage, transportation and usage of explosives. The assessments outlined areas of strength and provided recommendations for improvement, the majority of which have been incorporated.

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 an independent scientific commission of international experts in 1998 a separate commission established by the then 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.

In July 2005, protesters 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. In November 2005, there was a further illegal roadblock by protesters that was lifted 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. As of March 10, 2009, the entire \$4.4 million has been advanced to the Government. This money has been distributed to members of the local communities by a committee created by the Government to administer the distribution of compensation. 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. Under the now expired Agreement on New Terms, KGC had agreed to consider forgiving the entire amount of the advances.

Workplace Safety

On November 12, 2008, a fatality occurred at the Kumtor mine when a contract diamond drill helper received crushing injuries to his chest. The contract worker was caught between a mud mixing shack and a water tank while the water tank sled was being moved into position by a bulldozer. All required actions resulting from the Kumtor mine's internal investigation and the Kyrgyz legislative investigation have been implemented at the Kumtor mine site.

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 the International Finance Corporation and the European Bank for Reconstruction and Development. 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.

Under EMAP, Centerra is required to update a Conceptual Closure Plan (“CCP”) every three years, most recently in 2008. 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 1998, a reclamation trust fund was established for the future costs of reclamation, net of estimated salvage values of \$8.4 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, 2008, the balance in the fund was \$4.9 million.

Exploration Activities

Exploration expenditures at Kumtor were \$13.7 million during 2008. Drilling programs were carried out in the vicinity of the open pit area to further evaluate the Kumtor orebody and consisted of 99 holes totaling 40,883 metres. A drilling program consisting of eight holes totaling 1,083 metres was also completed at the Sarytor deposit, which is a satellite deposit located about five kilometres from the Kumtor mill.

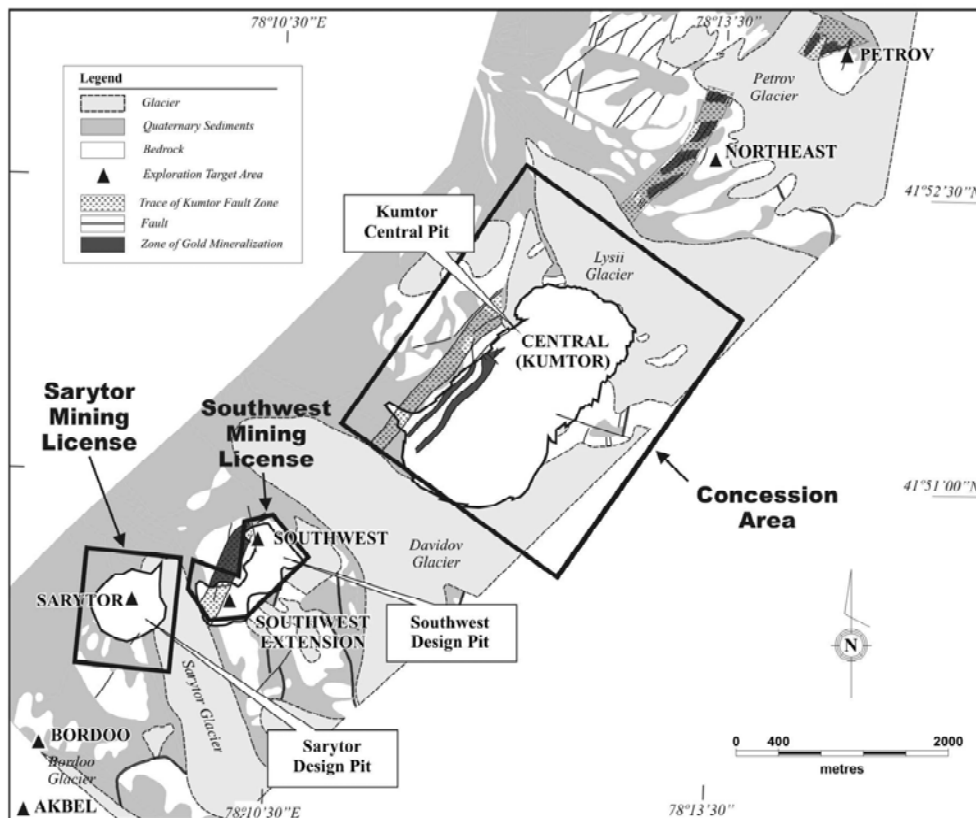
The 2008 exploration drilling program continued with widespread drilling to test the strike and dip extensions of the Kumtor mineralized structure to the north of the highwall of the Central Pit. Drilling was also carried out to test for potential high-grade underground mineable mineralization in the Stockwork Zone below the current planned open pit. Drilling was also completed to test the Saddle Zone area between the SB Zone and the Stockwork Zone of the Central Pit. Additional drilling was also carried out to test the down-dip extensions of the Sarytor and Southwest Zone deposits in 2008.

Regional drilling programs were also carried out, consisting of one hole of 314 metres on the Bordoo target, seven holes totaling 972 metres on the Northeast target, and three holes totaling 450 metres on the Akbel target.

All regional exploration activities were suspended in June 2008 when the Exploration License and the Southwest and Sarytor mining licenses were invalidated. See “Legal Proceedings”.

Further exploration programs are planned for 2009, with a budget of \$11.3 million (not including \$3.0 million allocated to underground exploration and development for 2009). 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, the down-dip extension of the potential high grade underground Stockwork Zone mineralization and the Saddle Zone. Exploration programs will resume in other target areas such as Bordoo, Akbel, Petrov and the Northeast target if the Exploration License and the Southwest and Sarytor mining licenses are reinstated.

Kumtor Exploration Targets



Boroo Mine

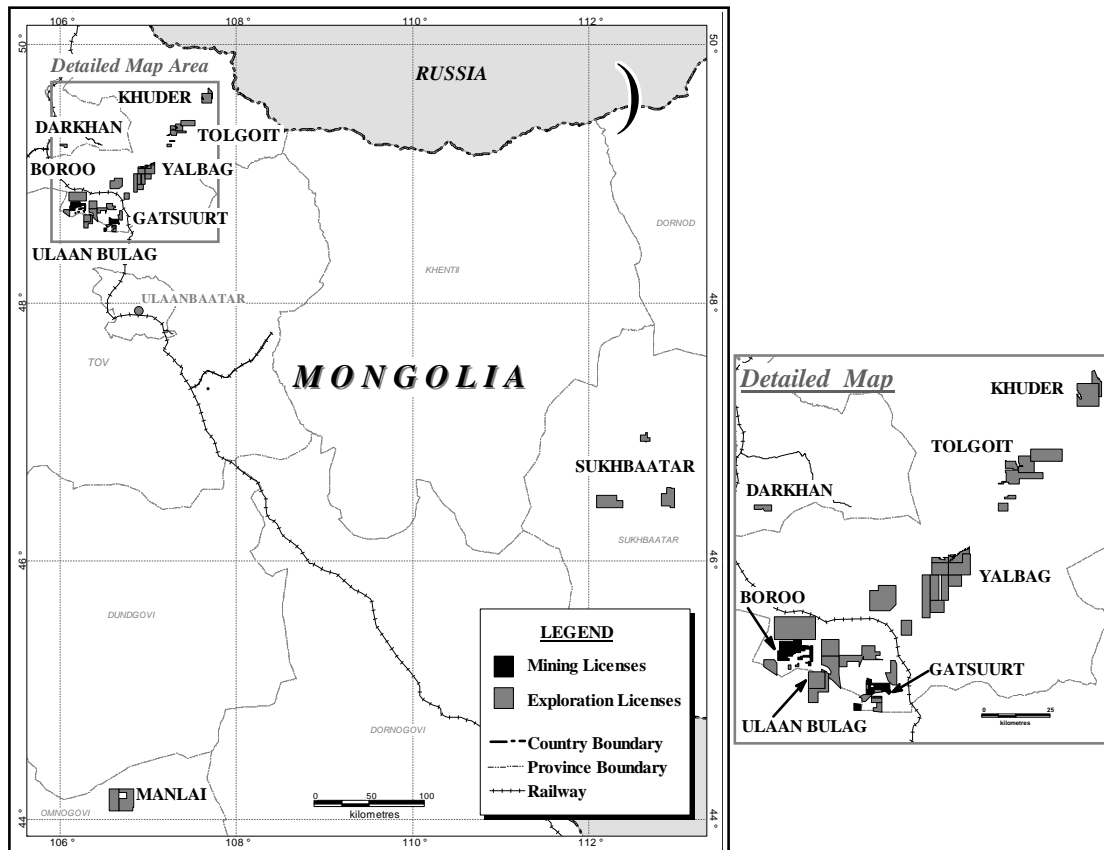
Centerra Gold Inc.'s wholly-owned subsidiary, AGR Limited ("AGR") indirectly owns 100% of Boroo Gold Company ("BGC"), the holder of the rights to the Boroo gold deposit.

The Boroo open pit gold mine is located in Mongolia. The Boroo mine was brought into commercial production on March 1, 2004, producing approximately 1.2 million ounces of gold in its first five years of operation, at a total cost (including depreciation, amortization and accretion) of approximately \$292 per ounce.

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.

Boroo Mine and Gatsuurt Development Property Locations



The Mineral Resources and Petroleum Authority of Mongolia (“MRPAM”) has granted BGC the exclusive rights to all hard-rock minerals and placer deposits under nine contiguous mining licenses, which cover 6,354 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 \$95,000. The licenses are located in roughly equal measure in the counties of Bayangol and Mandal, situated in the province of Selenge.

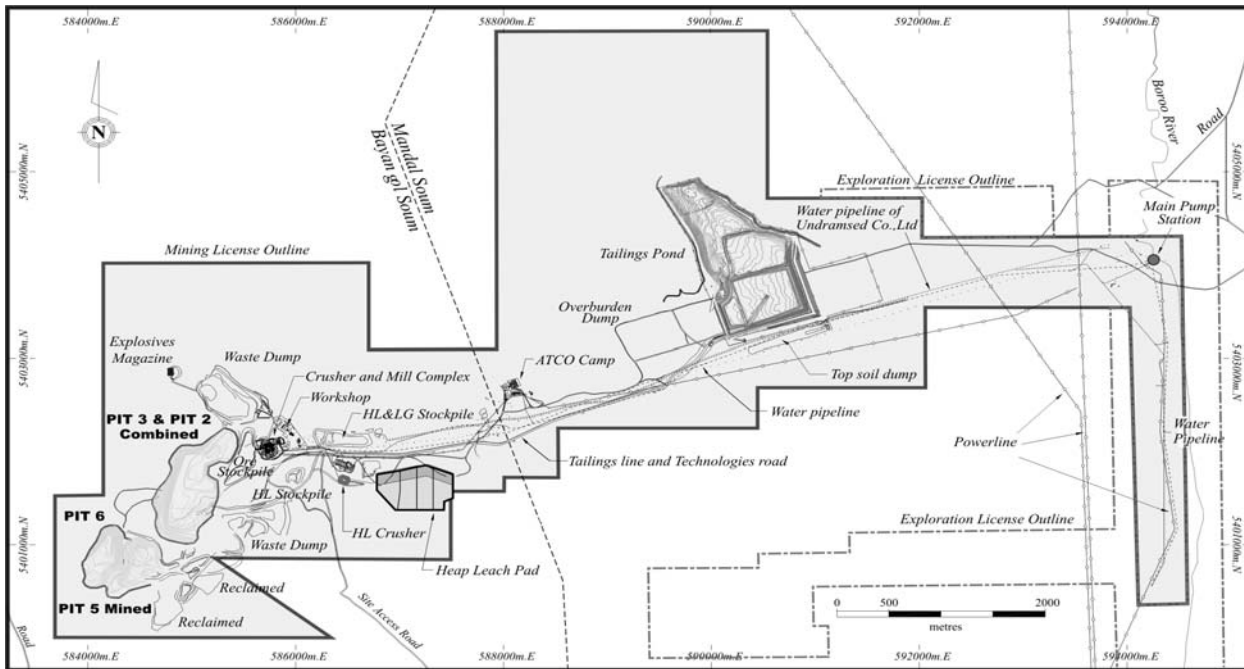
Surface rights have been negotiated with the counties, providing sufficient surface area for the mill, and for tailings and waste rock disposal. Contracts are in place for the operation of the permanent camp, reagent storage, mining of aggregate materials, fuel storage, operation of a fuel dispensing station and building of the tailings dam.

The 2006 Mongolian Minerals Law (the “Minerals Law”) and the Boroo Stability Agreement, as amended from time to time, between BGC and the Mongolian Government provide that the royalty for gold shall be equal to 5% of its sales value. In addition, the 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.

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 constructed an extension to the original tailings dam. The tailings dam walls are at final design for the existing Boroo reserves. Lateral dykes were constructed in 2008 for water management purposes.

Boroo Mine Site Infrastructure



The mining plan for 2009 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 herdsman 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" 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. 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

The Boro 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 Boro'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 Boro 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 an independent consultant 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 Boro 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 Boro deposit. Between 1998 and 2007, Centerra, in part directly and in part indirectly through AGR, acquired a 100% interest in BGC.

In March 2002, Cameco Gold acquired an initial 52% interest in AGR for consideration that included 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 Boro mill began the commissioning phase in November 2003 and the mine was brought into commercial production on March 1, 2004. The Boro mine has produced approximately 1.2 million ounces of gold through December 31, 2008 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.

Geological Setting

The structural setting of north-central Mongolia is dominated by several northeasterly strike-slip faults of regional extent that are considered terrain-bounding in nature and may have tens of kilometres of cumulative sinistral displacement. The Gatsuert deposit is hosted by one of these, the Yeroogol Fault, while the Boro 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 Boro 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 Boro complex, of early Paleozoic age, have intruded the sediments. The Boro complex is represented by leucocratic granite and granodiorite. Detailed drilling around the Boro 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 commenced in 2008. All of the deposits are elongated in a northeasterly direction, with a length to width ratio of about two to one.

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 1,675 drill holes at December 31, 2008 comprised of 1,245 RC and 430 diamond drill holes representing 146,067 metres. There were 88,374 metres of RC and 38,275 metres of diamond drilling from which 97,876 samples have been extracted with 73,292 from RC chips and 24,584 from diamond core.

The number of drill holes used in the reserve and resource estimates for 2008 is a total of 1,420 diamond drill and RC drill holes totalling 126,649 metres. The data set comprises 990 RC drill holes and 430 diamond holes representing 88,374 metres of RC drilling and 38,293 metres of diamond drilling from which 80,625 samples have been extracted. Of the total sample set used in resource and reserve calculation 56,014 samples are reserve circulation chips and 24,611 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 the Boroo Technical Report, a quality assurance/quality control program was initiated and continued from 2005 to 2008. 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 2008 drilling programs have been managed by CGM and/or BGC staff, with routine checks to verify the accuracy of the database.

Boroo Mineral Reserve and Mineral Resource Estimates

In 2005, an independent consultant updated the existing Boroo block model and, given the positive contained gold production reconciliation of this model and that no significant exploration work was completed in the Boroo pit area during 2008, the existing block model was retained for the 2008 year-end reserves and resources. The Boroo block model uses blocks measuring 5 metres by 5 metres by 2.5 metres, with the vertical dimension matching the mining bench height.

The Boroo 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, Centerra's independent consultant 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. Centerra's independent consultant used the same upper capping levels for Boroo gold assays as previous resource estimates with the resulting capping levels established at 45 grams of gold per tonne in Pits 3 and 6. 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.

Metallurgical recovery test work was completed between 2006 and 2008. This work included the drilling of 20 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 leachable gold recovery database to over 30,000 samples by incorporating blast hole sample data.

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.

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 four-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, 2008 and assume an overall cut-off grade of 0.5 g/t of contained gold. The pit design parameters assume a gold price of \$675 per ounce, life of mine average operating costs of \$1.90 per tonne of ore and waste mined, \$8.79 per tonne of ore milled, and general and administrative costs of \$8.02 per tonne milled.

Boroo Mineral Reserves as of December 31, 2008

CATEGORY			<u>Tonnes</u> (thousands)	<u>Gold Grade</u> (g/t)	<u>Contained Gold</u> (thousands of ounces)
Proven (Milling)	Stockpiles	Greater than 1.0 g/t	125	2.1	8
Proven (Heap Leach)	Stockpiles	Greater than 0.5 g/t	<u>8,890</u>	<u>0.8</u>	<u>224</u>
Total Proven Mineral Reserves.....			9,015	0.8	232
Probable (Milling)	In situ	Greater than 1.0 g/t	5,814	2.5	467
Probable (Heap Leach)	In situ	Greater than 0.5 g/t	<u>3,626</u>	<u>0.7</u>	<u>79</u>
Total Probable Mineral Reserves.....			<u>9,440</u>	<u>1.8</u>	<u>546</u>
Total Proven and Probable Mineral Reserves.....			<u>18,455</u>	<u>1.3</u>	778

Mill and heap leach reserves currently in stockpiles were classified as proven reserves while mineral reserves in-situ in the pit were classified as probable.

Mineral Resources Estimate

Beyond the limits of the updated pit designs, the resource blocks exceeding the cut-off grades noted above were classified based on the distance of the 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 measured, blocks interpolated during the second kriging run (with a range of 30 to 50 metres) were classified as indicated. 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 mineral reserves as of December 31, 2008:

Boroo Mineral Resources as of December 31, 2008

CATEGORY		<u>Tonnes</u> (thousands)	<u>Gold Grade</u> (g/t)	<u>Contained Gold</u> (thousands of ounces)
Measured	Open Pit (> 0.5 g/t)	452	2.0	32
Indicated	Open Pit (> 0.5 g/t)	<u>4,464</u>	<u>1.5</u>	<u>210</u>
Total Measured and Indicated Mineral Resources.....		4,916	1.5	242
Inferred	Open Pit (> 0.5 g/t)	<u>7,323</u>	<u>1.0</u>	<u>233</u>

Mining Operations

The Boroo deposit is mined using conventional open pit mining methods and in 2008 mined approximately 16,500 tonnes per day of ore and approximately 42,100 tonnes per day of waste. The strip ratio for the year ended December 31, 2008 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 2008, 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. 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 614 employees (excluding long-term contractors). In the first quarter of 2008, BGC negotiated a collective agreement, effective February 1, 2008, with the newly formed union representing Boroo employees. The collective agreement expires January 31, 2010. During the first quarter of 2009, Centerra has been in negotiations with the Boroo worker's union regarding redundancy pay in layoff situations and how this would apply to the future closure of the Boroo mine. These matters are covered by the collective agreement; however, the union is asserting that they have the right to re-open the matter. The union requested the appointment of a mediator, which has been appointed, and subsequently requested an arbitrator be appointed in accordance with applicable Mongolian law, in order to settle the issues. As of March 10, 2009 no further action or decision has been taken by the union.

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 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 had been 92% in the first two years in accordance with the expectations based on the metallurgical test work, but it decreased to 77.7% in 2008 as the proportions of refractory ore continues to increase.

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 gram 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.

Provided Centerra is able to negotiate a satisfactory investment agreement for the Gatsuurt project, Gatsuurt ores are expected to be processed at Boroo. See 'Gatsuurt Development Property – Feasibility and Technical Studies'. The processing of the refractory ores from Gatsuurt at Boroo will require modifications and additions to the Boroo facility. As these refractory ores 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[®] 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[®] circuit.

Heap Leach

In June 2008, Centerra completed construction and commissioned a three 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.

The heap leach project is now expected to process ore containing approximately 390,000 ounces of contained gold over the 5-year life of the heap leach project from 15.5 million tonnes of ore with an estimated average grade of 0.8 gram of gold per tonne.

The heap leach project will provide for strategic growth by creating an opportunity to process nearby low-grade deposits using heap leach technology.

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 lining of the pregnant solution pond and the emergency overflow pond were completed during the summer of 2007. The lining of the pad with linear low-density polyethylene was divided 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 was completed in 2008. The project was mechanically and electrically completed in March 2008; however, solution application commenced in June 2008 once all preliminary permitting was completed. The heap leach operated under a temporary permit until October 2008, which was extended by the Government of Mongolia. A final permit is expected to be issued in 2009. The heap leach facility produced 25,000 ounces of gold in 2008.

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 Estimate

All ore from the Boroo mine and Gatsuurt project is expected to be processed at Boroo processing facilities. Modifications are also planned for the Boroo mill to enable concentrate flotation and BIOX[®] circuits for processing refractory ores. See “Gatsuurt Development Property — Processing”.

Approximately 11.0 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 during 2009 and 2010, resulting in approximately 329,000 ounces of poured gold. Of this total, approximately 5.0 million tonnes of ore at an average grade of 2.5 grams of gold per tonne will be processed through the Boroo mill, resulting in approximately 243,215 ounces of poured gold. Once permitting is complete, approximately 6.0 million tonnes of ore at an average grade of 0.8 gram of gold per tonne will be processed through the heap leach facility, resulting in approximately 85,793 ounces of poured gold.

Over the five year mine life, 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 BIOX[®] facilities in the expanded Boroo mill, resulting in approximately 777,500 ounces of poured gold. Approximately 1.3 million tonnes of oxide ore at an average grade of 2.7 grams of gold per tonne are expected to be processed through the existing Boroo mill and the heap leach facilities over the first 12 months of mining. Metallurgical testing indicates that oxide ore will contribute approximately 108,000 ounces of poured gold.

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:

- the Boroo ore does not become more refractory in nature affecting mill recoveries;
- prices for reagents and other consumables will remain consistent with Centerra’s estimates;
- the final permits and approvals for the Boroo heap leach are obtained as planned;
- 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.

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 Boroo mine site and the carrier assumes the risk relating to security and transport and responsibility for insurance from that point to delivery to the JM refinery in Ontario. JM assumes such risks thereafter.
- gold doré is refined by JM to meet specific percentages of metal content and levels of purity.
- 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. However, Mongolbank, the Mongolian central bank, has indicated a desire to purchase BGC’s gold doré. BGC is in discussions with Mongolbank with a view to exploring this option.

Taxes and Royalties

Corporate Profit Tax

The Boroo Stability Agreement, entered into by BGC and the Mongolian Government in 1998 and first amended in 2000, guaranteed that Mongolian tax laws in effect in 1998 would apply to BGC’s income from the project unless more favourable laws took effect and the Minister of Finance confirmed that the more favourable laws apply. In accordance with the law at the time, the Boroo Stability Agreement provided that BGC was exempt from income tax for a period of three years following commencement of commercial production and was entitled to 50% tax relief for the subsequent three-year period. BGC began commercial production on March 1, 2004.

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.

On August 3, 2007, Centerra and the Government of Mongolia agreed to an amendment to the Boroo Stability Agreement pursuant to which, effective January 1, 2007, Boroo is subject to a 10% rate for taxable income up to 3.0 billion tugriks and a 25% rate for taxable income above that amount, until the termination of the Boroo Stability Agreement in July 2013. Prior to the amendment, 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.

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. On November 25, 2008, the Parliament enacted a change to the windfall profits tax in respect to gold sales raising the threshold price to \$850 per ounce. The Mongolian Parliament continues to debate recent changes to mining legislation and State participation in various mining projects. The Government

has acknowledged that the windfall profits tax does not apply to Boroo's operations pertaining to the mining license covered by the Boroo Stability Agreement for so long as the Boroo Stability Agreement remains in effect.

Other Taxes

A variety of other taxes are imposed, and payments in respect of them amounting to about \$9.3 million were made in 2008.

Environmental 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 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

In 2008, work began on a detailed mine closure plan ("DMCP"), as required by Mongolian regulations and which is expected to be submitted to the relevant government authorities in March 2009. In addition to meeting the Mongolian regulatory requirements, the DMCP includes reference to international practices pertaining to closure of mining operations. The estimated undiscounted cost of decommissioning and reclamation for the Boroo mine as of December 31, 2008 was \$22.1 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.

Exploration Activities

Exploration expenditures in the Boroo district were about \$0.9 million in 2008 and activities consisted of geological mapping, geochemical sampling, geophysical surveying and trenching. The programs were to define targets in areas to the north and northeast and southwest of the Boroo deposit.

In 2009, exploration programs will continue to define and test geological, geochemical and geophysical targets in the Boroo district.

Gatsuurt Development Property

Centerra's wholly-owned subsidiary, AGR, indirectly owns 100% of Central Gold Mongolia LLC ("CGM"), the holder of the rights to the Gatsuurt gold deposit.

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 Gatsuurt development property, situated 35 kilometres from the Boroo mine.

Property Description and Location

The Gatsuurt property 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 mining 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 is 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

The Gatsuurt Project is part of a larger land position that was assembled by Cascadia Chemicals and Minerals Corporation (later Cascadia Mining Inc.) (“Cascadia”) during 1996 and 1997. Between 1997 and 2004 Centerra and its predecessor Cameco Gold indirectly, through subsidiaries, acquired a 100% equity interest in this land position and the Gatsuurt Project from Cascadia.

Geological Setting

The Gatsuurt project 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 magnetics 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.

From 1999 to 2002, 96 diamond drill holes totalling 9,690 metres were completed at the Central Zone and 8 diamond drill holes totalling 1,174 metres completed at the Main 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 magnetics survey. Preliminary metallurgical test work on drilling samples determined that the gold mineralization at both zones was refractory.

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 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.

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.

Core drilling in 2005 at the Central Zone consisted of geotechnical holes, grinding study holes, and BIOX[®] 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 or 2008.

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 Kara Balta, 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. 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 Mineral Reserve and Mineral Resource Estimates

For 2008, Centerra produced reserve and resource estimates for both the Central Zone and Main Zone. For the purpose of these estimates, a gold price of \$675 and 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 were used 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, Centerra constructed a resource block model for the Central Zone utilizing drilling results in a Gemcom database that was provided by Centerra and that was updated as of late November 2004. Centerra updated the resource block model for the Central Zone in 2005 based on information from an additional drill holes and again in 2006 based on a revised cut-off grade.

The resource estimate relies 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

In December 2005 and January 2006, Roscoe Postle, in collaboration with Centerra’s Director, Mergers & Acquisitions at the time and Centerra’s qualified person, constructed a resource block model and prepared a resource estimate for the 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 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 from 2006 to 2008. However, revised cut-off grades were used by Centerra for the 2008 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 Gatsuert reserves and resources outlined below. The 2008 year-end reserve update reflects the use of a \$675 gold price, versus \$550 at the end of 2007 and \$475 at the end of 2006. 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.

Gatsuert Mineral Reserves as of December 31, 2008

CATEGORY			<u>Tonnes</u>	<u>Gold Grade</u>	<u>Contained Gold</u>
			(thousands)	(g/t)	(thousands of ounces)
Probable (Central Zone Pit)	In situ	Greater than 1.2/1.8 g/t	6,890	3.7	822
Probable (Main Zone Pit)	In situ	Greater than 1.2/1.8 g/t	<u>2,211</u>	<u>2.3</u>	<u>183</u>
Total Probable Mineral Reserves			<u>9,101</u>	<u>3.4</u>	<u>1,005</u>

All mineral reserves within the Central and Main Zones were classified as probable as no mining production has occurred at Gatsuert 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, 2008:

Gatsuurt Mineral Resources as of December 31, 2008

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

Feasibility and Technical Studies

An independent consultant completed a feasibility study of the Central Zone in December 2005 employing a split-plant process that would utilize crushing, grinding, flotation and flotation concentrate oxidation facilities at Gatsuurt and shipment of oxidized concentrate and gravity concentrate to Centerra’s Boroo facility for cyanidation and gold recovery. Centerra completed a study in 2005 (the “Centerra 2005 Study”) that evaluated the prospect of processing the refractory Gatsuurt Central Zone ore at a modified Boroo processing facility. Centerra 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 the independent consultant based on the scope of work, intended level of accuracy and methodology presented in a 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.

Centerra has resumed negotiations with the Government of Mongolia with respect to an investment agreement for the Gatsuurt Project. In February 2009, Centerra authorized the expenditure of \$20 million for the construction of the 55 kilometre road to the Gatsuurt property and other site and infrastructure development in order to advance the mining of oxide ores in the Central Zone and Main Zone of the Gatsuurt project. Upon obtaining a satisfactory investment agreement with the Government of Mongolia, Centerra expects to begin the next stage of development of Gatsuurt, including the construction of a BIOX[®] plant at the Boroo mine to process refractory Gatsuurt ore.

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.

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 orebody 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 \$675 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 \$675 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[®] 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[®] treatment process. The process of treating the refractory ores has been tested and reported to Centerra by Biomin, the legal proprietor of BIOX[®], a proprietary and patented process.

The Gatsuert 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 is not protected by the Boroo Stability Agreement and as such could be subject to all current Mongolian taxation laws, including the windfall profits tax. See “Boroo Mine – Mining Operations – Taxes and Royalties”. The Mongolian Business Income Tax Law imposes taxes on taxable income of business entities at a 10% rate for taxable income up to 3.0 billion tugriks (approximately \$2.4 million) and a 25% rate for taxable income above this amount. The Gatsuurt project also would be required to pay an NSR of 3% to Gatsuurt LLC and a royalty to the Government of Mongolia equal to 5% of the sales value of gold sold. As the Boroo Stability Agreement applies only to the Boroo Mine (and not to the Gatsuurt project), Centerra expects to engage in negotiations in 2009 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 Matters

As part of the feasibility studies done on the Gatsuurt property, 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 2008.

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 work on the detailed EIA expected to begin in 2009.

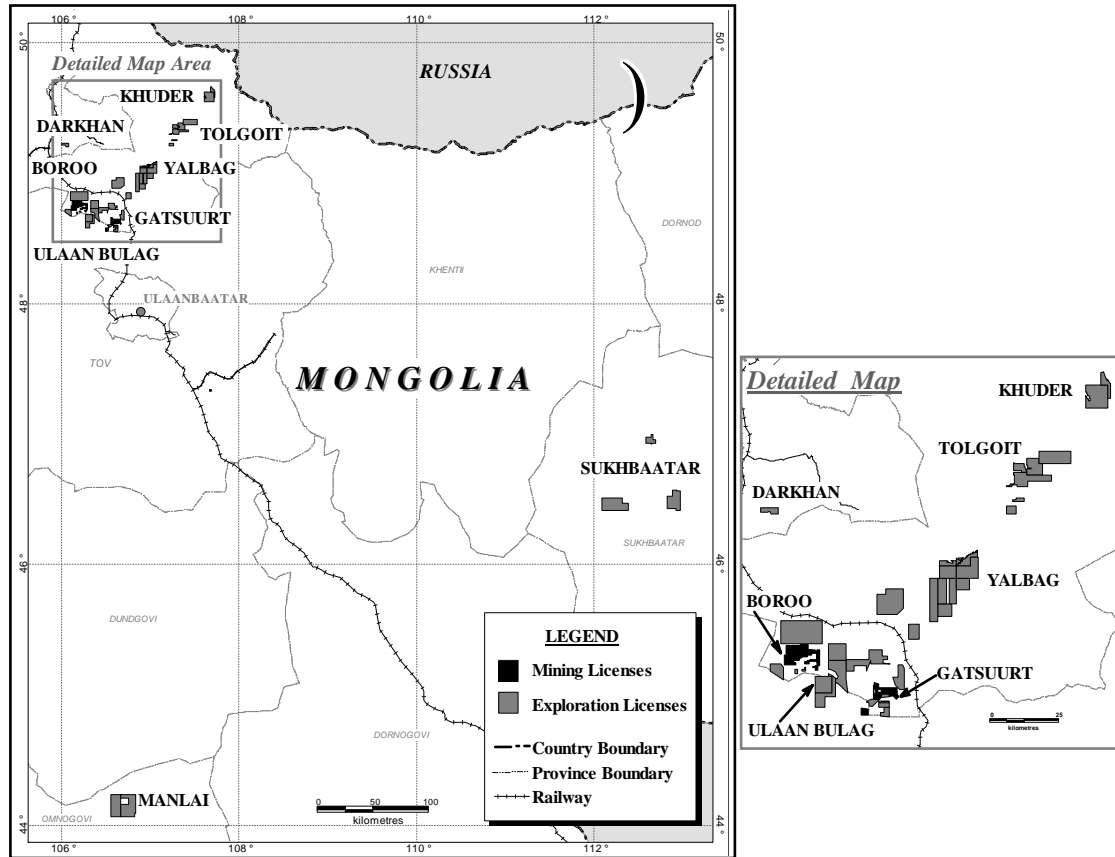
Exploration Activities

Exploration expenditures at Gatsuurt were \$0.03 million in 2008, which focused on target generation in the Gatsuurt district. In 2009, exploration will focus on target definition in the district.

In addition to the exploration program in the immediate vicinity of the Boroo deposit, regional exploration programs with expenditures of \$2.3 million were completed during 2008. Drilling programs were completed at the Khuder target 135 kilometres northeast of Boroo, which was tested by four drill holes totalling 619 metres, and the Uul Bayar target in eastern Mongolia, which was tested by five drill holes totalling 1,200 metres. Geochemical sampling surveys, geophysical surveys, mapping programs and trenching were completed over other areas.

As of December 31, 2008, total exploration and mining licenses held by BGC and CGM comprise 60 licences for 184,907 hectares, primarily 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



Non-Material Properties

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 63.4% owned by Centerra through its subsidiary Centerra Gold (U.S.) Inc. (“CGUS”) and 36.6% 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.

Management of Centerra do not consider the REN property to be material to Centerra’s business.

REN Joint Venture Agreement

UUS Inc., a subsidiary of Cameco, entered into a joint venture agreement with Homestake on August 9, 2000 setting 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 the boundaries of the REN 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.

Exploration Activities

From 1999-2006 Centerra, and its predecessor Cameco Gold, completed 136 drill holes on the REN property. No drilling was conducted in 2007 or 2008. 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 geology, structure, alteration and mineralization encountered in drilling at the REN property are typical of Carlin-type gold deposits.

A scoping study on the REN property was completed in late 2003 and early 2004. Based on a gold price of \$350 per ounce, the scoping study 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.

The estimated resources for the REN Project, at cut-off grade of 8.0 grams of gold per tonne, 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 Property Mineral Resources as of December 31, 2008

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

REN joint venture exploration expenditures in 2008 totalled \$0.6 million, all of which was contributed by Centerra, as Barrick did not contribute to the 2008 exploration program. As a result, Barrick's participating interest in the REN joint venture decreased to 36.6% and Centerra's interest increased to 63.4%. The exploration program consisted of property maintenance, data compilation and site reclamation work. No drilling was carried out in 2008.

The 2009 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 2009. 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 2009. The amount by which it may decrease will depend on the expenditures incurred by Centerra in 2009. Barrick may earn back its participating interest only under certain circumstances.

The Company is considering its options for the REN property which include selling or joint venturing its interest in the property.

Additional information about the REN property is contained in the technical report dated June 15, 2004, prepared by Strathcona and available on SEDAR at www.sedar.com.

Other Exploration Properties

Nevada, USA – Tonopah Divide

Centerra entered into an exploration and option agreement with Tonogold Resources, Inc. effective January 1, 2008 under which Centerra has the right to earn a 60% interest in the Tonopah Divide project in Nevada by spending \$2.7 million over five years. Centerra can earn an additional 15% interest by spending a further \$5.0 million over four years. A drill program to test five priority targets, defined by geology, geochemistry, and geophysics was completed in October and November 2008. Overall results from the property are considered favorable and additional drilling is planned for 2009.

Russia – Kara Beldyr

Centerra entered into an option/joint venture agreement with Central Asia Gold AB on September 3, 2008 covering the Kara Beldyr project in the Tyva Republic, Russia. Centerra has the right to earn a 50% interest in the property by spending a total of \$2.5 million over three years after which Centerra has a one-time option to earn an additional 20% interest in the property by spending an additional \$4 million over a further four-year period. The property covers a number of prospects identified by Russian exploration work completed in the 1970s and 1980s. The prospects have not been explored using modern exploration concepts. Under the supervision of Centerra, geochemical and geophysical surveys and limited shallow drilling were completed in 2008. The results have identified two gold-bearing structures which will be tested by drilling in 2009.

Turkey – Artvin

Centerra entered into an option/joint venture agreement with KEFI Minerals plc (“KEFI”) on October 22, 2008 covering the Artvin project in Turkey. Centerra has the right to earn a 50% interest in the property by spending a total of \$3 million over three years after which Centerra has a one-time option to earn an additional 20% interest in the property by spending an additional \$3 million over a further two-year period. Thereafter the Centerra and KEFI shall further fund the exploration and development of the Artvin Property proportionate to their respective interests. The property is located in northeast Turkey and covers a potential gold/copper porphyry prospect. Under the supervision of Centerra, geochemical, geophysical and geological surveys have been completed by KEFI and a five-hole diamond drill program was completed in December 2008. Additional target definition work and drilling are planned for 2009.

Turkey – Arkaca, Elmali and Samli

Centerra entered into an option/joint venture agreement with Eurasian Minerals Inc. (“EMX”) on December 23, 2008 covering the Arkaca, Elmali and Samli properties in Turkey. Centerra has the right to earn a 50% interest in the properties by spending a total of \$5.0 million over four years, in addition to a cash payment of \$1.0 million at the end of the fourth year after which Centerra has a one-time option to earn an additional 20% interest in the properties by spending an additional \$5.0 million over a further two-year period. Thereafter, Centerra and EMX shall further fund the exploration and development of the properties proportionate to their respective interests. The joint venture covers three epithermal gold properties in northwest Turkey, in the West Anatolia region; Arkaca, Elmali and Samli. Drilling is being planned to test targets identified in the Arkaca and Elmali properties in the second quarter of 2009 and further target definition work will be carried out on the Samli property.

DIRECTORS AND OFFICERS

The following tables set out the directors and executive officers of Centerra Gold Inc. as at March 10, 2009. The term of office for each of the directors will expire at the time of Centerra’s next annual shareholders meeting on May 5, 2009. Other than Josef Spross, all directors are expected to stand for re-election. Each of the directors was elected to his or her present term of office by the shareholders of Centerra at the annual meeting of Centerra’s shareholders held on May 7, 2008. As a group, the directors and executive officers of Centerra beneficially own, control or direct, directly or indirectly, or exercise control or direction over 220,300 common shares representing less than 1% of Centerra’s total outstanding common shares.

Executive Officers

<u>Name and Municipality of Residence</u>	<u>Offices Held with Centerra Gold Inc.</u>	<u>Principal Occupation in Past 5 years</u>
STEPHEN A. LANG..... Toronto, Ontario, Canada	President, Chief Executive Officer and Director	President and Chief Executive Officer of Centerra; prior to June 2008, Vice President and Chief Operating Officer of Centerra; prior to December 2007, Executive Vice President and Chief Operating Officer of Stillwater Mining Co.

Name and Municipality of Residence	Offices Held with Centerra Gold Inc.	Principal Occupation in Past 5 years
JEFFREY S. PARR Oakville, Ontario, Canada	Vice President and Chief Financial Officer	Vice President and Chief Financial Officer of Centerra; prior to June 2008, Vice President, Finance of Centerra; prior to August 2006, Chief Financial Officer and Director of Shared Services of Hatch Acres Inc.
RONALD H. COLQUHOUN..... Oakville, Ontario, Canada	Vice President and Chief Operating Officer	Vice President and Chief Operating Officer of Centerra; prior to July 2008, Vice President, Project Development and Engineering of Centerra; prior to October 2005 Vice President, Technical Services of Crystallex International Corporation
IAN ATKINSON..... Toronto, Ontario, Canada	Vice President, Exploration	Vice President, Exploration of Centerra; prior to October 2005, Vice President, Exploration and Strategy of Hecla Mining Company
FRANK H. HERBERT..... Oakville, Ontario, Canada	General Counsel and Corporate Secretary	General Counsel and Corporate Secretary of Centerra
DENNIS C. KWONG..... Toronto, Ontario, Canada	Vice President, Business Development	Vice President, Business Development of Centerra; prior to October 2008, Director, Business Development of Xstrata Nickel; prior to August 2006, Director, Business Development of Falconbridge Limited
JOHN A. ROSS Oakville, Ontario, Canada	Vice President, Human Resources and Administration	Vice President, Human Resources and Administration of Centerra; prior to July 2007, Vice President, Human Resources of Dynatec Corporation; prior to June 2006, Vice President, Human Resources of Barrick Gold Corporation; prior to June 2005, independent human resources consultant
BRUCE V. WALTER Toronto, Ontario, Canada	Vice Chair and Director	Vice Chair of Centerra and Chairman of and Chief Executive Officer of Four Mile Investments Inc.; prior to June 2007, Vice Chair, President and Chief Executive Officer of Dynatec Corporation

Directors

<u>Name and Municipality of Residence</u>	<u>Director Since</u>	<u>Principal Occupation in Past 5 Years</u>
IAN G. AUSTIN..... Vancouver, British Columbia, Canada	April 30, 2004	Corporate Director. President and Chief Executive Officer of Skye Resources from 2003 until 2008.
ALMAZBEK S. DJAKYPOV..... Bishkek, Kyrgyz Republic	October 31, 2005	President of Kyrgyzaltyn JSC, a mining company whose shares are owned by the Government of the Kyrgyz Republic
O. KIM GOHEEN..... Saskatoon, Saskatchewan, Canada	October 28, 2007	Senior Vice President and Chief Financial Officer of Cameco Corporation, a mining company
PATRICK M. JAMES..... Castle Rock, Colorado, USA	April 16, 2004	Corporate Director and Chair of Centerra's board of directors. Since March 2001, Mr. James has been an independent professional corporate director.
STEPHEN A. LANG..... Toronto, Ontario, Canada	June 17, 2008	President and Chief Executive Officer of Centerra; prior to June 2008, Vice President and Chief Operating Officer of Centerra; prior to December 2007, Executive Vice President and Chief Operating Officer of Stillwater Mining Company.
SHERYL K. PRESSLER..... Atlanta, Georgia, USA	May 7, 2008	Corporate Director and an investment and strategy consultant in Atlanta, Georgia.
TERRY V. ROGERS..... McCall, Idaho, USA	February 1, 2003	Corporate Director. Prior to June 2007, Senior Vice-President and Chief Operating Officer of Cameco Corporation.
JOSEF SPROSS..... Saskatoon, Saskatchewan, Canada	April 30, 2004	Corporate Director. President and Past President of Saskatchewan Mining Association from February 2000 to February 2004.
BRUCE V. WALTER..... Toronto, Ontario, Canada	May 7, 2008	Corporate Director and Vice Chair of Centerra and Chairman and Chief Executive Officer of Four Mile Investments Inc.; prior to June 2007, Vice Chair, President and Chief Executive Officer of Dynatec Corporation
ANTHONY J. WEBB..... Victoria, British Columbia, Canada	April 30, 2004	Corporate Director

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 20, 2008, Constellation Copper Corporation's ("Constellation") management requested that relevant securities regulatory authorities put in place a management cease trade order covering all directors, officers and insiders of Constellation 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. Constellation filed for bankruptcy on December 23, 2008 and the Ontario Securities Commission placed an issuer cease trade order to replace the management cease trade order. Mr. Patrick James, Chair of Centerra's board of directors was, during the time the management cease trade order and the issuer cease trade order were in effect, a director and the Chairman, President and Chief Executive Officer of Constellation.

Except as noted below, 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.

Patrick James was a director, Chairman, President and Chief Executive Officer of Constellation when it filed an assignment of bankruptcy under the *Canadian Bankruptcy and Insolvency Act* on December 23, 2008. Constellation was a copper exploration and production company that developed a heap leach copper mine in Lisbon Valley, Utah that failed to perform as expected. The company had unsuccessfully worked to reach financing, merger or sales agreements with various corporations and became unable to meet its ongoing obligations.

Committees

The following table sets out the members of each of the committees of Centerra Gold Inc.'s board of directors as at March 10, 2009:

Audit Committee

Ian G. Austin (Chair)
Patrick M. James
Sheryl K. Pressler

Safety, Health and Environmental Committee

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

Nominating and Corporate Governance Committee

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

Reserves Committee

Terry V. Rogers (Chair)
Almazbek S. Djakypov
Josef Spross
Anthony J. Webb

Human Resources and Compensation Committee

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

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 Gold Inc.'s board of directors 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 Gold Inc.'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 Gold Inc.'s 2009 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.

Composition of the Audit Committee

On December 31, 2008, the Audit Committee was comprised of Ian G. Austin (Chair), Patrick M. James and Sheryl Pressler. 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. The following is a description of each of the Audit Committee's members' relevant education and experience:

Patrick M. James, Chair and Director, has more than 35 years of experience in the mining industry. He was appointed a director of Centerra in June, 2004, and has served as the Chair of the board since that time. Since March 2001, Mr. James has been an independent professional corporate director. Mr. James was the President and Chief Executive Officer of Rio Algom Limited from June 1997 to March 2001. Prior to joining Rio Algom Limited, Mr. James spent 18 years with Santa Fe Pacific Gold Corporation, becoming President and Chief Operating Officer in 1994 and Chairman, President and Chief Executive Officer in 1995. Mr. James was a director of Dynatec Corporation, a Canadian nickel mining company from 2001 until its sale in 2007. He was Chairman and director of Constellation Copper Corporation, a Canadian base metal mining company from 2002 to 2008, and also President and Chief Executive Officer from 2007 to 2008. He served on the advisory board for Resource Capital Funds III and IV, mining investment funds from 2005 to 2008. He is now Lead Independent Director of Stillwater Mining Company, a palladium and platinum producer in Montana. He received a Masters of Management from the University of New Mexico in 1984, and an Engineer of Mines from Colorado School of Mines in 1968

Ian G. Austin, Director, served as President and Chief Executive Officer of Skye Resources Inc. from 2003 to 2008. 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.

Sheryl K. Pressler, Director, is currently an investment and strategy consultant in Atlanta, Georgia. From 2000 to 2001, she served as Chief Executive Officer of Lend Lease Real Estate Investments-United States. From 1994 to 2000, she served as Chief Investment Officer of California Public Employees' Retirement System. Prior thereto, she was responsible for the investment management of the retirement funds for the McDonnell Douglas Corporation. Ms. Pressler received a Bachelor of Arts degree from Webster University and a Master of Business Administration degree from Washington University. Ms. Pressler currently serves on the board of directors of Stillwater Mining Company (and is chair of the audit committee of Stillwater) and ING Mutual Funds. She also serves on several advisory and not-for-profit boards.

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, 2007 and December 31, 2008 are set out below.

	<u>2008</u> (US\$)	<u>2007</u> (US\$)
Audit Fees.....	851,000	694,000
Audit Related Fees ⁽¹⁾	116,000	118,000
Tax Fees ⁽²⁾	13,000	21,000
All Other Fees ⁽³⁾	<u>5,000</u>	<u>13,000</u>
Total.....	985,000	846,000

(1) Audit Related Fees in 2008 comprise amounts billed for accounting for potential corporate transactions.

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

(3) All Other Fees comprise amounts billed for staff training.

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 the Board 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 the Board. 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, 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, 2008 and March 10, 2009, 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: (1) they will be non-voting; and (2) 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. The Board 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 the 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 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.

ESCROWED SECURITIES

For a period of five years following the date of the closing of the Kumtor restructuring on June 22, 2004, 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% 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 the Board. 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 10, 2009, Kyrgyzaltyn had 33,869,151 common shares held in escrow, representing 15.7% of the common shares issued and outstanding.

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 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. Accordingly, there continues to be a risk of future political instability.

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. On June 17, 2008, the Bishkek Inter District Court issued an order invalidating the Company's Southwest and Sarytor mining licenses and exploration license in the Kyrgyz Republic. Consequently, Centerra has ceased operations and development and exploration activities on the affected areas. See "Legal Proceedings". While the order is under appeal by Centerra, and although Centerra believes that its current negotiations with the Kyrgyz Republic are reasonably likely to lead to the reinstatement of the licenses, there can be no assurance that operations and development and exploration activities on the licenses will resume.

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.

As the largest foreign investment enterprise in the Kyrgyz Republic, the Kumtor project continues to be the subject of significant political debate. 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 twice. Initially, arbitration was suspended in the summer of 2007 pending completion of the Agreement on New Terms entered into between Centerra, Cameco and the Government in August 2007. The arbitration was reactivated on June 2, 2008, after the Agreement on New Terms had not been ratified by the Parliament of the Kyrgyz Republic within the time frame agreed by the parties. The arbitration proceedings were suspended again in September 2008 to allow for the continuation of discussions among Centerra, Cameco and the Government regarding outstanding issues related to the Kumtor project. If these disputes are not resolved to the mutual satisfaction of the various parties to the disputes, the political risks faced by Centerra will increase.

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. 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. 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.

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 plans. 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.

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. The Mongolian Parliament has also passed a new law that imposes a windfall profits tax of 68% when gold prices are in excess of \$850 per ounce. 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 a stability agreement in place 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. Accordingly, Centerra has suspended further development of the property pending the completion of negotiations with the Government. See "Centerra's Properties — Material 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 is a party to legal disputes

Centerra and its Kumtor mine are subject to 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. See "Legal Proceedings".

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 orebodies 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 orebody 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 orebodies 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 orebody; 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.

While Centerra takes measures to mitigate the foregoing risks and hazards, there is no assurance that these 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.

In February of 2008, the Kumtor ball mill girth gear had a mechanical failure. Two teeth failed which required them to be removed and then replaced by an expert welding contractor. The mill grinding circuit was altered to bypass the ball mill for a four-week period. The milling operation functioned on a reduced feed rate through the SAG mill but with high grade material from the pit, thereby attaining 90% of the planned production. The girth gear will be replaced in the third quarter of 2009 during a planned maintenance period. There is a risk that the repaired girth gear could fail prior to the delivery and replacement of the girth gear, which would have an adverse impact on production. The inability to complete a fully effective ball mill girth gear replacement may have an adverse impact on Centerra's production, future cash flows, earnings, results of operations and financial condition.

The Kumtor tailings dam design has been approved by the Kyrgyz authorities to elevation 3,670 metres and is sufficient to contain all the tailings generated in the current life-of-mine. The tailings dam crest is currently at elevation 3,661 metres. The next tailings dam raising is scheduled for 2010 which will raise the elevation of the tailings dam to 3,664 metres. Kumtor is required to obtain additional permits in connection with the raising and the operation of the tailings facility. If all necessary permits and authorizations are not obtained, delays in, or interruptions or cessation of Centerra's production from Kumtor may occur.

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.

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 Mongolian National Arbitration Court ("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 believed that Gatsuurt LLC's position was without merit. CGM challenged the MNAC's jurisdiction and the independence and impartiality of the Gatsuurt LLC nominee to the arbitration panel. Centerra and Gatsuurt LLC have reached an agreement to terminate arbitration proceedings. Further to that agreement CGM paid \$1.5 million to Gatsuurt LLC. On signing of a definitive agreement, but subject to CFM having entered into an Investment Agreement with the Government of Mongolia in respect of the development of the Gatsuurt project, CGM will make a further non-refundable payment to Gatsuurt LLC in the amount of \$1.5 million. Final settlement with Gatsuurt LLC is subject to the negotiation and signing of a definitive settlement agreement.

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 — Material Properties — Kumtor Mine — Environmental — 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 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 negotiations. See “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, 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.

Current Global Financial Condition

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing and bank credit has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These and other factors may affect Centerra’s ability to obtain equity or debt financing in the future on favourable terms. Additionally, these factors, as well as other related factors, may cause decreases in Centerra’s asset values that may be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, or if more extensive disruptions of the global financial markets occur, Centerra’s operations could be adversely impacted and the trading price of Centerra’s common shares may be adversely affected.

Currency Fluctuations

Centerra’s earnings and cash flow may also be affected by fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Kyrgyz som, the Mongolian tugrik, the Canadian dollar and the Euro. Centerra’s consolidated financial statements are expressed in US dollars. Its sales of gold are denominated in U.S. dollars, while production costs and corporate administration costs are, in part, denominated in Kyrgyz soms, Mongolian tugriks and Canadian dollars.

Fluctuations in exchange rates between the U.S. dollar and other currencies may give rise to foreign exchange currency exposures, both favourable and unfavourable, which have materially impacted and in the future may materially impact Centerra’s future financial results. Although Centerra from time to time enters into short-term forward contracts to purchase Canadian dollars, Centerra does not utilize a hedging program to limit the adverse effects of foreign exchange rate

fluctuations. In the case of the Kyrgyz som and the Mongolian tugrik, Centerra cannot hedge currency exchange risk because such currencies are not freely traded.

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 is a joint venture partner of each of Tonogold Resources, Inc., Central Asia Gold AB, KEFI Minerals plc and Eurasian Minerals Inc., 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 Corporation, which is in a position to affect Centerra's governance and operations

For as long as Cameco Corporation 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 Corporation 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 Corporation 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 Corporation, 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 2008. All prices listed below are in Canadian dollars.

	High \$	Low \$	Volume of Shares Traded
January	15.40	12.13	5,803,507
February	16.08	13.35	5,014,978
March	15.47	11.12	9,831,064
April	13.47	8.50	4,227,520
May	10.57	8.05	4,806,911
June	9.35	3.85	7,096,818
July	5.95	4.02	8,800,312
August	5.40	3.65	4,385,778
September	4.65	3.05	8,590,019
October	4.05	0.90	8,377,821
November	2.65	0.93	13,632,757
December	4.79	1.55	7,979,254

LEGAL PROCEEDINGS

The following is a description 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.

Kumtor Related 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 "Material Contracts — Investment Agreement") 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.

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 the first quarter of 2007, Cameco and Centerra entered into negotiations with representatives of the Government of the Kyrgyz Republic 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 Government, 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 Centerra'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 Centerra 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 was suspended in the summer of 2007 pending completion of the Agreement on New Terms entered into between Centerra, Cameco and the Government in August 2007.

In 2008, a Vice-Speaker of the Kyrgyz Parliament, K.S. Isabekov, filed two lawsuits against the Government of the Kyrgyz Republic seeking to invalidate certain decrees, agreements and licenses pursuant to which the Kumtor mine is operated. Although Centerra and its subsidiary, KGC, the owner of the project, were not parties to those lawsuits, and despite their objections to the court's jurisdiction on the basis of the Investment Agreement's arbitration clause and the ongoing international arbitration, they were ordered to appear as third parties by the Kyrgyz court.

The Vice-Speaker's lawsuits sought to annul: (i) the Government's decree (the "2003 Decree") approving the December 31, 2003 agreements implementing the restructuring of the Kumtor project; (ii) the 2003 agreements giving effect to the restructuring, including the Investment Agreement and the Concession Agreement providing for Kumtor's right to explore and develop the main Kumtor deposit within the Kumtor concession; (iii) the exploration license covering all of the Kumtor deposits; (iv) the mining license covering the Southwest Zone; (v) the mining license covering the Sarytor area; (vi) the Government's decree approving the 1993 Concession Agreement (superceded by the 2003 Concession Agreement); and (vii) the 1993 Concession Agreement itself. The Vice-Speaker argued that the 2003 agreements and 1993 Concession Agreement required Parliamentary approval to be effective and that as no such approval was obtained, such agreements are void. He also argued that the licenses were invalid because they were granted without a competition having been held and pursuant to agreements that are themselves invalid for lack of Parliamentary ratification.

On May 12, 2008, the Supreme Court of the Kyrgyz Republic, pending resolutions of the claims before the lower courts, issued an order suspending: the 2003 Decree; the 2003 Concession Agreement; and the mining and exploration licenses. On June 17, 2008, the Bishkek Inter District Court issued an order invalidating the Southwest and Sarytor mining and Kumtor exploration licenses. Acting on these orders, the State Agency on Geology and Mineral Resources Management notified Kumtor that as issues relating to the 2003 Decree and the Concession Agreement are regulated by "international legislation", operations within the concession area as well as work on the underground decline (to further develop the SB zone) should be continued but that operations on the licenses should be stopped. In response to the notice, KGC halted activity on the mining and exploration licenses and suspended development of the Sarytor deposit. All Kumtor mining operations take place in the concession area and have continued uninterrupted.

Having been joined involuntarily as third parties, KGC and Centerra defended the validity of the decrees agreements and licenses relating to Kumtor in the Kyrgyz court actions on procedural and substantive grounds. At the same time, KGC and Centerra maintained their position that the Investment Agreement's arbitration clause confers exclusive jurisdiction over questions surrounding the validity of the agreements and licensees on the international arbitration tribunal.

After reactivating the international arbitration proceedings on June 2, 2008, Centerra and KGC, on June 13, 2008, added claims based on the Vice-Speaker's lawsuits and their consequences. At the initial conference on June 23, 2008, Centerra filed an application for interim relief in the arbitration, requesting that all parties to the arbitration be directed to maintain the *status quo* and treat the licenses, agreements and decrees at issue in the Kyrgyz Republic as valid and enforceable. The Kyrgyz Republic has taken the position in its response to such application that, among other things, the 2003 Investment Agreement required but did not receive Parliamentary approval and therefore is not in effect.

On August 26, 2008, the Bishkek Inter-District Court of the Kyrgyz Republic dismissed the Vice Speaker's lawsuit relating to the Government decrees and the 2003 Kumtor agreements. On December 24, 2008, the Supreme Court of the Kyrgyz Republic upheld the dismissal of the Vice Speaker's lawsuit. Centerra cautions that the court's ruling does not resolve the principal matters at issue between Centerra and the Kyrgyz Republic. As well, the ruling had no effect on the previously reported court decision (June 17, 2008) to invalidate the Kumtor exploration licences and the Southwest and Sarytor mining licenses. The dismissal is under appeal by the Vice-Speaker.

In January 2009, the Vice-Speaker filed a further lawsuit against the Government seeking to invalidate the 2003 Decree. Although not parties to the lawsuit, Centerra, Cameco and KGC have been ordered to appear as third parties by the Kyrgyz court, the Company does not believe there is any basis for this claim.

Centerra continues to hold discussions with Cameco and a Kyrgyz Government working group responsible for the negotiations in respect of Kumtor. To allow for such discussions to continue and for the parties to concentrate on resolving outstanding issues related to the project, Centerra agreed to suspend the international arbitration proceedings initiated by the Company, which had been previously postponed to September 29, 2008.

In 2008, Kumtor was made the subject of several new tax assessments and other proceedings in the Kyrgyz Republic. These include an investigation by the Kyrgyz Republic financial police into alleged tax evasion in relation to the grant of tax exemptions pursuant to the Investment Agreement governing the Kumtor project and an audit by the state tax inspectorate to determine the amount of taxes that Kumtor would have owed for the years 2005 to 2008 had the Investment Agreement and the Concession Agreement relating to the project not been in effect. The financial police requested, and were provided by Kumtor with, information and documents relating to the project and have interviewed senior Kumtor personnel. Kumtor also received assessments from tax authorities relating to value-added taxes, land taxes and customs duties alleged to be owed by Kumtor. Kumtor is continuing to cooperate with the relevant authorities and continues to pay all taxes in accordance with applicable laws and the Investment Agreement and believes that there is no basis for these investigations or assessments.

Gatsuurt Related Proceedings

On December 6, 2006, Gatsuurt LLC commenced arbitration before the MNAC alleging non-compliance by CGM in relation to its obligations under the Gatsuurt Agreement 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. 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 terminated.

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:

Investment Agreement

As part of a restructuring of the ownership of Kumtor, 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. See also "Centerra's Properties – Material Properties – Kumtor Mine".

Centerra Shareholders Agreement

Also in connection with the restructuring of the ownership of Kumtor, 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 as is proportionate to Cameco Gold’s common shareholding percentage.

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.

Administrative Services Agreement

Centerra entered into a services agreement with Cameco (the “Administrative Services Agreement”) on April 1, 2004 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.

No services were provided to Centerra in 2008.

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.

Insurance Risk Rights Plan Agreement

See the description under “Description of Share Capital – Political Risk Insurance Rights Plan”.

Amended and Restated Concession Agreement

See description under “Centerra’s Properties – Material Properties – Kumtor – Property, Description and Location”.

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, 2008.

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.

INTERESTS OF EXPERTS

As of March 10, 2009 each of the designated professionals of Biomin, Roscoe Postle, SNC-Lavalin, SRK Canada, Strathcona and Ian Atkinson, Henrik Thalenhorst, Iain Bruce, Dan Redmond, Graham Farquharson, James W. Hendry, P.Eng., William E. Roscoe, and David A. Ross beneficially owned, directly or indirectly, less than 1% 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.

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.

Additional financial information can be found in Centerra’s financial statements and Management’s Discussion and Analysis for the year ended December 31, 2008, which are filed on SEDAR at 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:

alluvial	Relating to deposits made by flowing water, washed away from one place and deposited in another.
assay	An analysis to determine the presence, absence or concentration of one or more chemical components.
atomic absorption (“AA”)	An analytical technique for measuring the concentration of metallic elements.
ball mill	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.
belt	An area characterized by a particular assemblage of mineral deposits, or by one or more characteristic types of mineralization.
bench	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.
BIOX[®]	A bio-oxidation process patented by Biomin to oxidize refractory ores using bacteria. The BIOX [®] 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.
blast hole	A hole drilled for the purpose of inserting an explosive charge in a material to be blasted.
block model	A model that utilizes a three-dimensional block grid of a fixed or variable size to estimate in-situ resources and reserves.
breccia	Rock consisting of fragments, more or less angular, in a matrix of finer-grained or cementing material.
capping	Individual assays above this assay grade value are limited to prior grade interpolation. Also referred to as high-grade top cutting.
carbon-in-leach (“CIL”)	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.
circuits	Facilities for removing valuable minerals from ore so that it can be processed and sold.
colluvium	A loose deposit of rock debris accumulated through the action of gravity at the base of a cliff or slope.
concentrate	A product containing valuable metal from which most of the waste material in the ore has been eliminated.
concession	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.
cut-off grade	The minimum metal grade at which a tonne of rock can be economically mined and processed.

cuttings	The particles of rock produced in a borehole by the abrasive or percussive action of a drill bit.
cyanidation	A method of extracting gold or silver by dissolving it in a weak solution of sodium cyanide.
cyclone	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”).
deposit	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 orebody or as containing mineral reserves until final legal, technical and economic factors have been resolved.
depressurization	The mechanical process of lowering or removing hydraulic water pressure from a geological structure or unit without the complete removal of the contained water.
dewatering	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.
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.
g/t	Grams per tonne.
geotechnical drilling	Drilling for the purpose of collecting information to be used in rock stability analyses.
grade	The amount of mineral in each tonne of ore.
gravimetric	Of or relating to measurement by weight.
gravity concentration	The separation of grains of minerals using a concentration method based on the different densities of those minerals.
host rock	The body of rock in which mineralization of economic interest occurs.
hydrothermal alteration	Alteration of rocks or minerals by the reaction of hydrothermal water with pre-existing solid phases.
igneous	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.
in-fill drilling	Drilling within a defined mineralized area to improve the definition of the known mineralization.
intrusive	Rock which, while molten, penetrated into or between other rocks but solidified before reaching the surface.
induced polarization (“IP”) survey	An electrical geophysical survey method used to aid in geological mapping and the identification of potential mineralized zones containing sulphide minerals.
kaolinization	The formation of the mineral kaolin as a result of weathering or hydrothermal alteration.
kriging	A commonly used method to compute resources using a weighted moving average to interpolate values (grades) from a sample data set onto a grid.
lattice	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.
leach	To extract minerals or metals from ore with chemicals.
lens	A body of ore or rock that is thick in the middle and converges toward the edges, resembling a convex lens.
loess	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.
lost core	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.
matrix	The non-valuable minerals in an ore.
mesothermal	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.
metasediment	A sediment or sedimentary rock that shows evidence of having been changed in form or structure by heat and pressure.

micron	Former term for “micrometer,” meaning a unit of length equal to one-millionth of a metre.
mill	A processing facility where ore is finely ground and thereafter undergoes physical or chemical treatment to extract the valuable metals.
mineral reserves	<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>
mineral resources	<p><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.</p> <p><i>Measured mineral resources:</i> 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.</p> <p><i>Indicated mineral resources:</i> 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.</p> <p><i>Inferred mineral resources:</i> 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.</p>

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.
pit design	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.
pit shell	A non-engineered open pit contour surface produced by optimization software at a particular gold price, without consideration to equipment access and mining plans.
placer	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.
preg-robbing	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”.
pulp	A mixture of ground ore and water capable of flowing through suitably graded channels as a fluid.
pyrite	An iron sulfide mineral, normally of little value and sometimes referred to as “fool’s gold”.
recovery	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.
refractory material	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.
reserves	Means mineral reserves.
resources	Means mineral resources.
reverse circulation (“RC”)	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”.
roasting	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.
schist	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.
sedimentary rocks	Secondary rocks, such as lime, shale and sandstone, formed from material derived from other rocks.

semi-autogenous (“SAG”) grinding	A method of grinding rock into fine sand, in which the grinding media consist of larger chunks of rock and steel balls.
shear key	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.
shearing	Deformation resulting from stresses that cause, or tend to cause, contiguous parts of a body to slide relative to each other.
sinistral	A fault on which the displacement is such that the side opposite the observer appears displaced to the left.
slurry	A suspension of fine solid particles in a liquid, not thick enough to consolidate as a sludge.
stockwork	A mineral deposit consisting of a three-dimensional network of planar or irregular veinlets closely enough spaced that the whole mass can be mined.
strike	The horizontal direction or trend of a geologic structure.
strike-slip fault	A fault on which the movement is parallel to the fault’s strike.
strip (or stripping) ratio	The tonnage or volume of waste material that must be removed to allow the mining of one tonne of ore in an open pit.
tailings	The material that remains after recoverable metals or minerals of economic interest have been removed from ore through milling.
tailings dam	A natural or man-made confined area suitable for depositing tailings.
tellurides	Ores of the precious metals (chiefly gold) containing tellurium, a semi-metallic, trigonal mineral.
terrane-bounding	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.
thrust	An overriding movement of one crustal unit over another.
unpatented mining claim	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.
vein	A sheet-like body of minerals formed by fracture filling or replacement of host rock.
waste	Barren rock in a mine, or mineralized material that is too low in grade to be mined and milled at a profit.

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.