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CG.TO - Centerra Gold Inc Annual Shareholders Meeting

EVENT DATE/TIME: MAY 01, 2020 / 3:00PM GMT



MAY 01, 2020 / 3:00PM, CG.TO - Centerra Gold Inc Annual Shareholders Meeting

CORPORATE PARTICIPANTS

Michael S. Parrett *Centerra Gold Inc. - Independent Chair of the Board*

Scott Graeme Perry *Centerra Gold Inc. - President, CEO & Director*

PRESENTATION

Michael S. Parrett - *Centerra Gold Inc. - Independent Chair of the Board*

Good morning, ladies and gentlemen. I am Michael Parrett, Chairman of the Centerra Board of Directors. And on behalf of the Board, I would like to welcome you to this Annual Meeting of Shareholders of Centerra Gold Inc. I am here with Centerra's President and CEO, Mr. Scott Perry; and our General Counsel and Corporate Secretary, Mr. Yousef Rehman. Also participating on this virtual meeting are the members of the current board and members of management of Centerra.

As you can see, this meeting is being held virtually, out of an abundance of caution given the unprecedented public health impact of COVID-19. The health and safety of our communities, shareholders, employees and other stakeholders is of paramount importance to us. We are disappointed that we can't see everyone today, but we hope that you are all keeping safe and healthy.

A few housekeeping matters to go through before we commence the business at hand. First of all, all microphones are automatically on mute, but questions by shareholders and proxy holders can be submitted to myself and Scott via the Lumi chat option. Please note that there will be a slight delay in the publication of the communications received. Secondly, questions will generally only be addressed during the period at the end of the meeting. However, questions regarding procedural matters or directly related to the specific motions may be addressed during the meeting. Depending on the number of questions received, we may not be able to address them all. Nonetheless, we always appreciate comments and feedback from our shareholders, and encourage you to reach out to our Investor Relations department with any questions that may not have been addressed today. Question or comments containing inappropriate language, hostilities or otherwise disruptive to the orderly conduct of the meeting will not be published or answered. And questions or comments which have already been answered or are redundant will not be published or answered.

We will conduct the votes on all matters before us today by a single electronic ballot. The electronic ballot is now available on your screen, and it will remain open for all items of business. This will allow you to choose to vote on each resolution immediately or wait to vote until all the items of business are presented. Once all items of business are brought before the meeting, shareholders and proxy holders will have approximately 2 minutes to complete the electronic ballot. I will then announce that the balloting has closed and direct the scrutineers to tabulate and report on the voting results for each matter. If we encounter any technical difficulties with the webcast, please remain logged on, and we will resume as soon as practical.

Lastly, to expedite the formal parts of the meeting, I will move all motions. No such motions will need to be seconded.

We will now proceed with the formal part of the meeting, which is to conduct the business set forth in the notice dated March 24, 2020, and sent to shareholders.

On April 8, 2020, Notice of the Meeting and the Management Information Circular, the Form of Proxy, the Annual Report containing the financial statements and the auditor's report thereon were mailed to all shareholders entitled to receive notice. The Secretary has an affidavit from AST Trust Company, Centerra's registrar and transfer agent, attesting to the mailing of the notice of this meeting. Unless there are any objections, I propose that we take the Notice of Meeting as having been read.

In accordance with the bylaws of the company, I will act as Chair of this meeting. Yousef Rehman, General Counsel and Corporate Secretary of Centerra, will act as Secretary. And with the consent of the meeting, AST Trust Company, by its representatives, will act as Scrutineer.

I've been advised by the Secretary that based upon the Scrutineers' report on attendance, we have a quorum for the meeting.

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I now declare that this Annual Meeting of Shareholders is duly constituted for the transaction of business. There are 2 matters to deal with as part of the formal business of the meeting: first, the election of directors; and second, the appointment of auditors.

Following this, Centerra's President and CEO, Scott Perry, will provide an update on Centerra's activities. After which, we would be happy to respond to any questions.

I have the minutes from last year's meeting of shareholders held on May 1, 2019. Unless there are any objections, I propose that we dispense with the reading of the minutes.

The company has mailed out its annual report and consolidated financial statements for the year ended December 31, 2019, and the auditor's report thereon. If any shareholders or proxy holder has any questions on them, I would ask them to submit them, and they will be dealt with later during the general question period following management's presentation.

It is now in order to proceed with the election of directors. The Board of Directors has determined that the number of directors to be elected at the meeting is 11. All of the directors proposed for nomination in the management information circular mailed to the shareholders in connection with this meeting have agreed to stand for election. The company has adopted an advanced notice bylaw, which requires that any director nomination be received by the company in advance of this meeting.

As no such nominations have been received, I move to nominate the following individuals set out in the management information circular for election to the Centerra Board: Richard Connor; Dushen Kasenov; Maksat Kobonbaev; Askar Oskombaev; Jacques Perron; Scott Perry; Sheryl Pressler; Bruce Walter; Paul Wright, Susan Yurkovich; and myself, Michael Parrett.

I declare nomination closed and move a motion to elect each of these 11 nominees as directors of the company. For those shareholders and proxy holders who have properly registered for today's meeting, you may vote for or withhold in respect of each individual Director nominee now or wait until all items of business are presented.

As voting today is being conducted by a single ballot, we will continue with the next item of business, which is the appointment of the auditors and the authorization of the directors to fix their remuneration. I move a motion to approve the appointment of KPMG LLP as the auditors of the company for the ensuing year and to authorize the directors of the company to fix the remuneration to be paid to the auditors.

This concludes the items of business to be considered at today's meeting. We will now provide registered shareholders and proxy holders approximately 2 minutes to complete the electronic ballot. If you have not already done so, please indicate your vote on the electronic ballot by pressing the For or Withhold buttons next to the resolution electing each individual director nominee and the appointment of KPMG LLP as auditors of the company. Once electronic balloting closes, the voting page will disappear and your ballots will automatically be submitted. The Scrutineers will then compile and report on the results of the voting on all items of business.

While we give our shareholders and proxy holders some time to complete their voting, I want to recognize one of our departing directors, Mr. Stephen Lang, who is not standing for reelection this year. Steve has been involved with Centerra for over 12 years in various capacities. He first started at Centerra as Vice President and Chief Operating Officer, starting back in 2007. He was promoted to President and Chief Executive Officer in June 2008 and held that position until his retirement early in 2012. Steve has been a member of the Board since 2008 and held the position of Board Chair from May 2012 to 2019. Centerra has benefited tremendously from his knowledge and expertise over the years, and he will be -- and his sage advice and collegiality will be missed at our Board.

Steve, on behalf of the Board and the management, and most importantly, our shareholders, we thank you for your many years of service to Centerra.

Now there will be a few more minutes. I think maybe some elevator music, and we'll be back in a minute.

(Voting)



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Michael S. Parrett - Centerra Gold Inc. - Independent Chair of the Board

Would you -- now? Okay. Thank you. Balloting is now closed. The Scrutineers will now tabulate the voting results.

While they do this, I would like to introduce Mr. Scott Perry, Centerra's President and Chief Executive Officer, who will present the company's financial performance for 2019. Over to you, Scott.

Scott Graeme Perry - Centerra Gold Inc. - President, CEO & Director

Okay. Thank you, Mike, and good morning, ladies and gentlemen, and thanks for joining in and attending our virtual Annual Meeting of Shareholders.

I'm just referencing the slide presentation deck, and I'm just on Slide #10.

2019, the first bullet point here on the top left, was a strong production year. You can see that we achieved company-wide gold production of 783,000 ounces, at a competitive low all-in sustaining cost of \$708 per ounce. Twice during the year, just given our strong operating momentum, we favorably increased our gold production guidance outlook for the calendar year. And as at the end of the year, we actually delivered in excess of that company-wide guidance. So it was a very good performance during the year in terms of the operations.

One of the highlights was the advanced -- the advancement of the construction of our Öksüt mine in Turkey. The project, as we speak today, is now transitioning to operations. And most recently, we achieved our first gold pour on January 31.

In terms of the third bullet point here. With Öksüt now contributing to our company-wide gold production levels, we're increasingly looking to showcase a portfolio of 3 high-quality, low-cost operating gold mines. Underpinning our guidance for this year 2020, you can see that we're now looking to produce up to 820,000 ounces of gold at an all-in sustaining cost as low as \$820 per ounce. Referencing the current gold price environment, this makes for a strong level of profit margin and should -- in terms of meaningful free cash flow, if I can take your line of sight to the chart in the top right-hand corner, you can see that our business, in terms of our profitability and our free cash flow generation potential, the business has been performing well.

Looking to the 2019 actual results, which is actually illustrated in this waterfall chart, you can see that Kumtor and Mount Milligan in aggregate, which is illustrated by the green column, in 2019, these 2 operations generated some \$329 million of positive free cash flow.

The red columns illustrate how we deployed our cash during the year. And if you look at the first 3 red columns, you can see that we were significantly paying down a lot of the debt in terms of retiring some of our key debt facilities. We retired some \$111 million of debt.

The second red column is associated with the strategic agreement that Centerra entered into with the government of Kyrgyzstan and the associated settlement expense of USD 63 million. The third decrement there, we funded \$87 million worth of construction expenditures at Öksüt during the year. As I mentioned earlier, Öksüt is now transitioning into operations. So when I look at this waterfall chart and envision how this is going to -- what this profile will look like in 2020, I would note that some of these items will not -- will be nonrecurring items. So again, I think the business, in terms of its profitability potential, its cash flow generation potential, I think the business is positioned well as we come here -- as we progress here in 2020.

Just moving on to the next slide, on Slide 11, just in terms of Centerra's environmental, social governance profile. Just a few bullet points here that I'd like to highlight.

The first bullet point, on safety. Obviously, this is absolutely paramount. Our vision and our commitment is we're striving to demonstrate an environment of 0 harm. Unfortunately, our performance and progress has been overshadowed by 2 tragic events that recently took place at Kumtor, that very unfortunately resulted in the loss of 3 of our operators. Myself and the management team have done a lot of investigations and have developed action plan initiatives that are underway to greatly improve our safety performance and to eliminate fatalities from -- within our business.

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In terms of our social license to operate, you can see here in the second bullet point, as at the end of the year, we had established a consecutive -- a track record of 78 months of no business interruptions.

In terms of the third bullet point, as it should be during the year 2019, we had no reportable environmental incidents.

In terms of other key highlights, I'd just highlight the fifth bullet point. Plans are well underway in terms of developing a diversity and inclusion strategy for Centerra in 2020, and this will also include unconscious bias training.

And then lastly, just in terms of the last bullet point, Centerra is a member of the World Gold Council, and we are a signatory to the World Gold Council's Responsible Gold Mining principles that were rolled out in late 2019. We at Centerra are now rolling these out at all of our operations and looking to ensure compliance and conformity with these initiatives moving forward.

Just moving on to Slide 12, just in terms of some of the key financial highlights.

The waterfall chart here on the top left, I've already spoken to that on my opening slide. But just again, that strong level of positive free cash flow that you see from Kumtor and Mount Milligan, if you then look at the chart in the bottom left-hand corner, you can see that over time here, we've been increasingly transitioning our balance sheet, from a positive net debt position into a positive net cash position. Just today, we reported our Q1 financial results. And with those results, in terms of our balance sheet, the company has now transitioned to a positive net cash position of some USD 58 million.

The chart on the top right just talks to our treasury profile. In terms of our liquidity, I think we have a robust liquidity profile that allows us to advocate that in terms of our business plans moving forward, we do have an internally funded business plan.

Just moving on to the next slide on Slide 13. This slide, just looking to -- with this slide, we're just looking to illustrate our operating results in terms of our gold production profile and our all-in sustaining cost profile. And year-over-year, we're just illustrating how the actual result compared to the original midpoint of our guidance. And I think what it shows is in terms of delivering on a company-wide basis against our original guidance. I guess also importantly, just in terms of how we plan our business activities moving forward. I think it does speak to the underlying operations in terms of the management team having an appropriate level of confidence in terms of our ability to operate in a consistent, reliable, sustainable manner.

Just moving on to the next slide on Slide 14. What we're illustrating here is the world industry cost curve, referencing the all-in sustaining cost metric. And what we've illustrated is where each of Centerra's assets are located on that broader water industry cost curve. And then you can see Centerra gold in bold format, this corresponds to our guidance at \$870 per ounce. So obviously, our objective is to definitely be in the sort of lower cost quartiles. With regards to this chart, I think that always positions us well just in terms of our future profitability and our -- and likewise, our ability to generate meaningful free cash flow regardless of where we are in the prevailing gold price environment.

I'd just highlight Öksüt. You can see Öksüt has the potential to be our lowest cost asset in the portfolio. Öksüt is just transitioning into operations as we speak. But as we move forward here over the course of 2020, I think you'll see progressive increases in Öksüt's gold production profile. And just in terms of that growing denominator, I would expect to see lower unitary costs. But key takeaway, I think, is Öksüt's going to be our third operating gold mine and has the potential to very favorably complement our existing cost profile.

Likewise, the other 2 assets in the far left are our 2 Canadian domiciled potential for organic growth opportunities within the company. And likewise, you can see in terms of their feasibility, all-in sustaining cost profile, they too have the ability to favorably complement what I believe is already an existing low-cost structure at Centerra.

Just moving on to the next slide on Slide 15. Slide 15 is a busy slide. There's a number of bullet points here. I just want to talk to 3 or 4 of these business points.

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I've spoken to safety previously, so I'll just talk to the recent COVID-19 or the coronavirus. Centerra continues to prioritize the health, safety and well-being of all our employees, contractors, communities and other stakeholders during this current outbreak of COVID-19. And we're taking all steps possible to minimize the effect of the pandemic on our business. To date, the COVID-19 pandemic has not resulted in any material impact on Centerra's operations, and the current -- the company currently does not expect that it will impact its 2020 production. However, the potential effects of COVID-19 are unpredictable, and the company continues to monitor the situation at each of its sites and to take the necessary steps to prevent or minimize any effects that the pandemic may have.

The third bullet point here is just with regards to our outlook for 2020. And so again, just referencing the midpoint. We are guiding for another consistent strong year of gold production levels of some 780,000 ounces. And again, I'm excited to see Öksüt contributing to this level of gold output.

That's referenced, I guess, in the first -- the fourth bullet point here. We did achieve first gold pour on January 31. So as I've mentioned, we are now transitioning increasingly into operations. The project is now at 95% completion, a commendable achievement that we're very proud of. Our team in Turkey just recently achieved 1 year of lost time incident-free operations.

Last bullet point on reference is the third bullet point up from the bottom. We continued to significantly invest in exploration, particularly brownfield exploration. At Kumtor, we have had some very meaningful success, and we announced that with our year-end reserves and resources, whereby our mineral -- our measured and indicated resources at Kumtor have increased by some 3.3 million ounces. We believe this is a significant opportunity for Kumtor. What we're now working on is looking to publish a new 43-101 life of mine technical report for Kumtor. We're hoping to have that published in the second half of this year. And with that study, we do see potential to convert a large amount of this measured and indicated resource increase so to convert a large amount of that into reserve category, and that should position us well in terms of demonstrating an expanded open pit life at Kumtor.

Let's move on to the next slide on Slide 16. What we've included here is just some images of the construction, the progress, just in terms of our installations, our infrastructure at Öksüt. As I mentioned on the previous slide, the project is now in order. We've poured some just under 4,500 ounces of gold. And as we move forward here quarter-over-quarter, we're going to sort -- we're in a ramp up profile, and I'm expecting to see progressive increases in our quarterly gold production profile.

On Slide 17, just some additional highlights on Öksüt, and just referencing the table on the top left quadrant. The shareholders, no doubt, are familiar that Öksüt is a conventional open pit heat leach operation. You can see in the fifth row here in this table, in terms of our gold production levels for this year 2020, we're guiding for gold production of 80,000 to 100,000 ounces of gold and a corresponding all-in sustaining costs of \$650 to \$700 per ounce. So as I've remarked earlier, I do see Öksüt as being a key contributor to Centerra moving forward, has the potential to be our lowest cost asset in the portfolio. So it is going to very favorably, complement our existing cost profile, our existing profitability and our existing sort of cash flow generation potential.

We're moving into Q2 now. And as per our guidance, we are expecting to be declaring commercial production at Öksüt in Q2. So it's going to be exciting to see Öksüt increasingly contributing to Centerra's overall portfolio.

With that, if I can move on to Slide 18. So with Öksüt now transitioning into operations. We forward just through the next 2 slides

We just highlight our remaining development assets within Centerra, each of which are both domiciled here in Canada. So the first such asset is the Kemess property. This is located in British Columbia. And this is what we'd categorized as a brownfield's project just given that it does have, in terms of replacement value, some CAD 1 billion of infrastructure sitting on surface. This is a potentially a long life asset. In terms of the mineral -- in terms of the reserves and the resources that we already have delineated at this property, it is a significant endowment, which could provide -- which would be meaningful in terms of potential mine life longevity.

In terms of the table there on the right, I think one takeaway. This project is essentially fully permitted. So be the infrastructure and such elements to this project.



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In terms of the revenue composition here, it's almost an equal split between gold and copper. So likewise, interesting option value just in terms of the exposure to those commodity price cycles moving forward, and likewise, good option values in terms of future organic growth potential within Centerra.

Just moving on to Slide 19. The other Canadian domiciled organic growth opportunity within the company is our Greenstone project. The table here on the top left, the first bullet point, this is an equal joint venture partnership with another Canadian gold mining company called Premier Gold. You can see the second bullet point here. Again, this is another project with a significant endowment. In terms of our published feasibility study and the current delineated open pit reserves, we have some 4.7 million ounces. So again, a significant endowment, which again makes for a material open pit mine life and good mine longevity.

Just in terms of the last 2 bullet points, we just -- in late last year, we received the environmental assessment approvals, and we received those both at the provincial and the federal level. And then I guess the second last bullet point, one of the key focus in terms of what we're working on this year is looking to finalize a lot of the mine permitting. We've also been working a lot on our detailed design engineering. And so again, I think we're increasingly just derisking this project through such detailed engineering and other value engineering studies that we continue to work on. So again, I think this is an interesting development option for the company, and again, just serves as a good option value in terms of future organic growth potential within Centerra.

So with that, that brings me to my last slide here on Slide 20. And just to kind of repeat. Again, 2019, I think it was a good level of the production performance just in terms of the gold production contributions from the operating assets, generating some 783,000 ounces of gold, and again, at what I would categorize as a low-cost competitive all-in sustaining costs of \$708 per ounce. That did make for a good level of positive free cash flow generation, and we've illustrated that in the chart there in the top right.

Second bullet point here. Obviously, one of the key catalysts coming out of last year and moving into this year is to have Öksüt now transitioning into operations and contributing to our portfolio moving forward. I'm very excited to see this over the course of this year. And that's what's underpinning the third bullet point here, just in terms of our gold production outlook for this year, again, guiding for up to 820,000 ounces of gold at all-in sustaining costs of \$820 to \$870 per ounce.

Again, just referencing the current gold price environment, the current diesel fuel price environment, the current exchange rate environment. We're seeing strong gold prices. We've seen some material devaluations in terms of exchange rates and oil prices. I think potentially this stands to benefit Centerra very well. So again, in terms of that last bullet point there in the bottom left, I think we do find ourselves in good stead in terms of our ability to generate meaningful free cash flow and profitability.

And myself and the management team, we look forward to showcasing that potential over the course of this year.

With that, that really concludes my prepared sort of remarks. And what we'd like now -- we'd be happy now to respond to any questions from our shareholders and proxy holders. We'd like to remind you that questions which were already answered or that are redundant or repetitive will not be published nor answered. We will answer as many questions as time permits. Please limit your questions to topics relating to today's subject matter, and please keep your questions short and to the point. We will now just give our attendees a brief moment to type in their questions.

Okay. Thank you. There being no further questions. I would now like to pass the microphone back to our Chairman, Mr. Michael Parrett, for the final voting results.

Michael S. Parrett - Centerra Gold Inc. - Independent Chair of the Board

Okay. Thank you, Scott.

I have been provided with the Scrutineers' report regarding the matters voted on.

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Based on the results of voting, I declare that each of the 11 individuals nominated has been elected as a director of Centerra to hold office until the next Annual Meeting of Shareholders or until their respective successors are duly elected or appointed. The Scrutineer has also indicated that the motion to appoint KPMG LLP as the auditors of the company for the ensuing year and to authorize the directors of the company to fix the remuneration to be paid to the auditors has been carried.

As there is no further formal business to come before this meeting, we will terminate the meeting. Thank you all for attending.

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