

centerra**GOLD**



A proven record of wealth creation on new frontiers.



Centerra is a growth-oriented, **pure-play**

gold company focused on acquiring, exploring, developing and operating

gold properties primarily in Central Asia, the former Soviet Union and

other emerging markets. The two gold mines operated by the Company

produced **903,030** **ounces** in 2004 at a total

cash cost of about **\$189** **per ounce**. Centerra is a leading

North American gold producer and the largest Western-based gold producer

in Central Asia and the former Soviet Union. Centerra's shares trade on the

Toronto Stock Exchange (TSX) under the **symbol** **CG**. The Company

is based in Toronto, Canada.

Two low-cost
operating mines;
high-potential
exploration projects

EXCEPTIONAL ASSETS

Solid Track Record.



Successfully
managed the
acquisition, design,
construction and
start-up of the
Kumtor and Boroo
mines

PROVEN TRACK RECORD

Best Positioned Gold Producer in Central Asia and the Former Soviet Union.



Overcame
the challenges of
being the first
Western-based
mining development
in the Kyrgyz
Republic
and Mongolia

UNIQUE EXPERTISE

Strong Financial Position.



Best positioned
producer in a
region with a wealth
of good growth
opportunities

VAST POTENTIAL

	2004	2003
Revenues – \$ millions	\$ 247	\$ 82
Production <i>ozs – 100% basis</i>	903,030	677,553
Net Earnings – \$ millions	\$ 51	\$ 9
EPS – \$ <i>per share</i>	\$ 0.91	\$ 0.24
Cash Flow – \$ millions	\$ 88	\$ 24
Cash on Hand – \$ millions	\$ 153	\$ 10

STRONG POSITION

A

proven record
of wealth
creation on
new frontiers.

Experience + Relationships = Distinct Competitive Edge = Opportunity

Kumtor

- Over five million ounces of gold produced
- Largest gold mine in Central Asia operated by a Western-based producer

Boroo

- Exceeded projections since start of operations
- Outstanding safety and environmental performances

Centerra has more than 12 years of experience in one of the world's most promising and underdeveloped gold regions.

The Company has successfully established, maintained and advanced strong working relationships with the local governments and industry participants. Centerra believes that this experience provides it with a competitive advantage in pursuing opportunities in Central Asia, the former Soviet Union and other emerging markets.

Southwest Zone

- Significantly upgraded and expanded in 2004
- Potential to extend mining at the Kumtor site

Gatsuurt

- Significantly expanded by recent drilling programs
- Initiating feasibility study on the development of the deposit

REN

- Located within the prolific Carlin Trend
- Significantly upgraded and expanded in 2004

Kumtor and Boroo are exceptional mines with excellent potential for additional reserves in and around the mine sites.

Centerra has a proven record of hiring and training local workforces and achieving excellent standards for safety, environmental protection and productivity.

Centerra has successfully overcome the challenges of mining at high elevation at Kumtor; it has had uninterrupted production since 1997.

Centerra's gold production is completely unhedged enabling the Company to benefit fully from the positive gold price environment.

Centerra's financial strength provides it with a solid base from which to pursue acquisitions of gold producing properties and prospects for development or exploration.

EXCEPTIONAL ASSETS

PROVEN TRACK RECORD

UNIQUE EXPERTISE

VAST POTENTIAL

STRONG POSITION

Dear Fellow Shareholders

Largest gold mining IPO since 1994

Centerra was launched as a pure-play gold company with the largest gold initial public offering ("IPO") on the TSX since 1994. The Company was formed with substantially all of the gold business previously carried on by Cameco Gold Inc. ("Cameco Gold"), which is a wholly-owned subsidiary of Cameco Corporation ("Cameco"). At the time of the IPO, the value and size of the Company was increased substantially with the acquisition of the remaining two-thirds interest in the Kumtor mine in the Kyrgyz Republic and an additional 42% interest in the Boroo mine in Mongolia.

Strong, well-positioned balance sheet

Financially, the Company was strengthened further with the retirement of all long-term, interest-bearing debt and the elimination of all existing gold hedge positions. Our strategy behind having a debt-free balance sheet is to have Centerra in the strongest financial position possible to capitalize on suitable growth opportunities that may arise. Our current gold hedging policy is simple – we do not intend to hedge our production in the current price environment. While having a hedge position is prudent under certain conditions, we feel that with the Company's current financial position and the positive outlook for the gold market, our shareholders' interests are best served by being able to benefit fully from the healthy gold prices.



Centerra's strong performance in its first year as a public company is reflective of the quality of its assets and experience of its employees.

Leonard A. Homeniuk, President and Chief Executive Officer

Low-cost, safe operations

Operationally, it was also a stellar year. One of the most significant highlights was the start of commercial operations at the Boroo mine in March. This facility, with the original design capacity to process 1.8 million tonnes of ore per year, has consistently performed at or above these levels since its start-up. Production exceeded our initial projection by over 10%. And despite escalating market costs of many consumable items, Boroo's cost of production was well below the industry average at \$149 per ounce of gold. Adding to these first year accomplishments was Boroo's outstanding safety performance with over 1.1 million hours worked without a lost-time injury. The Kumtor mine, in its eighth year of operation, also experienced a noteworthy performance. In 2004, Kumtor produced its five-millionth ounce of gold – a milestone that is attained only by major gold mines. Kumtor's safety performance was also outstanding with 336 consecutive days of operation without a lost-time injury. Both facilities also recorded very good environmental performances.

Replenishing reserves

Exploration is a top priority at Centerra. In the last quarter of 2004, we accelerated drilling activities in all our key programs based on encouraging results from earlier work. By the end of

1

NEW RESERVES AT
EXISTING MINES

4-Point Strategy for Growth

We will continue the aggressive drilling programs at our mines and surrounding areas based on encouraging results:

- | Kumtor | Boroo | Gatsuurt |
|--|---|---|
| <ul style="list-style-type: none"> • 131 holes totaling 34,947 metres completed in 2004 • Promising results at the adjacent Southwest Zone | <ul style="list-style-type: none"> • 232 drill holes totaling 24,264 metres completed in 2004 • Extensive surrounding land position | <ul style="list-style-type: none"> • Results suggest that high recoveries may be achievable using bio-oxidation technology • 2004 program further defined the deposit |



2

DEVELOP
REN PROPERTY

We will, in partnership with Barrick, continue to expand and define the limits of this property in Nevada, USA:

- Completed \$6.2 million program in 2004
- Upgraded to 791,000 ounces of indicated resources and 516,000 ounces of inferred resources



3

EXPLORATION IN
CENTRAL ASIA,
THE FORMER
SOVIET UNION AND
OTHER EMERGING
MARKETS

We will pursue opportunities to expand our exploration program to other regions within our target areas:

- Despite the wealth of gold deposits, the Tien Shan belt has been relatively underexplored, largely due to past economic and political constraints.



4

SELECTIVE
ACQUISITIONS

We will pursue selective acquisitions with a focus on advanced-stage projects and properties that are already in operation.



Goals 2005

- Continue to work towards the reserve-addition goals set at June 30, 2004:

Kumtor

- Add 1.5 million ounces to reserves

Mongolia

- Add 1 million ounces to reserves

Gatsuurt

- Initiate and complete feasibility study on development as stand-alone operation

REN

- Define the extent of the mineralization
- Test other target areas on the property
- Continue to expand the resource base

- Expand network of contacts with other industry participants in Central Asia, the former Soviet Union and other emerging markets.
- Work at remaining the partner of choice in the region.

- Continue to evaluate acquisition opportunities that fit the Company's expertise and have the potential to be accretive to shareholder value.

the year, 1.1 million ounces of contained gold were added to reserves, effectively replacing 2004 production and extending by one year the lives of our mines. The programs also substantially upgraded resources at two promising exploration projects that we are confident will play a meaningful role in Centerra's future, Gatsuurt in Mongolia and REN in Nevada.

A balanced strategy to increase shareholder value

At the time of the IPO, we articulated our strategy for increasing Centerra's reserve and resource base and expanding its current portfolio of gold mining operations. With the positive results from our exploration programs, we have made measurable progress in developing new reserves and resources at our existing mines and adjacent areas and further defining the REN deposit.

In 2005, we will further both of these initiatives with a \$22 million exploration program. We will also explore opportunities to expand our program to other high-potential regions within Central Asia, the former Soviet Union and other emerging markets.

While exploration is the most cost-efficient way to build reserves, we recognize that it can sometimes take years to find, permit and develop these reserves. For this reason, we have balanced our growth strategy with an acquisition component focused on later-stage projects and operating mines. We are currently evaluating a number of opportunities that have the potential to materially increase the production profile of Centerra. Each opportunity will be subject to careful evaluation to ensure that it will have the potential to be accretive to shareholder value.

**Centerra enters 2005 with a solid financial and operating base.
The Company is well-positioned to benefit from the positive gold
market and expand and increase shareholder value.**

A positive outlook for gold

Gold prices continued to improve for a third straight year in 2004 reaching a 16-year high in December. Many factors point to a continuation of this trend including an increase in demand for gold for investment purposes and continued downward pressure on the U.S. dollar. A consensus of six industry analysts shows an average gold price forecast of \$450 per ounce in 2005.

Thank you

On behalf of the Board of Directors, I would like to thank our employees for their hard work and dedication in making 2004 a truly remarkable year for Centerra. 2005 promises to be as eventful as 2004 and I look forward to reporting to you on our progress.

Leonard A. Homeniuk

President and Chief Executive Officer

March 7, 2005

Presenting the Board of Directors

2004 was an exceptional year of accomplishment for Centerra Gold. On June 30, the Company began trading on the Toronto Stock Exchange following its initial public offering, the largest gold mining IPO in Canada since 1994. Issued at Cdn\$15.50 per share, Centerra's subsequent share price performance reflects both the positive outlook for gold and the Company's bright prospects.

Operationally, Centerra also had a banner year. The Kumtor mine produced its five-millionth ounce in November, a milestone accomplishment for a gold mine. The Boroo mine was brought into production early in 2004 and quickly exceeded production targets. Importantly, both mines have enjoyed excellent safety and environmental records.

Excellent corporate governance practices are as important to Centerra as operational excellence. Your Board's nine directors offer a wealth of international experience in exploration, project development, mining and financial management. This combination of disciplines allows for open, honest and value-added discussions on all areas that affect the Company's business. Biographies of each member of the Board are found on pages 80 to 82 of this report.



Centerra's Board expects all of its directors, officers and employees to conduct themselves in accordance with the highest ethical standards.

Patrick M. James, Chairman

Our primary responsibility as directors is to oversee the management of the Company's business and affairs with a view to achieving sustainable value creation for shareholders. The Board endorses fair and comprehensive corporate reporting practices and is entrusted with ensuring high standards of ethical conduct and corporate legal compliance through a disciplined system of governance as well as internal controls and practices.

I strongly encourage you to read our 2005 Management Proxy Circular, which contains a detailed explanation of Centerra's corporate governance practices. At Centerra, we believe that good governance is an essential component in ensuring superior long-term performance.

As Chairman of Centerra I eagerly anticipate 2005. We have exceptional operating assets, a healthy balance sheet, exciting exploration prospects and a strong Management and Board team that is committed to building an excellent gold company.

Patrick M. James

Chairman

March 7, 2005



Ian Austin



John S. Auston



Gerald W. Grandey



Leonard A. Homeniuk



Ularbek Mateyev



Terry Rogers



Josef Spross



Anthony J. Webb



KYRGYZ REPUBLIC
OPERATING MINE
41°52' N 78°11' E

Kumtor



OPEN PIT MINE
PRODUCTION
SINCE 1997
100% OWNED

VERY GOOD
LABOUR RELATIONS
SIGNED NEW TWO-
YEAR COLLECTIVE
AGREEMENT

NUMBER OF EMPLOYEES
1,600

95% KYRGYZ
NATIONALS

CURRENT PROVEN
AND PROBABLE
RESERVES OF
3.2 MILLION OUNCES

SUCCESSFUL
DRILLING PROGRAM
EXTENDING MINE LIFE

2004 REVENUES
\$159 MILLION

REALIZED GOLD PRICE
\$393 PER OUNCE

CASH COST
\$202 PER OUNCE

EXCEPTIONAL ASSETS

PROVEN TRACK RECORD

UNIQUE EXPERTISE

VAST POTENTIAL

STRONG POSITION

Kumtor, Kyrgyz Republic

PRODUCING MINE



The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based producer.

The Prolific Tien Shan Belt

The deposit occurs in the southern Tien Shan metallogenic belt, a prolific gold district that crosses Central Asia from Uzbekistan in the west through Tajikistan and the Kyrgyz Republic into northwestern China. In total, the belt covers more than 1,500 kilometres. It is host to a number of important gold deposits including the world's second largest, at Muruntau.

The Kyrgyz Republic

The Kyrgyz Republic is a former republic of the Soviet Union with a population of approximately five million people. The country declared its independence in 1991 and became a member of the Commonwealth of Independent States. It is currently a politically-stable constitutional democracy and, since independence, has undertaken substantial economic and political reforms, including widespread regulatory and land reforms. The economy is predominantly agricultural, with two-thirds of the population living in rural areas. The country is landlocked and mountainous.

The Kumtor operation

The operation has successfully met the challenges of mining at high elevation. The mine is located about 350 kilometres southeast of the Kyrgyz Republic capital of Bishkek at about 4,000 metres above sea level. It is accessible from the capital by public highways and secondary roads. Since the start of production in 1997, the facility has maintained continuous operations and in the fourth quarter of 2004, surpassed an important milestone as it produced its five-millionth ounce of gold. This is a well-recognized benchmark of a world-class gold mine.



Kumtor is an exceptional operation in terms of its reserve base, exploration potential and the skill and dedication of its workers. We are very appreciative of the many people and organizations which have supported and contributed to the success of Kumtor.

Andy Lewis, President, Kumtor Operating Company

The Kumtor site includes an open pit mine with waste and ore stockpile areas. The deposit is mined using conventional open pit methods and currently produces about 15,000 tonnes per day of ore. Ore from the mine is processed at the facility's crusher and mill. The mill was originally designed with a capacity of 4.8 million tonnes of ore per year but is currently operating at a rate of 5.5 million tonnes per year. Production from the mill, in the form of gold doré, is then sent to the nearby Karabalta refinery in the Kyrgyz Republic for further processing.

Since acquiring full ownership of Kumtor in June 2004, Centerra has been able to embark on an aggressive multi-year exploration program in and around the pit and in the surrounding Concession Area. Results have been very positive to date and have contributed to the addition of enough reserves to extend the mine life by one year. The Company is confident of the potential to extend the mine life even further.

The Kumtor mine is a major contributor to the Kyrgyz economy and currently employs 1,600 people of whom 95% are Kyrgyz citizens. The mine also generates jobs for over 5,000 people from related activities.

Protection of habitat

The number of snow leopards in the wild has been in decline over recent decades and is currently estimated at only 6,000. This is the result of the loss of its natural habitat and poaching, which has grown dramatically in response to the demand for traditional medicines. Kumtor provides support to the International Snow Leopard Trust to conserve this species through wildlife monitoring, educational programs and support to the local economy to reduce reliance on poaching for income.

Kumtor also supports the Sarychat Irtash National Park Biodiversity Program and a fish restocking program in the Song-Kul and Issyk-Kul Lakes.

2004 results

In 2004, Centerra's share of Kumtor's revenues was \$159 million, net of hedges, from the sale of 632,788 ounces of gold. The mine's cash cost, calculated in accordance with the Gold Institute standard, was \$202 per ounce.

Proven and probable reserves at the end of 2004 totaled 3.2 million ounces of contained gold. At the current planned rate of operations, these reserves should support mining at Kumtor for another six years.

Production and Cost Performance

	1997	1998	1999	2000	2001	2002	2003	2004
Ore mined – (thousands of tonnes)	5,017	5,349	8,054	6,518	5,606	5,141	4,634	3,303
Ore milled – (thousands of tonnes)	4,023	5,254	5,298	5,498	5,470	5,611	5,631	5,654
Average mill head grade – (grams/tonne)	5.6	4.8	4.5	4.7	5.2	3.7	4.5	4.4
Recovery – (%)	73.3	78.5	79.4	81.5	83.1	78.1	82.6	82.1
Gold poured – (thousands of ounces)	502	646	610	670	753	529	678	657
Unit production costs								
Cost per tonne milled – (\$)	6.55	6.39	5.47	5.33	5.65	5.16	5.13	5.41
Total cash cost per ounce – (\$)	193	181	179	153	141	216	191	202

Reserves and Resources

As at December 31, 2004

	Tonnes (thousands)	Grade (grams/tonne)	Contained gold (ounces)
Reserves			
Proven	20,087	3.3	2,099
Probable	10,902	3.3	1,150
Total reserves	30,989	3.3	3,249
Resources			
Measured	9,395	3.3	997
Indicated	8,195	3.5	917
Total measured and indicated resources	17,590	3.4	1,914
Inferred resources	9,976	4.5	1,448

Notes:

- 1) The reserves have been estimated based on a gold price of \$375 per ounce.
- 2) Open pit resources occur beneath the current ultimate pit design using a gold price of \$375 per ounce and are contained within a larger, unengineered pit shell. Underground resources occur below the pit shell and are estimated based on a cut-off grade of 5.0 grams per tonne.
- 3) The open pit resources at Kumtor are estimated based on a cut-off grade of 1.3 grams per tonne.
- 4) The reserve and resource estimates were prepared under the supervision of Robert S. Chapman, M. Sc., P. Geo., Centerra's Vice President of Exploration, who is a Qualified Person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects issued by the Canadian Securities Administrators ("NI 43-101").





MONGOLIA
OPERATING MINE
48°45' N 106°10' E

Boroo

OPEN PIT MINE
COMMERCIAL
PRODUCTION BEGAN
IN MARCH 2004
95% EQUITY
INTEREST

TWO YEARS
FROM ACQUISITION
TO COMMERCIAL
PRODUCTION
CAPITAL COST OF
\$75 MILLION

NUMBER OF EMPLOYEES
500
90% MONGOLIAN
CITIZENS

CURRENT PROVEN AND
PROBABLE RESERVES OF
1.2 MILLION OUNCES

2004 REVENUES
\$88 MILLION
REALIZED GOLD PRICE
\$404 PER OUNCE
CASH COST
\$149 PER OUNCE

Boroo, Mongolia

PRODUCING MINE



The Boroo open pit mine, located in the Republic of Mongolia, is the first significant foreign investment in Mongolia for industrial development since 1979.

Location

The mine is located about 110 kilometres northwest of the capital city of Ulaanbaatar and about 230 kilometres south of the border with Russia. It is easily accessible by all-weather highway as well as the Trans-Mongolian railway.

Mongolia

Mongolia is a landlocked country in northeast Asia with a population of about 2.7 million people. After independence from China in 1921, Mongolia became a satellite state of the Soviet Union and remained under a Communist regime until the mid-1980s. The country had its first multi-party elections in 1990 and adopted a new constitution in 1992. This led to the institution of a number of reform policies including liberalization of trade and promotion of foreign investment.

Political stability, democratic reforms and continued efforts by the Government to improve the business climate played a significant role in Centerra's decision to invest in Boroo.

The area in which the mine is located is sparsely populated, inhabited mainly by nomadic herdsmen living in single-family camps or small villages.

The Boroo operation

Construction of the project started in July 2002 and was completed 16 months later at the end of November 2003. After a four-month commissioning phase, the mine began commercial production in March 2004. The capital cost of the project was \$75 million.

The Boroo deposit extends over an area 2 kilometres by 0.5 kilometres and is contained in four separate pits. Mining operations are based on conventional open-pit methods, mining 5,000 tonnes of ore per day. The mine operates seven days a week using two 12-hour shifts. Ore from the mine



Boroo's on-time start-up and results reflect the fact that Mongolia is a good place to do business. The country has everything a foreign investor is looking for, a stable political, economic and legal environment and reasonable tax policies.

Paul Korpi, President, Boroo Gold Company

is processed at the Boroo plant which uses typical Carbon-In-Pulp (CIP) technology along with gravity concentration for recovery of the gold. The plant has a name-plate capacity to treat 1.8 million tonnes of ore per year at an average throughput rate of 220 tonnes per hour. It was designed to realize an average gold recovery rate of 90.5% over the life of the project.

Tailings material from the processing plant is treated in a detoxification plant before discharge to the tailings facility, which is operated on the basis of zero discharges to the environment. Water is recovered for reuse in the processing plant.

Gold doré produced by the Boroo mine is exported and refined under a contract with a third party.

The mine's permanent workforce currently stands at 500 employees with approximately 90% represented by Mongolian citizens. Consistent with Centerra's policy of increasing the percentage of employees who are local citizens, the mine has implemented a number of programs aimed at skills enhancement and career advancement. Currently 35% of the workforce is from the surrounding region.

Boroo provides a major contribution to the economy of Mongolia, with its operations providing more than a 75% increase in the country's gold output in 2004.

2004 results

During its 10 months of commercial operation in 2004, Boroo generated revenues of \$88 million, net of hedges, from the sale of 217,679 ounces of gold. The mine's cash cost was \$149 per ounce, calculated in accordance with the Gold Institute standard.

Proven and probable reserves at the end of 2004 totaled 1.2 million ounces of contained gold. At the current planned rate of operations, this should support mining at Boroo for another six years.

Production and Cost Performance

	2004
Ore mined – (thousands of tonnes)	1,884
Ore milled – (thousands of tonnes)	1,850
Average mill head grade – (grams/tonne)	4.5
Recovery – (%)	93.7%
Gold poured – (thousands of ounces) ⁽¹⁾	217,998
Unit production costs	
Cost per tonne milled – (\$) ⁽¹⁾	7.20
Total cash cost per ounce – (\$) ⁽¹⁾	149

1) Does not include pre-commissioning production of 27,703 ounces for January and February 2004.

Reserves and Resources

As at December 31, 2004	Tonnes (thousands)	Grade (grams/tonne)	Contained gold (thousands of ounces)
Reserves			
Proven	830	2.5	68
Probable	10,981	3.1	1,104
Total reserves	11,811	3.1	1,172
Indicated resources	2,595	2.3	194
Inferred resources	3,215	1.9	193

Notes:

- 1) The reserves have been estimated based on a gold price of \$375 per ounce.
- 2) The resources at Boroo are estimated based on a variable cut-off grade depending on the type of material and the associated mill recovery. The cut-off grades range from 0.9 grams per tonne to 1.1 grams per tonne.
- 3) The reserve and resource estimates were prepared under the supervision of Robert S. Chapman, M. Sc., P. Geo., Centerra's Vice President of Exploration who is a Qualified Person under NI 43-101.

Building Sustainable Development

As a new company, one of Centerra's earliest activities was to define its policy with respect to sustainable development. The Company's Board of Directors and senior management team have affirmed Centerra's belief in the principles of sustainable development in its corporate core values. Through these core values Centerra commits that it will:

- Be a leading performer among its peers with regard to shareholder value, business ethics, workplace safety, environmental protection and community economic development.
- Minimize the potential for adverse impacts that may arise from its operations to levels as low as reasonably achievable, taking into account social and economic factors.
- Continually improve the management of its operations so the Company may respond to the economic, environmental and social expectations of its stakeholders, including its employees, communities, shareholders, governments and the public.

Centerra understands that a commitment to sustainable development is essential to support its social licence to operate in mining, and that this commitment requires the support and contribution of all employees across the Company.

George R. Burns, Vice President and Chief Operating Officer



CANADIAN & INTERNATIONAL STANDARDS

The Company's roots are in the Canadian mining industry and its focus is international. Centerra is, therefore, committed to operating to Canadian and International Standards wherever it operates, and throughout the life cycle of its mines.

Centerra's success depends on having safe, healthy workplaces, sound environmental practices and supportive communities as well as solid financial performance. The Company's measure of success will be that, wherever it operates, communities will be better off for Centerra having been there. The Company's safety, health and environmental policies recognize that environmental management and the protection of the environment are among the highest priorities at all stages of its activities including exploration, operations and decommissioning.

The Safety, Health and Environmental Committee of the Board of Directors is responsible for the establishment and review of the Company's safety, health and environmental policies and for monitoring their effectiveness and supporting systems and monitoring processes.

The Committee oversees compliance assurance systems and receives audit results and updates from management with respect to the Company's performance. The Committee also reviews the annual budget for safety, health and environment to ensure that sufficient resources are allocated to meet the Company's objectives and to conform to its sustainability objectives.

Management systems

Centerra's approach to minimizing the potential for harm related to its operations is to have thoughtfully developed and well implemented management systems, robust assurance processes and effective contingency plans.



Kumtor ●



Boroo ●

Each of its operations is required to have a documented safety, health and environmental management system. These are based on formal risk assessment processes so that management has the confidence that it has identified the significant environmental and safety aspects and impacts associated with the Company's activities, has prioritized these for action and has set objectives and targets in order to continually improve performance.

Systems are well established and have been externally verified at the Kumtor operation. At Boroo, a "Safe Production" program has been initiated and preparations for development of a Health, Safety and Environmental System begun with the expectation of significant progress towards implementation of the system and a supporting verification program early in 2005.

Assurance program

Centerra's Board of Directors has committed the Company to conducting regular internal and external audits to ensure its operating facilities are in compliance with the safety, health and environmental policies of the Company.

Through these audits, Centerra assesses compliance with the applicable laws and regulations in the jurisdictions in which it operates, and also ensures that it is operating in conformance with generally accepted international industry practices.

The audit program is risk-based to identify existing and potential concerns and to recommend improvements to the Company's current practices. The assessments also have the important objective of promoting the exchange of information and best practices among Centerra's operations in order that the Company can continually improve its performance.

Audits were conducted at both Kumtor and Boroo during 2004. These audits were focused on assessing the continued development and implementation of safety, health and environmental management systems and to confirm the effectiveness of operational controls and the implementation of good practice for aspects of safety, health and environmental management. The assessments included an evaluation of Centerra's tailings management systems against the leading edge Mining Association of Canada "Guide to the Management of Tailings Facilities".

An independent third-party audit was also conducted and this confirmed compliance with legal and regulated requirements. At Boroo, the audit found no major non-conformances and at Kumtor one major non-conformance was noted. This related to an element of the mine's environmental management system that had not yet been formally implemented. This is currently being addressed.

HEALTH & SAFETY

Employee participation is essential to achieving Centerra's safety objectives. Both mines have Joint Health and Safety Committees in place. Also, both Kumtor and Boroo have dedicated, professional teams to help the operations meet their commitments.

Kumtor •

Boroo •



Kumtor •

ENVIRONMENTAL PERFORMANCE

- During 2004, Kumtor experienced one minor contained exceedance which did not result in any environmental damage.

SAFETY PERFORMANCE

- Kumtor experienced one lost-time accident in 2004, when a contract exploration driller suffered a hand injury while switching core tubes.
- Kumtor's employees worked 336 days, over three million hours, without a lost-time injury to October 31, 2004.
- Kumtor's overall outstanding safety performance was recognized by the receipt of Cameco's prestigious Mary Jean Mitchell Green Safety Award.

Emergency/contingency planning

Exercises in responding to incidents are a critical component of contingency planning.

These exercises are held regularly and may involve community and government emergency response personnel and external verification of performance. During 2004, Kumtor conducted two drills simulating spills of hazardous chemicals and carried out 13 training sessions involving deployment of a boom across a river to test the mine's response to a chemical spill. At Boroo, training exercises were conducted involving a simulated tailings pipeline spill.

Reclamation

Centerra's operations practice full life-cycle mine planning, with consideration of end-of-life site remediation being considered at the mine planning stage. Where possible, progressive remediation is practiced with top soil being set aside before stripping to remediate worked areas. Worked mine areas are also used as a repository for waste rock in order to minimize the Company's "environmental footprint".

A Reclamation Trust Fund has been established at Kumtor to ensure that sufficient funds are set aside for remediation in accordance with World Bank Guidelines at the end of mine life. Discussions with government authorities about putting such an arrangement in place at Boroo have commenced. Contributions to the fund are made in accordance with the "units of production" method over the life of the mine.

Sustainability initiatives at Kumtor

Wherever possible the Company purchases local construction materials and agricultural produce. At Kumtor, a Regional Liaison Committee was established to foster positive relations between the mine and communities located close to the operation by allowing them to participate in issues and influence decisions that may affect them. The Committee was established in 1998 and meets twice a year.

Capacity building

Kumtor set aside funds to assist with capacity building projects within the Kyrgyz Republic. Approximately 70% of these funds are allocated to local community initiatives in the Issyk-Kul Province. The main conduit for funding projects is through eight cooperation committees to ensure that financial assistance is focused on projects of importance to local communities. An example is the Local Craftsmen Support Program. Started in 1999, this initiative provides individual craftsmen from the local area with support to improve their skills and the quality of their products through training workshops.



The Company created the Kumtor micro-credit public fund and provides financial support to nine cooperation committees operating in the Issyk-Kul and Naryn provinces, and to the Karakol-based small credit agency. These initiatives serve to provide credit to support small-scale agricultural projects and small businesses.

In recognition of the impact of the eventual mine closure on the Issyk-Kul Region, Kumtor has contributed to initiatives to promote tourism and agricultural development on the south side of Issyk-Kul Lake. Through these programs, Kumtor has constructed and funded the operation of a tourist information centre and funded the development of five small-scale kitchens to can and export vegetables and preserves from the region.

National programs are also supported, such as the Altyn Balalyk Children's Health Centre Project which aims to assist children through educational programs and medical care.

Sustainability initiatives at Boroo

During 2004, Boroo provided funds to certain projects within Mongolia with particular focus on the surrounding communities. The mine supported local schools by upgrading their facilities, including the renovation of the school dormitory at Baruunkharaa and improvements to the heating, plumbing and drinking water systems and construction of a new canteen at Bilig. Other infrastructure projects included building an agricultural centre and community centres in Bayangol Soum and Mandal Soum, repairs to municipal streets and provision of dental clinic equipment.

Projects planned for 2005 will also focus on developing local infrastructure including a library, medical clinic and community centres. A sustainable development loan program will be implemented that will be used to alleviate unemployment and poverty by creating approximately 30-40 new jobs annually and supporting the development or growth of small and family-owned businesses.

Boroo •

ENVIRONMENTAL PERFORMANCE

- *There were no environmental exceedances in 2004.*

SAFETY PERFORMANCE

- *Boroo experienced one lost-time injury in 2004 when an employee received an acid burn.*
- *The operation achieved a Lost-Time Accident Frequency Rate of 0.20. Prior to the accident, Boroo had worked 325 days, over 990,000 hours, without a lost-time injury.*



KYRGYZ REPUBLIC
EXPLORATION PROJECT

Southwest Zone



Assets with Significant Growth Potential

2004 was a very successful year for Centerra's exploration program. Following the Kumtor restructuring, Centerra undertook an aggressive multi-year exploration program in and around the mine. Early results from this new effort combined with the programs in Mongolia and Nevada have positioned the Company to achieve its reserve-addition goals set in mid-2004.

The Southwest Zone – A Promising Opportunity

The first-year results have confirmed our belief that our target areas would yield very good results with a concerted effort. For example, at the Southwest Zone, which was considered the most promising exploration target at Kumtor, additional drilling increased our confidence in the continuity of the mineralization thereby enabling us to upgrade a portion of the resources to reserves. This upgrade contributed to the addition of one year to the mine life of the Kumtor operation.

Additional drilling in the vicinity of the main Kumtor pit, the Southwest Zone and the nearby Sarytor area is planned for 2005.



Exploration is a key component in Centerra's growth strategy. The Company's exploration efforts are focused in regions that have supported some of the world's biggest gold mines. Centerra is confident that its 2005 program will build on the success achieved in 2004.

Robert S. Chapman, Vice President, Exploration

The Gatsuurt Deposit – Development Options

The Gatsuurt property is part of the Noyon project holdings, an extensive land position that Centerra holds for exploration around the Boroo mine. Exploration and test work conducted on Gatsuurt in 2004 confirmed the Company's belief that it is a very important exploration target within the Noyon project holdings. Centerra is confident that the Gatsuurt property can play a significant role in the future of Centerra.

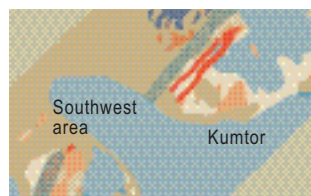
Results from the additional metallurgical test work, conducted in early 2004, indicated that acceptable gold recoveries may be achieved through the use of flotation followed by bio-oxidation technology. Based on these positive results, Centerra launched an aggressive drilling program in the latter part of the year which delineated additional resources.

One of the Company's top priorities in 2005 is to initiate and complete a feasibility study to determine whether the deposit can be developed economically as a stand-alone operation or used to supplement and extend the mine life of Boroo.

Kyrgyz Republic

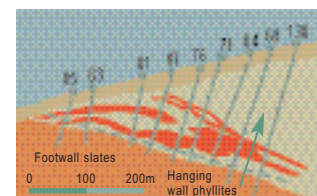
In addition to the exploration done in 2004 at the Southwest Zone, drilling programs were also carried out in the vicinity of the open pit of the Kumtor mine. A total of 65 holes totaling 22,263 metres were drilled mostly in a relatively untested area to the northeast of the pit and beneath the ultimate pit highwall.

Kumtor + Southwest Zone



● *Zone of gold mineralization*

Southwest Zone Section 3170

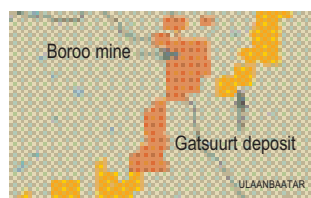


● *Mineralization*

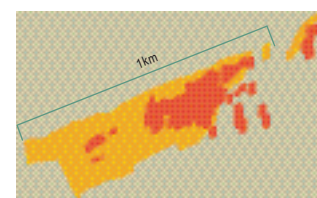
Mongolia

In addition to exploration at Boroo and Gatsuurt, drilling programs were also conducted at two early-stage targets and regional sampling surveys and mapping programs were completed over other areas within our land position. Follow-up drilling programs are planned for both the Ulaan Bulag and Argal target areas in 2005.

Boroo + Gatsuurt



Gatsuurt Central Zone



● *Principal lens*
● *Sub lenses*

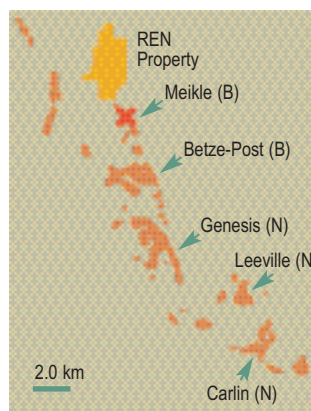
Nevada

The 2004 exploration program at the REN project included a groundwater test well, metallurgical test work on mineralized core samples and drilling programs comprising 28 holes totaling 17,396 metres.

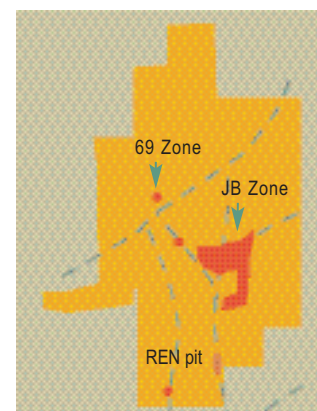
The JB Zone was extended to the south, geological and geophysical targets were tested and a new mineralized zone, the 69 Zone, was discovered.

In 2005, drilling programs will focus on delineating the extent of the mineralization at the 69 Zone and to test other geological and geophysical target areas on the property.

REN



JB Zone + 69 Zone



Strong Financial Component Supporting Growth Strategy

Centerra reported solid cash flow from operations.

Cash flow from operations was \$88 million, reflecting the record level of mine production and higher gold prices. The full visibility into Centerra's operational and financial results commenced with the third-quarter report to shareholders; the first half of the year reflected the Company's partial interests in Kumtor and Boroo and there were many accounting entries related to the restructuring of those holdings.



Pursuit of long-term shareholder value complements Centerra's objectives of excellence in operational, safety, environmental and sustainable development practices.

David M. Petroff, Executive Vice President and Chief Financial Officer

Centerra's unlevered balance sheet and strong cash flow will support its immediate growth plans.

The restructuring of the Company's assets and liabilities allowed it to emerge with almost full ownership of two operations generating good cash flow, no long-term debt, significant initial cash balances from the issuance of equity, and fully unhedged production. This strong financial foundation will underpin Centerra's growth strategy.

2004

Trading Statistics on the TSX – Cdn \$

Open – \$15.50

High – \$25.20

Low – \$14.25

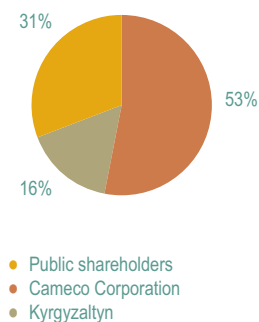
Close – \$22.25

Average daily volume – 126,622 shares

Share Trading Information



Centerra Gold Ownership at December 31, 2004





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

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

Forward-Looking Statements

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

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

Management's Discussion and Analysis

Overview

Nature of the business

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

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

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

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

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

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

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

The Company's cost of products sold is comprised primarily of the cash cost of producing gold from its two mines and secondarily from non-cash costs. There are many operating variables that affect the cash cost of producing an ounce of gold. In the mine, costs are influenced by the ore grade and the stripping ratio. In the mill, costs are dependent mainly on the metallurgical characteristics of the ore and the ore grade. For example, a higher ore grade or lower stripping ratio would typically contribute to a lower unit production cost. Both mining and milling

costs are also affected by labour costs, which depend on both availability of qualified personnel in the regions where the operations are located and the wages in those markets. Mining and milling activities involve the use of many materials. The varying costs to buy and the amount of material purchased also influence the cash costs of mining. The non-cash costs are influenced by the amount of costs related to the mine's acquisition, development and ongoing capital requirements.

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

Gold industry and key trends

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

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

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

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

correlation and the recent extended period of U.S. dollar weakness as the single most important positive factor driving the gold price recovery over the last two years.

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

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

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

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

Sensitivities

Centerra's revenues, earnings and cash flows are sensitive to changes in the gold price.

The Company estimates that a \$10 per ounce change in the price of gold would change its revenues in 2005 by approximately \$8 million and its earnings and cash flows by \$6 million.

Strategy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

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

Results of Operations for 2004, 2003 and 2002

Years Ended December 31

(\$ millions, unless otherwise specified)

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

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

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

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

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

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

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

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

Slightly offsetting the increases in revenues were:

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

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

Interest income, net of other operating items amounted to \$8 million compared to an expense of \$1 million in 2003 and less than \$1 million in 2002. The changes are primarily due to a \$7 million foreign exchange gain on Centerra's Canadian cash balance which appreciated in

value as the Canadian dollar strengthened compared to the U.S. dollar. The Company had no outstanding interest-bearing debt at the end of 2004.

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

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

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

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

Quarterly consolidated financial results

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

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

Fourth quarter 2004 and 2003

Production at the Kumtor and Boroo mines, as reflected in the revenues of the Company, was 205,274 ounces for the fourth quarter and 640,779 ounces for the full year of 2004. These compare with 69,226 ounces and 225,851 ounces for the fourth quarter and the full

year of 2003, respectively. The results for 2004 include operations at the Boroo mine and reflect a higher ownership interest in the Kumtor mine.

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

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

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

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

Mine operations

Kumtor – 100% basis

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

Kumtor Operating Results

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

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

(2) g/t means grams per tonne.

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

Revenue

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

Costs

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

Exploration

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

Capital expenditures

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

Reserves

At December 31, 2004, the mine's proven and probable reserves estimate in the main pit, using a cut-off grade of 1.3 g/t gold and a \$375 per ounce gold price, stood at 28.2 million tonnes averaging 3.3 g/t gold for a total of 2,966,000 ounces of contained gold, compared to 30.4 million tonnes averaging 3.3 g/t gold for a total of 3,254,000 ounces of contained gold at the end of 2003. In 2004, ore with 801,000 contained ounces of gold was fed to the

mill, and 512,000 ounces of contained gold were added to the reserves. About 45% of the additional reserves is due to using the higher gold price of \$375 per ounce as opposed to the \$325 used for the previous reserve estimate. The remainder is due to changes in pit design and the reconciliation between the modeled reserve and mill feed. Measured and indicated resources are within a transitional area between the bottom of the designed pit and a larger unengineered pit shell. They are estimated at 16.3 million tonnes averaging 3.4 g/t gold for a total of 1,765,000 ounces of contained gold. These resources are not included in the reserves. Materials in this transitional area may be amenable to either open pit or underground mining. Using a 5.0 g/t gold cut-off grade, there are approximately 3.3 million tonnes of material averaging 8.4 g/t gold for a total of 906,000 ounces of contained gold within the measured and indicated resources quoted above.

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

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

Reserve and resource estimates were prepared by Centerra's geological and mining engineering staff under the supervision of Robert S. Chapman, M. Sc., P. Geo., Centerra's Vice President of Exploration who is a Qualified Person under NI 43-101.

Boroo – 100% basis

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

Boroo Operating Results

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

(1) Does not include pre-commissioning production or sales volumes for January and February 2004 of 27,703 ounces.

(2) g/t means grams per tonne.

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

(4) Does not include exploration or capital expenditures in January and February 2004 prior to commercial production.

Revenue

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

Costs

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

Exploration

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

Capital expenditures

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

Reserves

The updated reserve estimate at December 31, 2004 was prepared using a gold price of \$375 per ounce and variable cut-off grades ranging from 0.9 g/t gold to 1.1 g/t gold,

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

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

Geostat Systems International Inc. ("Geostat") updated the existing resource block model and completed a new resource estimate for the Boroo mine. Based on the updated block model, resource and reserve estimates were prepared by Centerra's geological and mining engineering staff under the supervision of Robert S. Chapman, M. Sc., P. Geo., Centerra's Vice President of Exploration who is a Qualified Person under NI 43-101.

Outlook for 2005

The 2005 outlook discussed previously is summarized as follows:

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

Capital expenditures

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

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

(1) Post-commissioning at Boroo operation.

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

Liquidity and capital resources

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

A summary of the Company's cash position and changes in cash is provided below:

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

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

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

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

Contractual obligations

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

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

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

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

(3) Under the Investment Agreement, Centerra has agreed to spend at least \$2.5 million during 2004 and 2005 on underground exploration to investigate the feasibility of developing that portion of the Kumtor deposit located below the current ultimate pit design.

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

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

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

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

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

Balance sheet

Property, plant and equipment

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

Goodwill

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

Share capital

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

Gold hedging and off-balance sheet arrangements

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

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

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

Recognition of Deferred Charges (net of deferred revenue)

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

Related-party transactions

Cameco Corporation

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

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

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

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

Kyrgyzaltyn and the Government of the Kyrgyz Republic

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

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

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

Critical accounting estimates

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

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

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

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

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

Non-GAAP measure

Total cash cost

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

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

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

Total cash cost per ounce can be reconciled as follows:

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

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

Exploration outlook

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

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

Kumtor

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

Boroo

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

Gatsuurt

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

REN

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

Sustainable development

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

Risk factors

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

Volatility of gold prices

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

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

Further ground movements at the Kumtor mine

On July 8, 2002, a highwall ground movement at the Kumtor mine resulted in the death of one of Centerra's employees and the temporary suspension of mining operations. The movement led to a considerable shortfall in the 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible. Consequently, the Company milled

lower grade ore and achieved lower recovery rates. In February 2004, there was also movement detected in the southeast wall of the open pit and a crack was discovered at the crest of the wall. Although extensive efforts are employed by the Company to prevent further ground movement, there is no guarantee against further ground movements. A future ground movement could result in a significant interruption of operations. Centerra may also experience a loss of reserves or material increase in costs, if it is necessary to redesign the open pit as a result of a future ground movement. The consequences of a future ground movement will depend upon the magnitude, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or the mine experiences a significant loss of reserves or materially higher costs of operation, this would have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Political risk

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

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

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

the risks described previously. Furthermore, there can be no assurance that the agreements Centerra has with the governments of these countries, including the Investment Agreement and the Stability Agreement, will prove to be enforceable or provide adequate protection against any or all of the risks described previously.

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

Production estimates may be inaccurate

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

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

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

Centerra's business is subject to a number of risks and hazards, including environmental pollution, accidents or spills; industrial and transportation accidents; unexpected labour shortages or strikes; and cost increases for contracted and/or purchased goods and services; electrical power interruptions, mechanical and equipment failure; labour disputes; changes in

the regulatory environment; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures, tailings dam failures and cave-ins; and encountering unusual or unexpected geological conditions.

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

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

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

Environmental, health and safety risks

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

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

Decommissioning and reclamation costs may be difficult to predict accurately

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

Reduced liquidity and difficulty in obtaining future financing

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

Report of Management's Accountability

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

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

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

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

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

Original signed by Leonard A. Homeniuk

President and Chief Executive Officer

Original signed by David M. Petroff

Executive Vice President and

Chief Financial Officer

January 25, 2005

Auditors' Report

To the Shareholders of Centerra Gold Inc.

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

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

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

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

Original signed by KPMG LLP
Chartered Accountants

Consolidated Balance Sheets

(In US\$ thousands)

As at December 31,

		2004	2003
Assets	Notes		
Current assets			
Cash		\$ 152,591	\$ 10,101
Accounts receivable		2,596	6,232
Inventories	3	22,161	1,603
Supplies and prepaid expenses	4	47,578	11,441
Current portion of long-term receivables, investments and other	6	—	36,472
		224,926	65,849
Property, plant and equipment	5	267,557	142,404
Goodwill	15	155,520	—
Long-term receivables, investments and other	6	12,456	32,205
Future income taxes	12	—	926
		435,533	175,535
Total assets		\$ 660,459	\$ 241,384
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 32,023	\$ 19,447
Current portion of long-term debt	7	—	38,351
		32,023	57,798
Long-term debt	7	—	18,140
Provision for reclamation	8	18,868	7,112
Future income taxes	12	5,407	—
		56,298	83,050
Minority interest		2,410	8,770
Shareholders' equity			
Share capital	9	522,383	120,831
Contributed surplus		29,503	29,503
Retained earnings (deficit)		49,865	(770)
		601,751	149,564
Total liabilities and shareholders' equity		\$ 660,459	\$ 241,384
Commitments and contingencies (notes 8, 17, 19)			
Subsequent event (note 17)			

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

Consolidated Statements of Earnings and Retained Earnings (Deficit)

(In US\$ thousands)

Years Ended December 31,

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

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(In US\$ thousands)

Years Ended December 31,

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

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2004

1. Basis of Presentation

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

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

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

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

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

2. Significant Accounting Policies

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

3. Inventories

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

4. Supplies and Prepaid Expenses

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

5. Property, Plant and Equipment

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

6. Long-Term Receivables, Investments and Other

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

Cameco Ireland Company is a wholly-owned subsidiary of Cameco Corporation ("Cameco").

A subsidiary of the Company held 22,900,000 non-voting preferred shares that were redeemed in 2004.

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

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

7. Long-Term Debt

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

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

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

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

8. Provision for Reclamation

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

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

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

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

- (i) Total undiscounted amount of the estimated cash flows are \$23.0 million.
- (ii) Expected timing of payment of the cash flows is based on the life of mine plans.
The majority of expenditures are expected to occur after 2008.
- (iii) Discount rates of 6.8% for Kumtor gold mine and 8.5% for the Boroo gold mine.

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

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

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

9. Share Capital

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

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

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

10. Earnings per Share Amounts

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

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

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

11. Interest and Other

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

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

12. Income Taxes

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

Future tax assets

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

Future tax liabilities

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

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

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

Income tax expenses (recovery) is comprised of:

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

13. Joint Ventures

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

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

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

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

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

14. Property and Business Acquisitions

(a) AGR Limited

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

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

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

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

(b) REN Property

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

15. Restructuring of Centerra

(a) Transfer of gold interests from Cameco Gold

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

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

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

(\$ thousands)

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

(b) Acquisition of two-thirds interest in KGC

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

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

(\$ thousands)

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

(c) Acquisition of additional 43.8% in AGR Limited

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

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

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

(\$ thousands)

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

(d) Exchange of KGC subordinated debt

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

(\$ thousands)

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

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

(e) Initial Public Offering

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

16. Stock-Based Compensation

Centerra Plan

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

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

Centerra stock option transactions during the year were as follows:

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

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

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

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

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

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

Cameco Plan

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

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

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

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

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

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

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

17. Commitments and Contingencies

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

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

Kumtor operations

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

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

Boroo operations

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

Corporate

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

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

18. Financial Instruments

Fair values of financial instruments

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

Commodity

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

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

19. Related-Party Transactions

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

Paid to Cameco

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

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

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

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

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

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

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

Kyrgyzaltyn and the Government of the Kyrgyz Republic

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

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

Related parties in the Kyrgyz Republic

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

20. Segmented Information

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

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

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

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

Geographic Segmentation of Revenue

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

21. Comparative Information

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

Summary of Significant Accounting Policies

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

Consolidation principles

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

Foreign currency

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

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

Cash and cash equivalents

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

Inventories

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

Supplies

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

Investments

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

Exploration and development properties

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

Property, plant and equipment

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

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

Goodwill

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

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

would be charged to earnings. Assumptions underlying fair value estimates are subject to risks and uncertainties.

Property evaluations

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

Capitalization of interest

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

Depreciation and depletion

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

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

Future income taxes

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

Environmental protection and reclamation costs

The fair value of the liability for an asset retirement obligation is recognized in the period incurred. The fair value is added to the carrying amount of the associated asset and depreciated over the asset's useful life. The liability is accreted over time through periodic charges to earn-

ings and it is reduced by actual costs of decommissioning and reclamation. Centerra's estimates of reclamation costs could change as a result of changes in regulatory requirements and cost estimates. Expenditures relating to ongoing environmental programs are charged against earnings as incurred or capitalized and depreciated depending on their relationship to future earnings.

Revenue recognition

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

Derivative financial instruments and hedging transactions

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

Stock-based compensation

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

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

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

Earnings per share

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

Reserves and Resources

Reserves⁽¹⁾

(Tonnes and troy ounces in thousands)

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

Measured and Indicated Resources

(Tonnes and troy ounces in thousands)

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

Inferred Resources

(Tonnes and troy ounces in thousands)

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

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

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

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

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

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

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

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

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

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

Definitions and Notes

Mineral Reserve	A mineral reserve is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.
Proven Mineral Reserve	A proven mineral reserve is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
Probable Mineral Reserve	A probable mineral reserve is the economically mineable part of an indicated, and in some circumstances a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
Mineral Resource	A mineral resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
Measured Mineral Resource	A measured mineral resource is that part of a mineral resource for which quantity, grade or quality, density, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
Indicated Mineral Resource	An indicated mineral resource is that part of a mineral resource for which quantity, grade or quality, density, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

An inferred mineral resource is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

Inferred Mineral Resource

Notes

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

These parameters are:

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

There are numerous uncertainties inherent in estimating mineral reserves and resources.

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

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

Officers' Biographies

Leonard A. Homeniuk

*President and
Chief Executive Officer*

Len has more than 30 years of experience in the mineral sector including exploration, development and production. After assuming progressively more responsible positions with Cameco, he then managed Cameco's uranium exploration program and was involved in early work on the McArthur River high-grade uranium deposit, now the world's largest uranium mine. Len assumed the position of Chair and President of Kumtor Operating Company in 1992 and was responsible for the acquisition, feasibility work and development of the Kumtor mine. Len served as Chair and President, located in Bishkek, Kyrgyz Republic, until 1997 when he was promoted to Executive Vice President with Cameco Gold Inc. In 1999 he became President of Cameco Gold and was responsible for acquiring an ownership interest in the Australian gold exploration company AGR Limited, which directly led to the development of the Boroo mine.

Len received a Bachelor of Science degree in Geological Engineering in 1970 and a Master of Science in 1972, both from the University of Manitoba. He is a member of the Ontario Society of Professional Engineers, Canadian Institute of Mining and Metallurgy and the Prospectors and Developers Association of Canada. Len was made an Honorary Professor of the Kyrgyz Mining Institute in 1998.

David M. Petroff

*Executive Vice President
and Chief Financial Officer*

David has more than 20 years of experience in finance and administration in the mineral sector. He joined Cameco in 1997 and most recently served as Senior Vice President, Finance and Administration and Chief Financial Officer. From 1984 to 1997, he held progressively senior positions at Denison Mines Limited, ultimately serving as the company's Vice President and Treasurer. David is also a former Vice President of Corporate Finance at Wood Gundy Inc., where he was employed from 1980 to 1984.

David received a Bachelor of Mathematics degree from the University of Waterloo in 1978 and a Master of Business Administration degree (finance concentration) from the Schulich School of Business, York University, in 1980. David is a member of Financial Executives International and an active member of the Committee of Corporate Reporting, FEI Canada.

George R. Burns

*Vice President and
Chief Operating Officer*

George has more than 25 years of experience in the mineral sector including engineering, development and production in gold, copper and coal operations. Between 1983 and 1996, he served in various capacities for Cyprus Minerals Corporation, including Resident Manager of the Copperstone Gold Mine from 1991 to 1994. He joined Asarco Incorporated in 1996, became General Manager of the Ray Copper Mine in 1999 and was promoted to Vice President of Mining Operations in 2002. George joined Cameco Gold in June 2003 as Vice President and Chief Operating Officer.

He received a Bachelor of Science degree in Mining Engineering from the Montana College of Mineral Science and Technology in 1982. George is a member of the Society of Mining, Metallurgical and Exploration and the Prospectors and Developers Association of Canada.

Rob has more than 30 years of experience in the mineral sector, the past 23 years of which were spent with Centerra's predecessor companies. Rob started with the company as a project geologist and after assuming progressively more responsible positions, was promoted to Manager, Evaluations in 1999. Rob became Vice President, Exploration for Cameco Gold in July 2003. Over the course of his career, Rob has lived in Canada, the United States and Chile, and has supervised exploration activities in North America, South America and Central Asia.

Rob received a Bachelor of Science degree in geology from the University of Manitoba in 1976 and a Master of Science degree in geology from Queen's University in 1981. He is a member of the Association of Professional Engineers and Geoscientists of British Columbia and a Fellow of the Geological Association of Canada.

Robert S. Chapman*Vice President, Exploration*

Ross has more than 25 years of senior strategic human resource experience in domestic and international settings. He has worked in a wide variety of union and non-union settings in the mining, petrochemicals, petroleum, metal manufacturing, automotive supply and control instrumentation sectors. Ross was most recently Director Human Resources, Corporate & International for Noranda and Falconbridge. He provided overall Human Resources support and services to Noranda/Falconbridge worldwide, managing the company's expatriate programs and coordinating corporate crisis management planning and preparedness. Prior to Noranda/Falconbridge, he worked as a consultant for Watson Wyatt and as Vice President Human Resources for TVX Gold.

Ross has a Bachelor of Commerce degree from Queen's University and holds the CHRP designation. He is a member of the Human Resources Professional Association of Ontario.

Ross Brown*Vice President,
Human Resources*

Frank has more than 16 years of experience providing legal advice to public and private corporations. As a partner in two major Canadian law firms, he provided advice on a variety of corporate, securities and commercial matters and has extensive experience in international transactions especially in the natural resource sector. Frank has also practiced with Freshfields in London, where he focused on international natural resource transactions and joint ventures.

Frank holds a LLB from Queen's University and a B.A. from the University of Toronto.

Frank H. Herbert*General Counsel &
Corporate Secretary*

Directors' Biographies

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

Ian Austin currently serves as President and Chief Executive Officer of Skye Resources Inc., an early stage mineral exploration company. He has extensive experience in the mining industry and financial management. From 1989 to 2001, Ian 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, Ian spent 15 years with Inco Limited, when he served as Treasurer from 1981 to 1989. Ian holds a B.A. and a M.A. in Economics from Cambridge University.

John S. Auston is a graduate of McGill University, with degrees in Geology and Mineral Exploration, and attended the Program for Management Development at Harvard University. During a career of over 40 years in the minerals industry he has been active in the exploration for and development and operation of base metal, precious metal, uranium and coal mines in Canada, Australia and the United States. Most of this work was with the Selection Trust Group of London, which in 1981 became the minerals arm of British Petroleum. He was President and Chief Executive Officer of Ashton Mining of Canada from 1996 to 2000 and was President and Chief Executive Officer of Granges, Inc. from 1993 to 1995. John is currently a director of Cameco, Eldorado Gold Corporation and GGL Diamond Corp.

Gerald W. Grandey has served as President and Chief Executive Officer of Cameco since 2003 and has more than 30 years of experience in the mining industry. Jerry has been with Cameco since 1993, previously serving as Senior Vice President of Marketing and Corporate Development, Executive Vice President and President. Prior to joining Cameco, he was Vice-Chair and Chief Executive Officer of The Concord Mining Business Unit and prior to that served as President of Energy Fuels, an American coal and uranium mining company. In the mid-1970s, he spent several years practicing law with a major Denver law firm specializing in mineral financing and natural resources and environmental law. Jerry received a degree in geophysical engineering from the Colorado School of Mines in 1968 and a law degree from Northwestern University in 1973. He currently serves on the boards of the Nuclear Energy Institute and the National Mining Association.

Leonard A. Homeniuk has more than 30 years of experience in the mineral sector including exploration, development and production. After assuming progressively more responsible positions with Cameco, he then managed Cameco's uranium exploration program and was involved in early work on the McArthur River high-grade uranium deposit, now the world's largest uranium mine. Len assumed the position of Chair and President of Kumtor Operating Company in 1992 and was responsible for the acquisition, feasibility work and development of the Kumtor mine. Len served in this position, located in Bishkek, Kyrgyz Republic, until 1997 when he was promoted to Executive Vice President with Cameco Gold Inc. In 1999, he became President of Cameco Gold and was responsible for acquiring an ownership interest in the Australian gold exploration company AGR Limited, which directly led to the development of the Boroo mine. Len received a Bachelor of Science degree in Geological Engineering in 1970 and a Master of Science in 1972, both from the University of Manitoba.

Ularbek Mateyev is the President of Kyrgyzaltyn JSC, which owns 16% of Centerra's shares. Previously he was Vice Prime-Minister of the Kyrgyz Republic. Ularbek had a distinguished career in education before turning to government service in 1990. He is a former senior professor and deputy dean of Frunze Polytechnic Institute in the Kyrgyz Republic. He has served as Head of the Department of Social Matters, Press and State Administration; Head of the Department of Local Industry and Trade; and Head of the Department of the Mining Industry of the Kyrgyz government. In 1997 he became Chairman, the State Agency on Energy (Power). He graduated from the Moscow Energy Institute as an electrical/mechanical engineer in 1975.

Terry Rogers has more than 25 years of experience in coal, gold, lignite and uranium mining operations. Prior to being appointed Senior Vice President and Chief Operating Officer of Cameco in 2003, he served as President of the Kumtor Operating Company in the Kyrgyz Republic. Prior to his association with Cameco, Terry served with Morrison-Knudsen Company and its subsidiaries in a variety of operating sites worldwide and in the corporate headquarters in Boise, Idaho. His assignments included Managing Director, Technical for MIBRA GmbH in Leipzig, Germany, a company producing lignite from three open cast mines and generating electricity at three coal-fired power stations. Terry also served as President of the Jerooy Gold Company, worked for MK Gold Company in the Kyrgyz Republic and served as General Manager of American Girl Mining Joint Venture with MK Gold in southern California. Other assignments with Morrison-Knudsen included operations management at several gold and coal mining projects in the United States. Terry received an Associate Degree in Applied Science from the Superior Technical Institute in Wisconsin in 1972.

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

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

Corporate Information

Directors

Patrick M. James ^{(1), (2), (4), (6)}

Ian Austin ^{(1), (2), (3)}

John S. Auston ^{(1), (5)}

Gerald W. Grandey ⁽²⁾

Leonard A. Homeniuk

Ularbek Mateyev ^{(4), (5)}

Terry Rogers ⁽⁴⁾

Josef Spross ^{(3), (4), (5)}

Anthony J. Webb ^{(2), (3)}

(1) Member of the Audit Committee

(2) Member of the Nominating and Corporate Governance Committee

(3) Member of the Human Resource and Compensation Committee

(4) Member of the Safety, Health and Environmental Committee

(5) Member of the Reserves Committee

(6) Mr. James is Chairman of the Board of Directors

Officers and Management

Leonard A. Homeniuk

President and

Chief Executive Officer

David M. Petroff

Executive Vice President

and Chief Financial Officer

George R. Burns

Vice President and

Chief Operating Officer

Robert S. Chapman

Vice President, Exploration

Ross Brown

Vice President, Human Resources

Frank H. Herbert

General Counsel & Corporate Secretary

Paul Korpi

President, Boroo Gold Company

Andy Lewis

President, Kumtor Operating Company

Transfer Agents

For information on common share holdings, lost share certificates and address changes, contact:

CIBC Mellon Trust Company

320 Bay Street, P.O. Box 1

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M5H 4A6

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1-800-387-0825 or

(416) 643-5500

Web site: www.cibcmellon.com

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Legal Counsel

Torys LLP

Suite 300, 79 Wellington St. W.

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Stock Exchange Listing

Toronto Stock Exchange

Symbol: CG

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Web site:

www.centerragold.com

Annual Meeting

The annual meeting of shareholders of Centerra Gold is scheduled to be held on Tuesday, May 10, 2005 at 2:00 p.m. Eastern Standard Time at the Esso Theatre, Hockey Hall of Fame, BCE Place
10 Front Street
Concourse Level
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