

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

The two gold mines operated by the Company produced 787,275 ounces in 2005 at a total cash cost of \$241 per ounce.

Centerra's objective is to aggressively increase its reserves and resources and expand its portfolio of gold mining operations.

Centerra's shares trade on the Toronto Stock Exchange (TSX) under the CG symbol. The Company is based in Toronto, Canada.



## Where We Stand



 Located in highly prospective and underexplored gold regions



■ Operating two large-scale, low-cost gold mines



■ Generating solid earnings and cash flow

	2005	2004
Revenues – \$ millions	339	247
Production –		
ozs – 100% basis	787,275	903,030
Cash costs – \$/oz	241	187
EPS – \$ per share	0.59	0.91
Cash flow – \$ millions	83	88
Cash on hand – \$ millions	202	153

■ 3.7 million ounces of reserves added in 2005

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	Jan 05	Apr 05	June 05	Sept 05	Dec 05	Jan 06

Closing Share Price – Cdn \$ per share

- Well positioned for sustained growth
- No long-term debt
- No hedge position, enabling full participation in higher gold price
- \$202 million of cash on hand
- Largest Western-based gold producer in Central Asia and the former Soviet Union
- Experienced management
- A growth strategy that is delivering results

# Centerra's gold production is expected to exceed one million ounces in 2009.

### Dear Fellow Shareholders,

In 2005 Centerra continued its strong financial and operating performances and realized significant results from a very aggressive exploration program. We have expanded Centerra's reserves by 83% or 3.7 million ounces and increased Centerra's measured and indicated resources by 32% or 1.2 million ounces, including significantly upgrading our Gatsuurt deposit. The reserves expansion will extend the life of the mine at Kumtor by almost three years and at Boroo by more than one year. Gatsuurt reserves will further extend the life of the Boroo facilities.

This success came from a disciplined focus on our performance objectives. We are very pleased with "Where We Stand," but our sights are on the future. We intend to maintain the same level of dedication in delivering value to our stakeholders in moving forward.

### Host country environments

In the Kyrgyz Republic, the new leadership of the country has made a commitment to Centerra, its shareholders and the international community to honour all previously reached agreements. On our part, we engaged in a successful

We extended mine life at Kumtor and Boroo



Leonard A. Homeniuk
President and
Chief Executive Officer

constructive dialogue with the new administration, resolving many outstanding issues. This co-operative effort will continue.

In Mongolia, we are confident that the new government will ensure the continuation of an attractive investment environment. In fact, we are prepared to make substantial additional investments in this country to advance the development of our Gatsuurt deposit and conduct further exploration.

### Solid operating results at Kumtor and Boroo

Operationally, Boroo continued to excel in 2005, surpassing expectations by posting record production. At Kumtor, as expected, lower grades resulted in reduced output. Both operations made significant strides in mitigating the global challenge of higher operating costs by implementing continuous improvement initiatives.

### A larger platform for growth

The most exciting news of 2005 was the new year-end reserves and resources estimate for Kumtor. Our recently announced capital investment of \$87 million for mine fleet

replacement shows our high degree of confidence in Kumtor's long-term potential.

These positive drilling results also encouraged us to commit \$21 million to exploration in 2006 – very significant exploration funding for a company of our size.

Attesting to our high level of profitability, we continued to accumulate cash (\$202 million at the end of 2005) while remaining debt-free.

### Commitment to Sustainable Development

Our excellent operating results are backed by exemplary safety and environmental records and support for meaningful sustainable development programs in local communities.

Centerra continues to conduct itself in the Kyrgyz Republic and Mongolia as a responsible corporate citizen, promoting a high level of responsibility in workers' safety, environmental



### Gold's fundamentals

remain healthy with growing demand and diminishing supply

### Our Growth Strategy

### New opportunities

to expand exploration in emerging markets

### Selective acquisitions

of advanced stage and operating projects accretive to shareholder value

# Goals 2006 → Improve productivity by managing rising costs, while maintaining safe, efficient mine operations | Description of the productivity by managing reserves and resources through aggressive exploration. \$21 million is planned for 2006 | Description of the productivity by managing reserves and resources through aggressive exploration at Kumtor, Boroo, Gatsuurt and REN



George Burns
Vice President and
Chief Operating Officer

protection and sustainable development. You can read more about our initiatives in these areas on page 23 of this report.

### Dedicated acquisition team

Our growth priorities led to the creation of a dedicated acquisitions team. We review emerging growth opportunities in an effort to identify those with strategic significance and the potential to be accretive to shareholder value. While our industry has become increasingly competitive, Centerra's objectives remain unchanged. Our intention is to expand our portfolio of properties, adding value while preserving the quality and ensuring their long-term profitability.

Today Centerra's competitive edge remains strong. We are the premier Western-based gold miner in Central Asia, possessing the knowledge to operate in challenging political environments. We are financially strong and technically competent and have all the prerequisites for continuing success. We also have a hard-earned reputation for "doing what we say and saying what we do." This makes us a company of choice for unlocking the tremendous potential of the most promising gold regions in the world.

Leonard A. Homeniuk

President and Chief Executive Officer

Patrick M. James Chair, Board of Directors

### **Emphasizing Corporate Governance**

We saw continued success in 2005, our first full year of operation as an independent public company. Operationally, Centerra Gold remained firmly on track in delivering against its objectives in 2005. Reserves and resources expanded significantly, especially through our exploration success at the south end of the Kumtor pit. Operational performance continued to be strong with the successful implementation of several productivity improvement initiatives. Both Kumtor and Boroo continued to enjoy solid safety and environmental records. Management also continued to pursue strategic acquisition opportunities in a highly disciplined and focused manner.

The Board is pleased with "Where We Stand" as we begin 2006. At the same time, we understand that creating value for our shareholders is a process that never ends.

An important part of that process is the work of Centerra's directors. These dedicated and skilled individuals bring a wealth of international experience – in exploration, project development, mining and financial management – that encourages open, productive discussion in all areas affecting Centerra's business. In 2005, we welcomed a new director, Almazbek Djakypov, President of Kyrgyzaltyn JSC, an entity owned by the Government of the Kyrgyz Republic, which owns approximately 16% of Centerra's shares.



Josef Spross

Anthony J. Webb

Almazbek Djakypov

High
standards
of governance
are requisite to
everything we do

Our commitment to high standards of corporate governance and the adoption of best practices continues. As a result of Centerra's inclusion in the S&P/TSX Composite Index in 2005, our governance performance was rated for the first time in The Globe and Mail's Report on Business corporate governance ratings. We scored highest among the newly-rated companies and were rated especially high on governance disclosure, compensation and shareholder rights practices and policies. According to the regulatory standards of board independence our board also scored well. In support of our commitment to high governance standards, the Board has adopted a formal process for board self-assessment in 2005.

In addition with the continued focus on managing operational and environmental risk, the Board strongly supported the Safety, Health and Environment program and the Sustainable Development initiatives implemented by Centerra Gold in 2005.

As we look ahead, I am confident the Board will continue to play a central role in Centerra's long-term success.

Patrick M. James Chair, Board of Directors

March 29, 2006



Terry Rogers

John S. Auston

Gerald W. Grandey

Leonard A. Homeniuk

We have
accomplished
our key
2005 objectives

# Our Progress



### Our reserves have grown by 3.7 million ounces

Our strategy of growing through exploration, selective acquisitions and new opportunities has been strongly rewarded by excellent results. In 2005, we achieved our key goals:

- Increased reserves at our Kumtor mine by 2.3 million ounces and at our Boroo mine by 349,000 ounces extending Kumtor's mine life by almost three years and Boroo's mine life by one year
- Completed a Gatsuurt feasibility study and announced reserves of almost one million ounces, extending the life of the Boroo facility
- Significantly improved our production profile with production forecast to exceed one million ounces in 2009
- Spent \$25.5 million on exploration activities
- Completed 120 drill holes (41,967 metres) in the vicinity of the Kumtor pit and an additional 44 drill holes

(4,417 metres) in target zones within five kilometres of the pit

 Undertook analysis and due diligence on acquisition opportunities in Central Asia, the former Soviet Union and other emerging markets

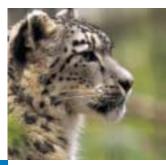
### Financial strength

Centerra continued to deliver solid earnings and strong cash flow in 2005 with an unhedged strategy that maximizes our leverage to the gold price.

- Generated cash flow of \$83 million
- Ended the year with \$202 million of cash on hand and no long-term debt
- Increased net asset value through reserve and resource increases

	2005	2004	2003
Revenues – \$ millions	339	247	82
Production – ozs*	787,275	640,779	225,851
Cash cost – \$/oz	241	187	191
EPS - \$ per share	0.59	0.91	0.24
Cash flow – \$ millions	83	88	24
Cash on hand – \$ millions	202	153	10

<sup>\*</sup> Comprising one-third of the Kumtor Mine to June 22, 2004 and 100% thereafter, and 100% of the Boroo Mine.







### A commitment to safety, environmental protection and sustainable development

At Centerra, we are firmly committed to exploration, development and mining in a safe and environmentally responsible manner, no matter where the location or how challenging the work. Accordingly, we implemented a comprehensive Safety, Health and Environment (SHE) Management System during the past year that has already yielded significant results. The lost-time accident frequency rate for Centerra's employees and its long-term contractors was considerably better than the average for the mining industry in North America, as was our environmental performance record. In 2005, we began to systematically audit our SHE systems (both internally and through outside experts), helping us further improve these important areas. These audits will continue in 2006.

As part of our ongoing commitment to long-term sustainable development initiatives, Centerra joined forces with the Issyk-Kul regional government in the Kyrgyz Republic during 2005 to provide a medical diagnostic/ monitoring centre for local communities in 2006. We have also begun to finance a number of other projects in the Kyrgyz Republic in the areas of education and small business development to be implemented over the next several years. In Mongolia, we are particularly proud of Centerra's significant contribution to World Vision's Sprinkles initiative to combat rickets, a vitamin deficiency especially destructive in young children.





**Operating Mine** 

# Kumtor

### **Key Facts**

Location: Kyrgyz Republic

Ownership: 100%

Type of mine: Open pit Elevation: 4,018 metres

Start of commercial production: May 1997

Reserves and operations

Proven and probable reserves:

40.2 million tonnes

Average grade: 3.8 grams per tonne

Contained gold: 5.0 million ounces

Milling rate: 5.7 million tonnes per year 2005 gold production: 501,487 ounces

Cash cost per ounce of production: \$274

Life of mine: Achieved an expansion in

reserves to add almost three years

of production to 2013

### **Employees**

Number of employees: 1,742

Kyrgyz Nationals: 94%



# We added almost three years of mine life at Kumtor



Production	1997	1998	1999	2000	2001	2002	2003	2004	2005	
Ore mined										
(thousands of tonnes)	5,017	5,349	8,054	6,518	5,606	5,141	4,634	3,303	6,135	
Ore milled										
(thousands of tonnes)	4,023	5,254	5,298	5,498	5,470	5,611	5,631	5,654	5,649	
Average										
mill feed grade										
(grams / tonne)	5.6	4.8	4.5	4.7	5.2	3.7	4.5	4.4	3.4	
Recovery (%)	73.3	78.5	79.4	81.5	83.1	78.1	82.6	82.1	81.2	
Gold poured <sup>(1)</sup>										
(thousands of ounces)	502	646	610	670	753	529	678	657	501	
Unit Production										
Total Cash Costs	(2)									
Per tonne										
milled – (\$)	24.00	22.20	20.60	18.60	19.50	20.40	24.00	23.39	24.28	
Per ounce – (\$)	193	181	179	153	141	216	191	200	274	

### Notes:

- (1) Centerra's equity interest is 100%
- (2) Total cash cost per ounce is a non-GAAP measure and is described under "Non-GAAP Measure Total Cash Cost" in the Management's Discussion and Analysis accompanying this annual report.



## Kumtor

### An excellent gold mining operation

Centerra owns 100% of the Kumtor gold mine which is located in the Kyrgyz Republic, about 350 kilometres southeast of the capital Bishkek and about 60 kilometres north of the border with the People's Republic of China. It is the largest gold mine operated in Central Asia by a Western-based company, having produced more than 5.5 million ounces of gold between 1997 and the end of 2005.

The Company's involvement in Kumtor began in 1992 when an agreement to evaluate and develop the Kumtor gold deposit was entered into with the Government of the Kyrgyz Republic. The Kumtor area had a long history of intermittent exploration dating back to the late 1920s, but the actual discovery of the deposit was made in 1978.

Today, the Kumtor mine plays a particularly important role in the economic and political life of the Kyrgyz Republic. It is the largest private sector employer of Kyrgyz citizens and is the largest foreign investment in the country. For 2005, its production represented approximately 9.34% of the



Reserves and Resources	2)(6) Tonnes	Grade	Contained Gold
As at December 31, 2005	(thousands)	(grams/tonne)	(thousands of ounces)
Reserves <sup>(1)(3)</sup>			
Proven	17,600	3.7	2,099
Probable	22,562	3.9	2,854
Total	40,162	3.8	4,953
Resources <sup>(4)(5)</sup>			
Measured	13,406	3.8	1,634
Indicated	10,601	4.1	1,387
Total measured and indicated	24,007	3.9	3,021
Inferred	5,475	4.6	803



- (1) The reserves have been estimated based on a gold price of \$400 per ounce.
- (2) Centerra's equity interest is 100%
- (3) Kumtor reserves include the main pit and the Southwest Zone satellite deposit and are based on a cut-off grade of 1.3 grams per tonne.
- (4) Open pit resources occur beneath the current ultimate pit design 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) Kumtor resources include the main pit and the Southwest Zone and Sarytor satellite deposit.
- (6) The reserve and resource estimates were prepared under the supervision of Robert S. Chapman, M.Sc., P.Geo., Centerra's Director, Mergers and Acquisitions, 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").

country's gross domestic product. In 2004, the most recent period for which data is available, Kumtor accounted for 40.9% of the country's export earnings and 43.5% of total industrial production.

### Focus on productivity

During the past year, Kumtor posted near record tonnes mined and milled. Several productivity improvement initiatives were implemented to offset the reduction in ore grade as well as global increases in the cost of energy and other material inputs. In-house component rebuilding of





Planned exploration expenditures

at Kumtor in 2006 are \$11 million

the mining fleet and the addition of new trucks have lowered costs and boosted efficiency at the mine. The installation of a new ultra-fine grinding mill is expected to increase recoveries and contribute an average of 20,000 more ounces of gold per year.

### Growing reserves and mine life

The full potential of Kumtor is now becoming evident thanks to an aggressive exploration and drilling program that added 2.3 million ounces of reserves in 2005 and extended Kumtor's mine life by almost three years. The Company's aggressive exploration strategy will continue in 2006.





**Operating Mine** 

# Boroo

### **Key Facts**

Location: Mongolia

Ownership: 95%

Type of mine: Open pit

Start of commercial production: March 2004

Reserves and operations

Proven and probable reserves:

13.4 million tonnes

Average grade: 2.8 grams per tonne

Contained gold: 1.2 million ounces

Milling rate: 2.2 million tonnes per year 2005 gold production: 285,788 ounces

Cash cost per ounce of production: \$183

Life of mine: Achieved an expansion in

reserves to add more than one year to

Boroo mine production

### **Employees**

Number of employees: 500

Mongolian Nationals: 90%



# We added 349,000 ounces of gold to Boroo's reserves extending mine life by more than one year



Production	2003	2004	2005
Ore mined (thousands of tonnes)	145	1,884	2,865
Ore milled (thousands of tonnes)	113	1,850	2,231
Average mill feed grade (grams/tonne)	2.9	4.5	4.2
Recovery (%)	97.0	93.7	91.5
Gold poured (thousands of ounces) <sup>(2) (3)</sup>	4	246	286
Unit Production Total Cash Cost <sup>(1)</sup>			
Per tonne milled – (\$)	_	17.59	23.49
Per ounce – (\$) <sup>(1)</sup>	_	149	183

### Notes

- (1) Total cash cost per ounce is a non-GAAP measure and is described under "Non-GAAP Measure Total Cash Cost" in the Management's Discussion and Analysis accompanying this annual report, and represents post-commissioning production costs from March 1, 2004 to December 31, 2004.
- (2) Gold poured in 2003 and 2004 includes pre commissioning production for December 2003 and January and February of 2004.
- (3) Centerra's equity interest is 95%.



## Boroo

### First hard rock gold mine in Mongolia

Centerra Gold has a 95% equity interest in Boroo, which is located 110 kilometres northwest of Ulaanbaatar, Mongolia's capital. Although this is a relatively remote part of the world, Boroo is within three kilometres of the all-weather Ulaanbaatar-Irkutsk highway and enjoys easy access to the Trans-Mongolian railway. This open-pit operation began commercial production on March 1, 2004 and has produced more than a half-million ounces of gold (including gold produced during commissioning) by the end of 2005. Over the life of the mine, Boroo is expected to process more than 13.4 million tonnes of ore and produce more than one million ounces of gold from the Boroo deposit. Additionally, the Boroo facility will process ore from the Gatsuurt deposit.

Boroo is the first significant foreign investment in Mongolia for industrial development since 1979 and has accounted for a 45% increase in Mongolian gold production. The mine employs 500 people, 90% of whom are Mongolian citizens.



Tonnes	Grade	Contained Gold
(thousands)	(grams/tonne)	(thousands of ounces)
8,810	2.8	774
4,580	3.0	444
13,390	2.8	1,218
1,870	2.4	147
782	2.2	54
2,652	2.4	201
2,563	2.0	167
	(thousands)  8,810 4,580  13,390  1,870 782  2,652	(thousands) (grams/tonne)  8,810 2.8 4,580 3.0  13,390 2.8  1,870 2.4 782 2.2  2,652 2.4



- (1) The reserves have been estimated based on a gold price of \$400 per ounce.
- (2) Centerra's equity interest is 95%.
- (3) 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.
- (4) The reserve and resource estimates were prepared under the supervision of Robert S. Chapman, M.Sc., P.Geo., Centerra's Director, Mergers and Acquisitions, who is a qualified person under NI 43-101.

### Operations exceeding expectations

In 2005, Boroo significantly exceeded all operating targets including those established for tonnes mined, tonnes milled and gold ounces produced. Over the past year, process improvements to our mining production and milling throughput of 35% and 21% respectively, have occurred and are forecast to be sustained. Management responded to global increases in the cost of energy and other inputs with several productivity enhancing initiatives including truck and shovel operator efficiency, improved blast fragmentation and fine grinding from smaller SAG mill grate openings.



Cash costs at Boroo were an **exceptional** 

\$183 per ounce in 2005

### A successful exploration program

During the past year, a successful exploration and drilling program has contributed to an increase in reserves by 349,000 ounces (more than 2005 production) and extended Boroo's mine life by more than one year.







### Exploration

# Projects

### **Kumtor Mine Site**

Location: Kyrgyz Republic

Drill holes: 120 holes totaling 41,967 metres

Sarytor

Location: Kyrgyz Republic

Drill holes: 44 holes totaling 4,417 metres

Boroo Mine Site

Location: Mongolia

Drill holes: 205 holes totaling 25,528 metres

**Gatsuurt Central Zone** 

Location: Mongolia

Drill holes: 28 holes totaling 4,097 metres

Gatsuurt Main Zone

Location: Mongolia

Drill holes: 59 holes totaling 10,254 metres

Argal

Location: Mongolia

Drill holes: 21 holes totaling 2,860 metres

Ulaan Bulag

Location: Mongolia

Drill holes: 14 holes totaling 1,894 metres

REN

Location: Nevada, USA

Drill holes: 28 holes totaling 19,926 metres

### we added

3.7 million ounces of reserves as a result of our exploration program



#### Reserves and Resources (3)(4) Tonnes Contained Gold As at December 31, 2005 (thousands) (grams/tonne) of ounces) Gatsuurt Project, Mongolia(1) Probable reserves 8,959 3.4 986 Indicated resources 5.584 3.1 565 Inferred resources 2,749 3.5 305 REN Project, Nevada<sup>(2)</sup> Indicated resources 2,753 13.6 1,201 Inferred resources 301 13.2 128

### Notes

- (1) The reserves and resources at Gatsuurt have been estimated based on cut-off grades that are either 0.9 or 2.0 grams of gold per tonne, depending on the type of material and the associated recovery. High grade values were also cut using variable limits ranging from 20 to 45 grams per tonne, depending on the mineralized zone.
- (2) The resources at REN have been estimated based on a cut-off grade of 8.0 grams of gold per tonne
- (3) The Gatsuurt reserves and resources include the Central Zone and the Main Zone deposits. The reserve and resource estimates for Gatsuurt were prepared by Centerra, and reviewed and approved by Dr. William E. Roscoe, P.Eng. and James W. Hendry, P.Eng., of Roscoe Postle Associates Inc., who are both independent of Centerra and the qualified persons under NI 43-101 for the purposes of the reserve and resource estimates.
- (4) Centerra's equity interests are Gatsuurt, 100% and REN, 62%



# Projects

### **Promising Opportunities**

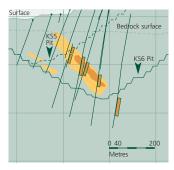
2005 was an excellent year for Centerra's exploration programs, resulting in increases in reserves at Kumtor and Boroo, the addition of reserves at Gatsuurt and the addition of resources at Sarytor.

### Kyrgyz Republic

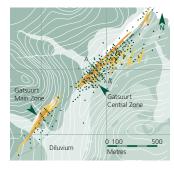
Exploration at Kumtor continued in 2005 with extensive drilling near the main pit and the addition of 2.3 million ounces of reserves, mostly from the SB Zone. This high-grade mineralized area at the southern end of the pit remains open in the down dip direction and along strike to the south.

At Sarytor, an advanced stage exploration project five kilometres from the Kumtor mill, our drilling program resulted in the addition to indicated resources of 167,000 contained ounces of gold at an average grade of 3.0 grams per tonne.

In 2006, exploration will focus on extending the high grade SB Zone, exploring the northerly extension of the Kumtor ore body, and further testing of the Sarytor deposit.

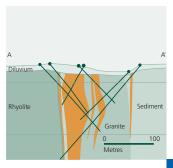


- $\uparrow$
- Kumtor SB Zone Cross Section
  Outline of the newly discovered, high
  grade SB Zone. The mineralization
  currently remains open at depth and
  along strike to the south.
- > 1.5 g/t Au Mineralized zone
- > 10.0 g/t Au Mineralized zone
- Mineralized intercept





- Gatsuurt Drilling Map Plan
  Surface projection of the Central
  Zone and Main Zone showing the
  close proximity of the two deposits.
- > 1 g/t Au Mineralized zone
- > 3 g/t Au Mineralized zone
- Location of drill collars





### Gatsuurt Central Zone Cross Section

Encouraging drilling results at the Central Zone have delineated a wide, vertical dipping mineralized body, which remains open at depth.

- > 1 g/t Au Mineralized zone
- Selected drill holes



### Mongolia

In addition to the drilling program at Boroo, Centerra was focused on upgrading the Gatsuurt project in 2005.

Drilling of the Central Zone determined the limits to the mineralized zone along strike in both directions, but it remains open in the down dip direction and the higher grade, deeper mineralization will be drill tested during 2006.

At the Gatsuurt Main Zone, a separate mineralized body 500 metres to the southwest of the Central Zone, the 2005 drilling program added to the project's reserve and resource base.

A feasibility study was completed for Gatsuurt in 2005 resulting in the addition of nearly one million ounces of reserves. Centerra will add a bio-oxidation circuit to the existing mill at Boroo to process refractory material from Gatsuurt following the depletion of oxide and transition zone reserves at Boroo.

### Nevada

Drilling of known mineralization at REN was completed in 2005 and considerable inferred resources were upgraded to the indicated category. Our drilling program was also successful in identifying favourable alteration zones in two new areas that will be explored, along with other target areas, in 2006.

### Outlook for 2006

In 2006, Centerra will continue focused exploration programs around its mines and advanced exploration projects to further expand the reserve and resource bases.

Aggressive drilling programs will continue in the vicinity of the Kumtor pit. Exploration will continue in the vicinity of the Boroo mine and the Gatsuurt deposit. Centerra has budgeted \$21 million to fund its exploration activities in 2006.







Sustainable Development

# **Partners**

### In the Community

Our goal is to ensure that the local communities where we operate are better off as a result of our presence even after our mines have completed their life cycles.

### In Health and Safety

We are committed to safety and health management systems for the protection of our employees and the communities where we operate.

### In the Environment

Our operations are designed to operate in accordance with local, Canadian and World Bank standards and are supported by enterprise risk management systems, regular audits and a crisis management plan.

We **ensure** compliance with regulatory standards and objectives through extensive monitoring



### Key Achievements through 2005

Several of the processes necessary to effectively manage safety, health and the environment were established in 2005.

- Developed, implemented and tested a Crisis Management Plan and ensured that it was integrated with Site plans. Established a 24/7 emergency notification system.
- Developed a Corporate Safety, Health and Environment Management System and ensured that it can be effectively applied at the operations.
- Instituted the SHE assurance process within Centerra, including training SHE professionals in auditing and conducting internal and external audits of our operations.
- Integrated the SHE staff across the company into a cohesive team.
- Increased the focus on risk assessment including identifying SHE risks within the enterprise risk system and assisting the operations to establish and/or update site risk registers.
- Improved reporting processes for Safety, Health and Environmental incidents.

### **Partners**

Through its first full year of operation Centerra put in place many of the processes necessary for the proactive enterprise-wide management of Safety, Health and the Environment (SHE).

A corporate SHE Management System that clearly sets out the Company's expectations for SHE management was approved by the Board of Directors and has been introduced throughout our operations. A Crisis Management Plan was developed and tested to ensure that the Company can effectively respond to any incident that might affect our operations, our people or our communities. Also, Enterprise Risk Management and audit processes were put in place across the Company to ensure that risks are identified, mitigated and sustainably managed.

Kumtor has a long history of providing social and economic support that includes corporate donations and purchase of local products and services in the Issyk-Kul region. Our purpose in promoting sustainable development is to help residents of the region continue a successful livelihood after eventual mine closure. One project in the Issyk-Kul region in the Kyrgyz Republic aims to help this local community by improving their capacity for pasture management, vegetable production and vegetable processing.





Kumtor also supports an initiative to increase fish stocks in the Issyk-Kul and Son-Kul lakes to encourage a commercial and sport fishery.

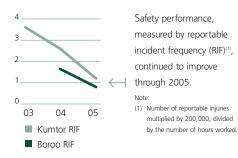
In addition, Kumtor has provided financial and in-kind support for a biodiversity conservation initiative, aimed at improving the management of the Sary-Chat Ertash National Wildlife Park, home to snow leopards, an endangered species.

At Boroo the Company is proud to be working with World Vision, to improve the health of Mongolian children by making available food additives, including Vitamin D supplement, to combat childhood rickets. In addition to Boroo's collaboration with World Vision's Sprinkles initiative in Mongolia, the company sponsors numerous projects to support community development in the Mandal and Bayangol Somms. In 2005, projects included building and operating a Centre for traditional Mongolian medicine; providing a loan program to create small and family businesses and jobs; building an Agriculture Centre to promote more efficient and productive farming and herding; building four community centres; and upgrading a hospital in partnership with World Vision.

### Safety Performance

At Centerra, we focus on the health and safety of our workers not just because it's the right thing to do, but because it is the only way to achieve and maintain a productive operating environment.

### Reportable Incident Frequency at Kumtor and Boroo



### Safety Objectives for 2006

	Recordable 2005 Actual	Frequency 2006 Goal	Reduction over 2005
Kumtor	1.23	1.0	15%
Boroo	0.83	0.7	15%
Centerra	1.11	0.9	15%

### Strong

balance sheet provides flexibility to support growth objectives

#### Average gold price



# Results at a Glance

### Overview

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

- In 2005, the Company's two mines produced 787,275 ounces of gold
- Exploration success contributed to an increase in reserves of 3.7 million ounces, providing an extension of mine life of almost three years at Kumtor, and one year at Boroo
- Gatsuurt reserves will further extend the life of the Boroo facility

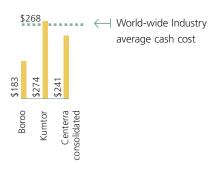
### Results of Operations in 2005

- Cash on hand of \$202 million
- Centerra has sufficient cash to carry out its business plan in 2006, including its exploration activities
- Centerra's total cash cost per ounce of gold averaged
   \$241 in 2005, up from \$187 per ounce recorded in
   2004. The increase reflects mainly lower head grades at the Kumtor mine
- Net earnings totaled \$42.4 million or \$0.59 per share in 2005
- Cash flow provided by operations was \$83 million, down from \$88 million reported at the end of 2004, due to increased working capital levels

### **Cash provided by Operations**



### Operating Cash Cost per Ounce in 2005



# The Results at a Glance highlights some of the more significant and informative items that appear in the full MD&A.

For a complete summary of Centerra Gold's strategies, business environment, performance, risk and other material information, please refer to the full MD&A beginning on page 28.

### Mine Operations

- Total production in 2005 of 787,275 ounces compared to 640,779 ounces in 2004 was due to increased ownership levels and a full year of production in 2005
- Revenues in 2005 increased to \$338.6 million from \$247.1 million in 2004, due to the increased ownership at Kumtor and Boroo's full year of operation

### **Capital Expenditures**

 Capital expenditures in 2005 amounted to \$33.5 million of which \$15 million was spent on maintenance projects

### Outlook for 2006

- For the full year, the total production forecast is 732,000 ounces
- Centerra's share of production is expected to amount to 719,000 ounces, a decrease of almost 7% from 2005 due primarily to lower mill head grade and recovery rates at Kumtor
- Capital expenditures are forecast at \$103 million which includes \$87 million at Kumtor for the addition of larger, more productive haulage trucks and shovels and other auxiliary equipment

## 2005

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The following discussion has been prepared as of March 29, 2006, and is intended to provide a review of the financial position of Centerra Gold Inc. ("Centerra" or the "Company") as at December 31, 2005 and 2004 and the financial performance for the three years ending December 31, 2005. This discussion should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2005 prepared in accordance with Canadian generally accepted accounting principles. In addition, this discussion contains certain forward-looking statements regarding Centerra's businesses and operations. All dollar amounts are expressed in United States dollars, except as otherwise indicated. Additional information about Centerra, including the Company's annual information form for the year ended December 31, 2005, is available on the Company's website at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.



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Risk Factors

#### Cautionary Statement on Forward-Looking Information

Statements contained herein, including those under the heading "Outlook", which are not historical facts are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; procurement of required capital equipment and operating parts and supplies, equipment failure; unexpected geological or hydrological conditions; political risks arising from operating in certain developing countries; imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; environmental and safety risks including increased regulatory burdens; seismic activity, weather and other natural phenomena; failure to obtain necessary permits and approvals from government authorities; changes in government regulations and policies; including tax and trade laws and policies; ability to maintain and further improve positive labour relations; and other development and operating risks. 

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

Furthermore, market price fluctuations in gold, as well as increased capital or production costs or reduced recovery rates may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time. <a> ■</a> Resources figures included herein have not been adjusted in consideration of these risks and, therefore, no assurances can be given that any resource estimate will ultimately be reclassified as proven or probable reserves. If Centerra's reserve or resource estimates for its gold properties are inaccurate or are reduced in the future, this could have a material adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition. the future mine life of its operations. No assurance can be given that mine life estimates will be achieved. Failure to achieve these estimates could have a material adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition. 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 report. 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, except as may be required by applicable securities laws. Mineral resources are not mineral reserves, and do not have demonstrated economic viability. Measured and indicated resources have reasonable prospects for economic extraction. They are sufficiently well defined to allow geological and grade continuity to be reasonably assumed and permit the application of technical and economic parameters in assessing the economic viability of the resource. Inferred resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that mineral resources can be upgraded to mineral reserves of any category through continued exploration.

# Management's Discussion and Analysis

### Overview

### **Nature of Centerra's 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 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 initial public offering ("IPO") in June 2004 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 100% interest in the Gatsuurt property, and a 62% interest in the REN deposit.

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

In 2005, the Company's two mines produced a total of 787,275 ounces of gold of which 772,986 ounces were attributable to Centerra. This level of production ranks Centerra as a leading North American-based gold producer.

The average spot price for gold in 2005 increased 9% over the average in 2004. This follows year-over-year increases of 13% in 2004 and 20% in 2003. The average realized price of gold received by Centerra increased because of the higher spot price for gold applicable to unhedged gold and as a result of the Company reducing the amount of gold that was hedged. 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 (see the discussion following under "Gold Industry and Key Economic Trends").

The Company's cost of products and services sold is comprised primarily of the cash cost of producing gold from its two mines and secondarily from depreciation and depletion. 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. The stripping ratio means the tonnage of waste material which must be removed to allow the mining of one tonne of ore in an open pit.

In the mill, costs are dependent mainly on the metallurgical characteristics of the ore and the ore grade. For example, a higher grade ore 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 and the estimated useful lives of such items.

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, Centerra carries 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. Centerra's 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 (net of forecast salvage value of assets) from the revenues generated over the life of the mine.

### **Gold Industry and Key Economic 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 uses include official coins, electronics, miscellaneous industrial and decorative uses, medals and medallions.

Currently strong gold industry fundamentals support management's view on the gold price, the Company's growth strategy and its continued 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 in U.S. dollar terms is rising globally due primarily to a declining quality of reserves at producing mines, higher cost of consumables, and the overall trend of U.S. dollar deterioration and instability. 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, 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. Historically, with the exception of 2005, there has been a strong inverse correlation between the trade-weighted U.S. dollar exchange rate and the gold price resulting in 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, a sustained low U.S. interest rate environment

contributing to an unstable U.S. dollar, 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 its 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 afternoon gold price fixing, by quarter, on the London Bullion Market for 2004 and 2005:

Quarter	Average Gold Price (\$)
2004 Q1	408
2004 Q2	393
2004 Q3	401
2004 Q4	434
2005 Q1	427
2005 Q2	427
2005 Q3	440
2005 Q4	484

### **Sensitivities**

Centerra's revenues, earnings and cash flows are sensitive to changes in the gold price. The Company estimates that a \$25 per ounce change in the price of gold would change its revenues in 2006 by approximately \$18 million, its earnings by \$15 million (\$0.21 per share) and cash provided by operations by \$17 million.

### **Vision and Strategy**

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

- developing new reserves at its existing mines from in-pit, adjacent and regional exploration;
- advancing late stage exploration properties through drilling and feasibility studies, as warranted; 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 2005, the Company increased its drilling activities in and around its two mine sites and at the Gatsuurt deposit. In 2006, the Company announced its 2005 year-end reserves estimates and added 3.7 million ounces of contained gold in proven and probable reserves. The significant increase in reserves was produced by the excellent results of exploration drilling in 2005. For Kumtor and Boroo mines there is only a minimal increase attributable to using a gold price of \$400 per ounce in 2005, rather than \$375 per ounce used for the 2004 year-end reserve estimate. The reserve additions result in almost three years of additional mine life at the Kumtor mine and one year at the Boroo mine, Gatsuurt reserves will further extend the life of the Boroo facility (see the "Reserves and Resources Summary" table on page 91 of Centerra's annual report for the year ended December 31, 2005 (the "Annual Report").

Additionally, the Gatsuurt reserve and resource base has been significantly expanded by drilling programs completed in 2005 at the Central and Main Zones. A feasibility study on the Central Zone was completed in 2005. The Gatsuurt project was further optimized in early 2006 to include the Main zone. Probable reserves for the Gatsuurt project are estimated to be 9.0 million tonnes, averaging 3.4 g/t gold for a total of 986,000 ounces of contained gold. Indicated resources are estimated at 5.6 million tonnes, averaging 3.1 g/t gold for a total of 565,000 ounces of contained gold (see the "Reserves and Resources Summary" table on page 91 of the Annual Report).

At REN, the updated resource estimate has resulted in a 52% increase in contained gold in the indicated resource category over the 2004 year-end resource estimate. The increase is due to upgrading inferred resources in the 69 Zone through additional drilling, the completion of two additional holes into a high-grade section of the JB Zone and increasing the higher grade capping level from 40 g/t gold to 70 g/t gold (see the "Reserves and Resources Summary" table on page 91 of the Annual Report).

The above-mentioned changes to the Company's proven and probable reserves, measured and indicated resources, and inferred resources are shown on a 100% basis in the following table:

### Reconciliation of Gold Reserves and Resources

			2005	Ce	nterra's Share
	December	2005	Addition	December	December
(in thousands of ounces of contained gold)	31, 2004 <sup>(1)</sup>	Throughput <sup>(2)</sup>	(Deletion) <sup>(3)</sup>	31, 2005	31, 2005 <sup>(4)</sup>
Reserves – Proven and Probable					
Kumtor (5)(9)	3,249	614	2,318	4,953	4,953
Boroo (9)	1,172	303	349	1,218	1,157
Gatsuurt (7)(8)	_	_	986	986	986
Total Reserves	4,421	917	3,653	7,157	7,096
Resources – Measured					
Kumtor (6)(9)	997	_	637	1,634	1,634
Boroo (9)	_	_	147	147	140
Total Measured Resources	997	_	784	1,781	1,774
Resources – Indicated					
Kumtor (6)(9)	917	_	470	1,387	1,387
Boroo (9)	194	_	(140)	54	51
Gatsuurt (7)(8)	890	_	(325)	565	565
REN (10)	791	_	410	1,201	746
Total Indicated Resources	2,792	_	415	3,207	2,749
Total Measured and Indicated					
Resources	3,789	_	1,199	4,988	4,523
Resources – Inferred					
Kumtor (6)(9)	1,448	_	(645)	803	803
Boroo (9)	193		(26)	167	159
Gatsuurt (7)(8)	152		153	305	305
REN (10)	516		(388)	128	80
Total Inferred Resources	2,309		(906)	1,403	1,347

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 2004 AIF.
- (2) Corresponds to millfeed. The discrepancy between the 2005 millfeed and 2005 ounces of gold produced is due to gold recovery in the mill.
- (3) Changes in reserves or resources, as applicable, are attributed to information provided by drilling and subsequent reclassification of reserves or resources, an increase in the gold price, changes in pit designs, reconciliation between the mill and the resource model, and changes to operating costs.
- (4) Centerra equity interests as at December 31, 2005, were: Kumtor 100%, Gatsuurt 100%, Boroo 95% and REN 62%.
- (5) Kumtor reserves include the main pit and the Southwest Zone satellite deposit.
- (6) Kumtor resources include the main pit, and the Southwest Zone and Sarytor satellite deposit.
- (7) The Gatsuurt reserves and resources have been updated since Centerra's January 23, 2006 press release, which announced year-end reserves and resources at Centerra's properties.
- (8) The Gatsuurt reserves and resources include the Central Zone and the Main Zone deposits. The reserves and resources estimate for Gatsuurt was prepared by Centerra, and reviewed and approved by Dr. William E. Roscoe, P.Eng., and James W. Hendry, P.Eng., of Roscoe Postle Associates, Inc. ("RPA") who are independent of Centerra and the qualified persons under National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") for the purposes of the reserve and resource estimate.
- (9) The reserves and resources estimates for Kumtor and Boroo were prepared under the supervision of Robert S. Chapman, M.Sc., P.Geo., Centerra's Director, Mergers and Acquisitions who is a qualified person under NI 43-101.
- (10) The resource estimate for REN was prepared by RPA in collaboration with and under the supervision of Robert S. Chapman, M.Sc., P.Geo., Centerra's Director, Mergers and Acquisitions who is a qualified person under NI 43-101.

During 2006, aggressive exploration programs will be continued and expenditures are budgeted to be approximately \$21 million.

# **Selected Annual Information**

# \$ millions, unless otherwise specified

The consolidated financial statements of Centerra are prepared in accordance with Canadian generally accepted principles and have been measured and expressed in United States dollars.

Year Ended December 31			
\$ millions, unless otherwise specified	2005	2004	2003
Revenue	\$ 339	\$ 247	\$ 82
Cost of sales	186	110	47
Depreciation, depletion and reclamation	60	54	15
Exploration and business development	30	15	7
Interest and other	(4)	(8)	1
Administration	18	12	4
	49	64	8
Other expenses	_	8	_
Income tax expense (recovery)	5	_	1
Minority interest	2	5	(2)
Net earnings (loss)	\$ 42	\$ 51	\$ 9
Earnings (loss) per common share	\$ 0.59	\$ 0.91	\$ 0.24
Total assets	706	660	241
Long-term debt, provision for reclamation			
and future income taxes	25	24	25
Operating Highlights			
Sales volume – ounces (1)	781,274	618,843	234,864
Ounces poured (1)	787,275	640,779	225,851
Average realized price – \$/oz	433	397	334
Gold spot market price – \$/oz (2)	444	409	363
Total cash cost – \$/oz (3)	241	187	191

<sup>(1)</sup> Comprising one-third of the Kumtor mine to June 22, 2004 and 100% thereafter, and 100% of the Boroo mine.

# Results

# Overview of 2005 Versus 2004

For accounting purposes, Centerra's 2005 results reflect fully consolidated interests for the Kumtor and Boroo mines, a 62% proportional consolidated interest in REN and a fully consolidated interest in Gatsuurt.

<sup>(2)</sup> Average for the period as reported by the London Bullion Market Association (Gold P.M. Fix Rate).

<sup>(3)</sup> Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost".

Compared to 2004, the 2005 results were positively affected by higher sales volumes in the year, an increased share of production at Kumtor, a full year of commercial operation at Boroo and an average 9% higher realized gold price.

Net earnings decreased year-over-year, primarily due to the lower grade and production at the Kumtor mine, and higher exploration and business development expenses, during the second half of 2005 and the higher cost of labour, taxes, and consumables. Net earnings for the year ended December 31, 2005, were \$42.4 million or \$0.59 per share. The comparative results were net earnings of \$50.6 million or \$0.91 per share in 2004.

Gross profit, defined as revenue less cost of sales and depreciation, depletion and reclamation, was \$93 million in 2005 compared to \$83 million in 2004. This increase was attributable to:

Revenues for the year ended December 31, 2005 increased by \$92 million over 2004 on account of higher sales volumes in 2005 and higher realized gold prices. Sales volumes in 2005 reached 781,274 ounces compared to 618,843 ounces in 2004. In 2004, for the first six months only 33.3% of the results of the Kumtor mine were included, and, at the Boroo mine, commercial operation did not commence until March 2004. The higher realized gold prices resulted from an increase in the spot market prices. Average realized prices were \$433 per ounce in 2005 compared to \$397 in 2004. 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.

Partly offsetting the increases in revenues were:

- Increases in the cost of sales to \$186 million in 2005 from \$110 million in 2004. The changes were due to an increased ownership in the Kumtor mine, the start of commercial production at the Boroo mine and the higher cost of consumables and employee remuneration. On a unit basis, the total cash cost per ounce in 2005 was \$241 compared to \$187 in 2004. The increase on a unit basis from 2004 to 2005 was attributable to lower grade at the Kumtor and Boroo mines and higher cost of labour, taxes and consumables, partly offset by higher mine production and mill throughput at the Boroo mine.
- Increases in depreciation, depletion and reclamation to \$60 million in 2005 from \$54 million in 2004. On a per unit basis, depreciation, depletion and reclamation amounted to \$77 per ounce sold in 2005 compared to \$87 per ounce sold in 2004. The main reasons for the change were the commencement of depreciation and amortization at the Boroo mine, the amortization of purchase price adjustments related to the acquisition and restructuring that took place in the second quarter of 2004 and the addition of new reserves in early 2005.

Exploration expenses of \$26 million in 2005 compared with \$15 million in 2004. This change reflects the Company's decision to accelerate exploration activities as part of its growth strategy to increase its reserves.

Business development expenses were \$5 million compared to a minimal amount in 2004. This reflects the spending on growth initiatives, including the feasibility study on the Gatsuurt project.

Interest income, net of other operating items amounted to \$5 million compared to \$8 million in 2004. This change is primarily due to interest generated on the Company's increasing cash balance and foreign exchange adjustments. The Company had no outstanding interest-bearing debt at the end of 2005.

Administration costs of \$18 million in 2005 were \$6 million higher than in 2004, reflecting a full twelve months of corporate head office costs.

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

A tax expense of \$5 million was recorded in 2005 compared to a small recovery in 2004. 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 full three-year tax relief period on income earned in Mongolia. At current gold prices and planned mining activity, the Company expects the loss carry-forwards at KGC to be fully utilized during 2007. In 2005 the Company was in the second year of the three-year Mongolian tax relief. After the expiry of the tax relief period (starting in 2007), Centerra will be entitled to 50% tax relief for the subsequent three-year period.

Non-controlling interest expense of \$2 million in 2005 compared with an expense of \$5 million in 2004. The change over the previous two years reflects lower profitability due to grades and increased ownership of the Boroo mine.

Cash provided by operations in 2005 was \$83.4 million compared to \$88.5 million in 2004. This change is primarily the result of increased operating costs and higher working capital levels.

# **Results of Operating Segments**

Operating and financial results of the Kumtor and Boroo mines are shown on a 100% basis. With the completion of the Kumtor restructuring and the acquisition of the AGR minority interest in the second quarter of 2004, Centerra owns 100% of the Kumtor mine and 95% of the Boroo mine.

# Kumtor → 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 has been operating since 1997 and has produced more than 5.5 million ounces.

# **Kumtor Operating Results**

Years ended December 31	2005	2004
		1
Sales volume – ounces	498,086	632,788
Revenue – \$ millions (3)	213.8	240.9
Average realized price – \$/oz (3)	429	381
Tonnes mined − 000s	81,038	84,855
Tonnes ore mined − 000s	6,135	3,428
Tonnes milled – 000s	5,649	5,654
Average mill head grade – g/t (1)	3.38	4.4
Recovery – %	81.2%	82.1%
Ounces recovered	497,497	657,523
Ounces poured	501,487	657,329
Total cash cost – \$/oz (2)	274	200
Exploration — \$ millions	15	6
Capital expenditures – \$ millions	22	5

<sup>(1)</sup> g/t means grams per tonne.

# Revenue

Revenue in 2005 was \$213.8 million compared to \$240.9 million in 2004. This change reflects reduced production, as a result of lower grades, partially offset by higher realized prices. The higher average realized prices were due to higher gold spot prices and the closing of gold hedges in 2004.

 $<sup>\</sup>hbox{(2) Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measure - Total Cash Cost"}.$ 

<sup>(3)</sup> Net of the effect of gold hedges, closed in 2004.

#### Cost of Sales

The cost of sales for the 2005 year was \$134.6 million compared to \$122.5 million for the 2004 year. Total costs increased primarily as a result of the higher cost of labour, taxes and consumables.

Total unit cash costs for the 2005 year increased to \$274 compared to \$200 for the 2004 year. This increase is primarily a result of a lower average grade fed to the mill and higher total costs.

# Exploration and Business Development

Exploration and business development expenditures totaled \$14.6 million in 2005 year compared to \$6 million in 2004. The expenditures relate primarily to ongoing drilling in the immediate vicinity of the open pit, and the Sarytor Zone.

#### Capital Expenditures

Capital expenditures of \$21.5 million in 2005 included \$5.5 million to sustain current operations and \$16 million invested in growth projects. In 2006, capital expenditures are budgeted to total \$95 million of which \$86 million is allocated to projects to increase productivity, including \$3 million for development of the Southwest Pit, and \$83 million for additional mobile equipment and ancillary equipment to increase mine production to facilitate the main Kumtor pit expansion and new production at the Southwest Zone.

# Reserves

At the Kumtor mine, 2,318,000 ounces of contained gold were added to reserves before accounting for mining of 614,000 ounces of contained gold in 2005. At December 31, 2005, for the Kumtor mine pit, proven and probable reserves were estimated to be 37.4 million tonnes averaging 3.9 g/t gold for a total of 4,670,000 ounces of contained gold, compared to 28.2 million tonnes averaging 3.3 g/t gold for a total of 2,996,000 ounces of contained gold as at the end of 2004. The significant increase in reserves comes from the excellent results of exploration drilling in 2005. There is only a minimal increase attributable to using a gold price of \$400 per ounce in 2005, rather than \$375 per ounce used for the 2004 year-end reserve estimate. Measured and indicated resources are within an area between the bottom of the designed pit and a larger unengineered pit shell. They are estimated at 21.0 million tonnes averaging 4.0 g/t gold for a total of 2,705,000 ounces of contained gold. These resources are not included in the reserves. Materials in this area may be amenable to either open pit or underground mining. Using a 5.0 g/t cut-off grade, there are approximately 5.3 million tonnes of material averaging 8.2 g/t gold for a total of 1,400,000 ounces of contained gold within the measured and indicated resources quoted above (see the "Resources and Reserves Summary" table on page 91 of the Annual Report).

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 reserves and resources are not included in the probable reserves nor in the indicated resources noted previously for the Kumtor main pit, and are additional to them.

The Company estimates that, together, the existing reserves of the Kumtor mine and the Southwest Zone should support gold production activities for another seven years.

The Sarytor Zone at the Kumtor mine is a satellite deposit located five kilometres from the Kumtor mill. Upon completion of a drilling program during 2005, this zone is estimated to contain indicated resources of 1.7 million tonnes averaging 3.0 g/t gold for a total of 167,000 ounces of contained gold. Additional inferred resources are estimated at 2.8 million tonnes averaging 2.7 g/t gold for a total of 246,000 ounces of contained gold. Like the Southwest Zone, these resources are not included in the Kumtor resources noted previously and are in addition to them (see the "Resources and Reserves Summary" table on page 91 of the Annual Report).

The reserve and resource estimates for Kumtor above were prepared by Centerra's geological and mining engineering staff under the supervision of Robert S. Chapman, P. Geo., Centerra's Director, Mergers & Acquisitions who is a qualified person under National Instrument 43-101. The Kumtor deposit and the above reserve and resource estimates are described in the Technical Update Report on the Kumtor Gold Mine, Kyrgyz Republic dated March 9, 2006 (the "Kumtor Technical Report"), which has been prepared in accordance with NI 43-101. The Kumtor Technical Report describes the exploration history, geology and style of gold mineralization at the Kumtor deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kumtor site and satellite deposits are the same as, or similar to, those described in the Kumtor Technical Report. A copy of the Kumtor Technical Report can be obtained from SEDAR at www.sedar.com.

# Boroo → Boroo – 100% basis

The Boroo open pit gold mine in Mongolia began commercial production on March 1, 2004.

#### Boroo Operating Results

Years ended December 31	2005	2004
Sales volume – ounces (1)	283,188	217,679
Revenue – \$ millions (3)	124.8	87.9
Average realized price – \$/oz (3)	441	404
Tonnes mined – 000s	18,582	13,656
Tonnes ore mined – 000s	2,865	1,884
Tonnes milled – 000s	2,231	1,850
Average mill head grade (g/t)	4.2	4.5
Recovery – %	91.5%	93.7%
Ounces recovered (1)	277,522	251,740
Ounces poured (1)	285,788	217,998
Total cash cost — \$/oz (2)	183	149
Exploration – \$ millions	2	1
Capital expenditures – \$ millions	11	7

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

#### Revenue

Revenue in 2005 was \$124.8 million compared to \$87.9 million in 2004, reflecting a higher realized price per ounce and increased production during the first full year of commercial operations. Higher average realized price for the 2005 year was due to higher spot gold prices and the closing of gold hedges in 2004.

#### Cost of Sales

The cost of sales for the 2005 year was \$51.6 million compared to \$28.7 million in the 2004 year, reflecting the higher sales and production levels.

For the 2005 year, total cash costs per ounce increased to \$183 from \$149 in the 2004 year. The increase resulted primarily from the scheduled rebuild of the mining fleet, and the higher cost of labour, taxes, and consumables.

# **Exploration and Business Development**

For the 2005 year, exploration and business development expenditures of \$2.2 million was spent in the immediate Boroo mine area. In addition \$0.6 million was spent on Mongolian licenses (excluding Boroo and Gatsuurt).

<sup>(2)</sup> Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost".

<sup>(3)</sup> Net of the effect of gold hedges, eliminated in 2004.

#### Capital Expenditures

Capital expenditures of \$11.4 million in 2005 included \$8.9 million to sustain current operations and \$2.5 million invested in growth projects. These expenditures are budgeted to decrease to \$7.5 million in 2006, mainly to sustain the operation.

#### Reserves

The updated reserve estimate at December 31, 2005 was prepared using a gold price of \$400 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 13.4 million tonnes averaging 2.8 g/t gold for a total of 1,218,000 ounces of contained gold, compared to 11.8 million tonnes averaging 3.1 g/t gold for a total of 1,172,000 ounces of contained gold as at the 2005 year-end. In 2005, ore with 303,000 ounces of contained gold were fed to the mill, and 349,000 ounces of contained gold were added to the reserves. There is only a minimal increase in reserves attributable to using a gold price of \$400 per ounce in 2005, rather than \$375 per ounce used for the 2004 year-end reserve estimate. The additional reserves are the result of exploration success and a pit expansion to the north of Pit 6, and changes in pit designs for Pit 3 and Pit 2. Measured and indicated resources are estimated at 2.7 million tonnes averaging 2.4 g/t gold for a total of 201,000 ounces of contained 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 an increase of about 7,000 ounces of contained gold from the 2004 year-end measured and indicated resources (see the "Resources and Reserves Summary" table on page 91 of the Annual Report).

Mill production from Boroo over the next 11 years will include ore from the Boroo and Gatsuurt deposits. The Boroo reserves represent five and one-half years of total operation.

The reserve and resource estimates for Boroo above were prepared by Centerra's geological and mining engineering staff and external consultants under the supervision of Robert S. Chapman, P. Geo., and Centerra's Director, Mergers & Acquisitions, who is a qualified person under NI 43-101.

#### Fourth Quarter of 2005

Centerra's fourth quarter revenue in 2005 was \$75.0 million compared to \$87.7 million in the fourth quarter of 2004. Production decreased to 166,704 ounces in the fourth quarter of 2005 from 205,274 ounces reported in the fourth quarter of 2004, mainly as a result of lower ore grade at the Kumtor mine.

Centerra realized an average gold price of \$476 per ounce for the fourth quarter of 2005 (including the amortization of \$1.1 million of deferred charges), a significant increase over the \$430 per ounce realized in the fourth quarter of 2004. This increase was due to higher spot gold prices that averaged \$485 per ounce in the fourth quarter of 2005, compared to \$434 per ounce in the fourth quarter of 2004.

Cost of sales in the fourth quarter of 2005 remained virtually unchanged year-over-year at \$43 million, reflecting higher mine production and mill throughput at the Boroo mine and the higher cost of labour, taxes, and consumables at the Boroo and Kumtor mines.

Earnings and cash provided by operations were negatively affected during the fourth quarter of 2005 by a deferral of a gold shipment as well as the build-up of accounts receivable from a gold shipment at the Boroo mine for which payment was received in January 2006. Net earnings for the fourth quarter of 2005 were \$6.4 million or \$0.09 per share compared to \$14.9 million or \$0.21 per share for the same period in 2004. This decrease reflects lower production levels at the Kumtor mine and an increase in administration and operating costs, including labour, taxes and consumables.

# **Quarterly Consolidated Financial Results**

Over the last eight quarters, Centerra's results reflect the positive impact of rising gold prices, the increased ownership in both the Kumtor and Boroo mines in June 2004, partially offset by rising cash costs and reduced production due to lower grades at the Kumtor mine in the second half of 2005. The quarterly financial results for 2005 and 2004 are shown below:

# Key results by quarter

	2004				2005			
\$ millions, except per share data	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	26	47	86	88	92	95	77	75
Net earnings (loss)	8	(1)	29	15	12	15	9	6
Earnings (loss) per share –								
basic and diluted – \$	0.20	(0.02)	0.40	0.21	0.17	0.21	0.12	0.09
Cash provided by operations	3	31	29	25	37	24	17	5

#### Overview of 2004 Versus 2003

Revenues for 2004 increased by \$165 million over 2003 on account of the increased share of production at the Kumtor mine, the start-up of the Boroo mine 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. Revenue for 2004 was \$247.1 million compared to \$82 million in 2003.

Net earnings for 2004 were \$50.6 million or \$0.91 per share while the comparative results were net earnings of \$9.1 million or \$0.24 per share in 2003. The change reflects the increased share of production at the Kumtor mine, the start-up of the Boroo mine and an average 19% higher realized gold prices in 2004. Average realized prices were \$397 per ounce in 2004 compared to \$334 in 2003.

Increases in the cost of sales to \$110 million in 2004 from \$47 million in 2003 were due to an increased ownership in the Kumtor mine, the start of commercial production at the Boroo mine and the higher cost of consumables and employee remuneration. On a unit basis, the total cash cost per ounce in 2004 was \$187 compared to \$191 in 2003. The decrease on a unit basis from 2003 to 2004, was attributable to the additional, lower-cost production from the Boroo mine.

Depreciation, depletion and reclamation increased in 2004 to \$54 million in 2004 from \$15 million in 2003. This change was primarily due to an increased ownership in the Kumtor mine and the start of commercial operation at the Boroo mine. On a per unit basis, depreciation, depletion and reclamation amounted to \$87 per ounce sold in 2004 compared to \$65 per ounce sold in 2003. The primary reasons for the increase were the commencement of depreciation and amortization at the Boroo mine and the amortization of purchase price adjustments related to the acquisitions that took place in the second quarter of 2004.

Exploration expenses increased to \$15 million in 2004. This increase reflected the Company's decision to accelerate the drilling activities as part of its growth strategy to increase its reserves.

Interest income, net of other operating items amounted to \$8 million compared to an expense of \$1 million in 2003. This change was 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, reflecting expenses related to the start-up of Centerra, its development as a stand-alone entity and the reclassification of insurance costs.

Other expenses of \$8 million in 2004 resulted largely from the restructuring of the Company and reflected the loss on the exchange of the 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.

Cash provided by operations in 2004 was \$88 million compared to \$24 million in 2003. This change was primarily the result of the increased ownership at both the Kumtor and Boroo mines, the start-up of commercial operation at the Boroo mine and higher spot gold prices.

#### **Balance Sheet**

### Property, Plant and Equipment

The aggregate book value of property, plant and equipment at December 31, 2005 of \$239 million is allocated as follows: Kumtor \$147 million, Boroo \$89 million and corporate \$3 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 in 2004, which was adjusted in 2005 to \$155 million following a tax valuation adjustment. Goodwill as at December 31, 2005 is allocated as follows: Kyrgyz Republic \$130 million, Mongolia \$25 million.

#### **Share Capital**

As at March 29, 2006, Centerra had 72,079,605 common shares outstanding and 293,107 options outstanding under its stock-based incentive plans.

### The Gatsuurt Project

The Gatsuurt project continued to be extensively studied and developed in many technical areas. The geological model and resource model for the Central Zone were completed following the drilling and compiling of data from 28 additional drill holes. The Main Zone ore body, located 500 metres along strike of the Central Zone, was defined by an additional 59 holes totalling 10,254 metres, bringing the overall drilling database for the Main Zone up to 83 drill holes and 12 trenches. Proven and probable reserves for the Gatsuurt project, which includes the Main and Central Zones, are estimated to be 9.0 million tonnes, averaging 3.4 g/t gold for a total of 986,000 ounces of contained gold. Indicated resources are estimated at 5.6 million tonnes, averaging 3.1 g/t gold for a total of 565,000 ounces of contained gold (see the "Reserves and Resources Summary" table on page 91 of the Annual Report). In 2005, exploration and business development expenditures were \$5.3 million.

Metallurgical studies on the oxide mineralization at Gatsuurt indicated that a gold leach recovery of 92% may be achieved on oxide ore using the existing Boroo processing facility. For the refractory ore, metallurgical studies concluded that a bio-oxidation process should be used as the preferred method of gold recovery. Pilot plant test results confirmed that a gold leach recovery of 94% may be achieved by oxidizing flotation concentrates with a bio-oxidation process followed by cyanide leaching. The resulting overall plant recovery for refractory ores would be 87.6%.

A feasibility study was completed in December 2005. The open pit ore will be hauled from Gatsuurt to the existing Boroo facilities. The oxide ore from Gatsuurt will be processed in the existing Boroo processing circuit. After depletion of the Boroo reserves and Gatsuurt oxide

reserves, the Boroo processing facility will be modified to include a bio-oxidation circuit to recover gold from the refractory Gatsuurt ore. The estimated capital cost of the project is approximately \$72 million.

In January 2006, Centerra announced additional resources in the Main Zone after completion of a successful 2005 exploration drilling program. An updated feasibility study was completed in March 2006 which identified an economic pit in the Main Zone. The combined reserves from Gatsuurt's Central and Main Zone will significantly extend the life of the Boroo processing facility.

Pursuant to an agreement between Centerra Gold Mongolia Limited ("CGM") and Gatsuurt LLC, an arm's length Mongolian Limited liability company, under which CGM acquired the Gatsuurt licences, CGM agreed to transfer the license that covers the Central Zone of the Gatsuurt property to Gatsuurt LLC if CGM did not complete a feasibility study by December 31, 2005. CGM completed a feasibility study in December 2005. Gatsuurt LLC has recently informed Centerra that it does not believe that CGM complied with its obligation. Centerra believes that Gatsuurt LLC's position is without merit.

### **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 2004 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 was recorded on the income statement in relation to the early closure of these hedges. During 2005, a \$5.8 million charge for the early closure of these hedges designated for 2005 was recorded on the income statement. As at December 31, 2005, deferred charges on the balance sheet totaled \$2.8 million and are expected to be amortized as follows:

#### Recognition of Deferred Charges (Net of Deferred Revenue)

\$ millions	Q1	Q2	Q3	Q4	Total
2006	1.9	(0.6)	0.4	0.6	2.3
2007	0.5	_	_	_	0.5
Total					2.8

#### Non-GAAP Measure - Total Cash Cost

This discussion 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.

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-over-year changes in production costs, which in turn affect profitability and cash flow.

Total cash cost per ounce can be reconciled as follows:

2005 Year

	Kyrgyz Republic	Mongolia	
\$ millions, unless otherwise specified	(Kumtor)	(Boroo)	Total
Cost of sales, as reported	134.6	51.6	186.2
Adjust for:			
Refining fees and by-product credits	0.3	(0.3)	_
Non-operating costs	(4.5)	1.0	(3.5)
Inventory movement	6.8	0.1	6.9
Total cash cost – 100%	137.2	52.4	189.6
Ounces poured – 100% (000s)	501.5	285.8	787.3
Total cash cost per ounce	273.9	183.4	241.1

2004 Year

	Kyrgyz Republic	Mongolia	
\$ millions, unless otherwise specified	(Kumtor)	(Boroo)	Total
Cost of sales, as reported	81.2	28.7	109.9
Adjust for:			
Refining fees and by-product credits	1.2	_	1.2
Non-operating costs	(2.7)	(2.4)	(5.1)
Inventory movement	9.6	6.2	15.8
Pre-acquisition operating costs (1)	42.1	_	42.1
Total cash cost – 100%	131.4	32.5	163.9
Ounces poured – 100% (000s)	657.3	217.9	875.2
Total cash cost per ounce	199.9	149.0	187.3

<sup>(1)</sup> Total cash cost per ounce is calculated on a 100% basis. The adjustment above is needed to increase the pre-acquisition cost of sales (to June 30, 2004), which is recorded at Centerra's share of 33.3%, to the full 100% value.

# **Liquidity and Capital Resources**

Cash on hand was \$202 million on December 31, 2005 of which \$47 million was held in Canadian funds. Centerra has sufficient cash to carry out its business plan in 2006, 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 is derived from the proceeds of the IPO in 2004 and cash provided by operating activities. A summary of the Company's cash position and changes in cash is provided below:

\$ millions	2005	2004	2003
Cash provided by operating activities Cash provided by (used in) investing	\$ 83	\$ 89	\$ 24
activities	(34)	13	(60)
Cash provided by financing activities	_	41	26
Cash provided (used) during the year	49	143	(10)
Cash and cash equivalents, beginning of			
the year	153	10	20
Cash and cash equivalents, end of the year	\$ 202	\$ 153	\$ 10

Cash provided by operations was \$83 million in 2005 compared to \$89 million in 2004 and \$24 million in 2003. The change year-over-year resulted from higher operating costs, higher realized gold prices, the increased ownership at the Kumtor mine, the start of commercial production at the Boroo mine and high working capital levels.

Cash provided by (used in) investing activities in 2005 of \$34 million reflects \$14 million of sustaining capital and \$19 million of growth capital spent at the Kumtor and Boroo mines. The \$13 million of cash provided by operations in 2004 is net of \$12 million of sustaining

capital and the return of funds previously invested in the Cameco group of companies of \$23 million.

Working capital which consists of accounts receivable, prepaids, inventory, supplies and accounts payable was \$71 million in 2005 compared to \$40 million in 2004. This increase mainly resulted from a timing difference of gold shipments and receipts, coupled with a build-up of working capital during the fourth quarter of 2005.

In 2006, the Company's expected expenditure requirement of \$103 million and exploration program of \$21 million may be funded from cash provided by operations and existing cash. Alternative forms of financing the capital expenditure program are also under consideration.

#### **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, 2005.

		Due in			
		Less than	Due in	Due in	Due After
\$ millions	Total	One year	1 to 3 Years	4 to 5 Years	5 Years
Kumtor					
Reclamation trust deed (1)	\$ 15.9	\$ 0.3	\$ 0.7	\$ 14.9	\$ —
Priority power supply agreement (2)	5.2	3.5	1.7	_	_
Boroo					
Power supply agreement (3)	9.5	2.7	6.8	_	_
Mongolian exploration refund (4)	1.0	0.6	0.4	_	
Corporate					
Program sponsorship (5)	0.6	0.1	0.3	0.2	_
Insurance coverage (6)	2.0	2.0	_	_	_
Total contractual obligations	\$ 34.2	\$ 9.2	\$ 9.9	\$ 15.1	\$ —

- (1) 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, 2005, the balance in the fund was \$4.4 million, with the remaining \$1.1 million to be funded over the life of the mine.
- (2) 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.
- (3) 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 agreement can be terminated by Centerra with 30-days notice. The information in the table reflects Centerra's estimate of payments under the agreement.
- (4) The Company has agreed to reimburse the Government of Mongolia for certain prior exploration expenditures. In total, the obligation was \$2.4 million, which is repaid in quarterly instalments (commenced in 2002 and will end in 2007).
- (5) The Company has entered into a five-year commitment with World Vision Canada to support its nutritional and health strategy in the Selenge Province of Mongolia. Over the five years, this commitment will total \$700,000 payable in annual instalments of \$140,000.
- (6) The Company has entered into a five-year agreement ending June 30, 2009 for certain insurance coverage. A minimum commitment level totaling \$8 million will be reached in June 2006.

# **Related-Party Transactions**

# **Cameco Corporation**

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.

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 for all its direct and indirect costs relating to those services.

As a result of the above items, the balance owing to Cameco at December 31, 2005 was \$1.0 million (\$3.7 million at December 31, 2004). Services under the services agreement, in the amount of \$0.8 million were provided by Cameco during the 2005 year, (\$0.4 million during the 2004 year).

### Kyrgyzaltyn and the Government of the Kyrgyz Republic

Revenues from the Kumtor mine are subject to a management fee of \$1.50 per ounce based on sales volumes, payable to Kyrgyzaltyn. In November 2005, the Company prepaid \$1.0 million of these fees, which will be fully recovered against future commitments.

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 Sale Agreement between Kumtor Operating Company ("KOC") (on behalf of KGC), Kyrgyzaltyn and the Government of the Kyrgyz Republic. For periods prior to the restructuring, the Centerra financial statements reflect one-third of the charges.

2005		2004
\$ 1	\$	1
2		2
3		3
220		258
(3)		(3)
\$ 217	\$	255
\$	\$ 1 2 3 220 (3)	\$ 1 \$ 2 3 220 (3)

Effective as of December 22, 2005, Kyrgyzaltyn and KGC have agreed to temporarily permit Kyrgyzaltyn to pay within twelve days after date of shipment of gold from the Kumtor mine. No later than April 28, 2006, Kyrgyzaltyn will resume the prior practice of pre-paying for gold. Kyrgyzaltyn shall pay interest on unpaid amounts equal to LIBOR plus 0.25%. Kyrgyzaltyn has agreed to sell, after March 1, 2006 but before April 28, 2006, a sufficient number of Centerra shares to yield \$11 million of proceeds. These proceeds, which will continue to be held by

Kyrgyzaltyn, will fund a gold payment facility, to be used by Kyrgyzaltyn to resume the prior practice of pre-paying for gold. The obligations of Kyrgyzaltyn to KGC are secured by a pledge of a portion of the Centerra shares owned by Kyrgyzaltyn.

#### Other

The Company paid approximately \$429,000 Cdn for the 2005 year (approximately \$375,000 Cdn for 2004) to Ms. Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr. Homeniuk. Ms. Stephens provides certain designated legal and business advisory services related to international operations.

At December 31, 2005 a relocation loan in the amount of \$250,000 Cdn was outstanding with Centerra's President and Chief Executive Officer, Mr. Homeniuk. The loan principal is payable in June 2010, while interest is charged as a taxable benefit to Mr. Homeniuk.

#### **Other Developments**

### Kyrgyz Republic

In 2005, the Kyrgyz Republic went through a major change in its political life.

On February 28, 2005, the 105 member two-chamber parliament ceased to exist and was replaced by a one chamber parliament with 75 seats. The new one-chamber parliament has broader constitutional powers, with certain powers being relinquished to it by the President. These changes were made pursuant to constitutional referendums which were conducted in 2003.

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

The parliamentary elections precipitated additional unrest, and on March 24, 2005, President Askar Akaev, who had first been elected to that position in 1990, resigned under allegations of election fraud. The newly-elected parliament designated Mr. Kurmanbek Bakiyev as the acting President. Subsequently, on July 10, 2005, Mr. Bakiyev won a presidential election and was inaugurated as the President of the Kyrgyz Republic for a five-year term. Mr. Felix Kulov has been appointed the Prime Minister.

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

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

None of these inquiries and investigations have resulted in any material negative effect on Kumtor, and to Centerra's knowledge, are inactive or are currently not being pursued by the Kyrgyz authorities. President Bakiyev and Prime Minister Kulov have also stated on several occasions that the Kyrgyz Republic will honour its agreements with Kumtor and Centerra. Nonetheless, as the largest foreign investment enterprise in the Kyrgyz Republic, the Kumtor project continues to be the subject of political debate.

Although the election of Mr. Bakiyev as President and the appointment of Mr. Kulov as Prime Minister brought a measure of stability to the Kyrgyz Republic following the events of March 2005, the political situation in the country continues to evolve. There continues to be a risk of future political instability.

In July 2005, protesters, in an action related to the 1998 cyanide spill, illegally blocked access to the Kumtor mine alleging, among other things, a lack of compensation from the Government. In response to the roadblock the Government created a State Committee to inquire into various aspects of the Kumtor operations and the consequences of the spill. Based on the inquiries of the State Committee, the Government issued a decree in September 2005, requesting, among other things, that certain government agencies enter into negotiations with KOC and ask that KOC provide new funds to compensate local residents. Throughout these negotiations KGC's position continued to be that the settlement agreement previously entered into with the Government in 1998 was a final settlement of all claims and that any new compensation was the responsibility of the Government. On November 14, 2005, there was a further illegal roadblock by protesters that blocked access to the mine. This roadblock was lifted on November 21, 2005 after further negotiations among the protesters, the Government and KGC. As a result of these negotiations, the Government acknowledged its responsibility for any new compensation relating to the spill. To assist the Government in fulfilling its responsibilities, KGC agreed in principle to make advances of approximately \$4 million to the Government. In December 2005, Centerra advanced \$1 million of this amount to the Issyk-Kul Social Fund. This money was distributed to members of the local communities by a committee created by the

Government to administer the distribution of compensation. This advance will be repaid from regular ongoing contributions made by KGC to the Issyk-Kul Social Fund pursuant to the Investment Agreement dated December 31, 2003 among the Government of the Kyrgyz Republic, Centerra and KGC. KGC has proposed terms for further advances and their repayment and expects to reach agreement with the Government in the near future. However, if the Government and KGC are unable to come to an agreement with respect to further advances to fund compensation, there is a substantial risk of further protests and roadblocks.

The Kumtor mine is unionized and all of Centerra's national employees in the Kyrgyz Republic are subject to a collective agreement between KOC and the Trade Union Committee.

Centerra's labour relations to date have been generally good and there have been no work stoppages due to labour disputes. However, the Trade Union Committee has recently demanded substantial additional compensation and alleged violations of labour legislation by KOC. KOC does not believe that the Trade Union Committee's position has merit. However, KOC is in discussions with the Trade Union Committee with a view to resolving the outstanding issues amicably. The collective agreement expires at the end of 2006.

#### Mongolia

In 2000, the Mongolian People's Revolutionary Party ("MPRP") won a strong majority in the Mongolian legislature. It continued many of the reform policies and focused on social welfare and public order priorities. In the June 2004 election, the MPRP lost its majority but regained it in January 2005 when several members of the coalition government joined the MPRP to form a coalition cabinet. Presidential elections were held in May 2005, and Mr. Enkhbayar from the MPRP was elected in the first round of voting. In late-2005, the coalition cabinet dissolved, and in early-2006, the Government was reformed and is now dominated by members of the MPRP.

Mongolian minerals legislation is principally governed by the Minerals Law of Mongolia (the "Minerals Law"), which was enacted in 1997. The Minerals Law provisions apply to activities and relationships with respect to the exploration for and mining of all types of mineral resources other than water, petroleum and natural gas, although there are other legislative enactments that apply to minerals. In mid-2005, the Government was considering proposals to amend the Minerals Law. These proposals had the potential to affect negatively the investment climate for the mining industry, especially foreign investors. The proposals' principal effect would have been on new projects rather than existing projects, such as Centerra's Boroo project. It is not clear whether the newly formed Government will proceed with any or all of these proposals, and if the Government does proceed, whether they will have a negative effect on the Boroo or Gatsuurt projects.

### **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 of property, plant and equipment directly involved in the mining and milling operations 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.

Mobile equipment and other administrative-type assets are depreciated according to the straight-line method, based on an estimate of their useful lives.

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.

#### **Changes in Accounting Standards**

#### **Financial Instruments**

In January 2005, the Canadian Institute of Chartered Accountants issued Section 1530, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3865, "Hedges". Under the new standards, a new location for recognizing certain gains and losses – other comprehensive income – has been introduced, providing for certain gains and losses arising from changes in fair value to be

temporarily recorded outside the income statement, but in a transparent manner. In addition, existing requirements for hedge accounting are extended and all financial instruments, including derivatives, are to be included on a company's balance sheet and measured (in most cases) at fair value. The guidance will apply for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. In Centerra's case, it would change its accounting policy January 1, 2007. Centerra is currently assessing the potential impact of these new standards on its consolidated financial statements.

# Disclosure Controls and Procedures and Internal Control Over Financial Reporting

As of December 31, 2005, Centerra evaluated its disclosure controls and procedures as defined in the rules of the Canadian Securities Administrators. This evaluation was carried out under the supervision of and the participation of management, including the president and chief executive officer and the chief financial officer. Based on that evaluation, the president and chief executive officer and chief financial officer concluded that the design and operation of these disclosure controls and procedures were effective. No changes were made in Centerra's internal control over financial reporting during the year ended December 31, 2005, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### **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.

### Outlook

#### Production and Unit Cost -- 2005 by Quarter and 2006 Forecast

Centerra is forecasting production for Kumtor in 2006 to total 461,000 ounces. Historically, the good cumulative experience of reconciling nine years of production with the reserve estimates for the areas mined has resulted in a high degree of confidence in projections of future production. However, beginning in the fourth quarter of 2005 and continuing to date, the ore zones have tended to be narrower, causing increased dilution and lower than anticipated mill head grade. Production variations are continuing and further drilling is underway to better delineate the mineralization.

The mill head grade at the Kumtor mine is expected to average 3.34 g/t in 2006 compared to 3.38 g/t in 2005 and production from the mine is expected to total 461,000 ounces at an average cash cost of \$347 per ounce. Kumtor's life-of-mine plan is focused on accessing the highest available ore grades; this will require mining through lower grades in 2006.

At the Boroo mine, production is expected to decline to a total of 266,000 ounces in 2006 due primarily to a lower mill head grade which is expected to average 3.94 g/t in 2006 compared to 4.23 g/t in 2005. Total cash cost is forecasted to be \$203 per ounce in 2006.

At the Gatsuurt project 70,000 tonnes of oxide ore will be processed through the Boroo plant in 2006. This will be the first production from Gatsuurt.

For the 2006 year, Centerra is forecasting production (100% basis) of 732,000 ounces, approximately 7% lower than in 2005. This decline is primarily as a result of lower grades at the Kumtor and Boroo mines, and lower recovery at the Kumtor mine. Cash costs are forecast to increase to \$295 per ounce in 2006 from \$241 per ounce in 2005, reflecting the lower projected production.

Centerra's production and unit costs are forecast as follows:

			2005			2006
	Q1	Q2	Q3	Q4	Total	Year
Ounces except where noted	Actual	Actual	Actual	Actual	Actual	Forecast
Kumtor's production (100% Centerra share)	141,558	137,794	123,162	98,973	501,487	461,000
Boroo's production (1)	68,297	71,659	67,197	64,344	271,497	253,000
Gatsuurt's production	_	_	_	_	_	5,000
(100% Centerra share)						
Centerra's share of total production	209,855	209,453	190,359	163,317	772,984	719,000

<sup>(1)</sup> Centerra's share of Boroo's production is 95%.

Total cash cost (1)			2005			2006
	Q1	Q2	Q3	Q4	Total	Year
\$ per ounce	Actual	Actual	Actual	Actual	Actual	Forecast
Kumtor	\$ 235	\$ 253	\$ 277	\$ 355	\$ 274	\$ 347
Boroo	165	162	187	223	183	203
Gatsuurt	_	_	_	_	_	296
Consolidated	211	221	245	300	241	295

<sup>(1)</sup> Total cash cost is a non-GAAP measure. See "Non-GAAP Measure – Total Cash Cost" above.

#### **Exploration and Business Development**

One of Centerra's priorities in 2006 is to continue to add to its reserves and resources base through its exploration program. Accordingly, the Company has targeted \$28 million of spending on its program for the 2006 year for exploration, business development, and the estimated costs associated with due diligence activities for potential acquisitions.

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 to test for strike and dip extensions of the SB and NB zones. A drilling program is planned in the Sarytor target area to further delineate and extend the resource outlined in 2005. The Sarytor area is located about five kilometres from the Kumtor mill.
- Exploration work will continue on other target areas such as Bordo and Akbel.

#### Boroc

At the Boroo mine, drill programs will focus on testing for additional mineralization around the peripheries of the pits.

#### Gatsuurt

- The Gatsuurt deposit is open at depth and additional drilling is planned to test the higher grade mineralization beneath the Gatsuurt Central Zone as a potential underground mining opportunity.
- Exploration programs will continue to evaluate Centerra's significant land position. Programs are planned to further explore the Ulan Bulag, Nart, Zurgaadai and Argal target areas.

#### REN

 Drilling programs will focus on testing under-explored areas of favourable alteration and mineralization along two main control structures referred to as the Corona Dyke and the East fault.

#### Administration

Annual administration expenses are expected to amount to approximately \$21 million. The forecast includes the ongoing costs of maintaining the corporate office and the continued implementation costs of regulatory standards.

#### **Corporate Income Taxes**

Corporate income taxes in the Kyrgyz Republic are calculated and provisioned at 20% of taxable income. In 2006, the Boroo project will be in its third year of a three-year 100% income tax relief.

#### **Capital Expenditures**

The capital requirement in 2006 is forecast at \$103 million. This includes \$87 million in growth capital spending primarily attributable to the addition of larger, more productive haulage trucks and shovels as well as other support and auxiliary equipment and infrastructure in support of the increase of mine life at the Kumtor mine.

# Five-Year Forecast Based on Revised Life-of-Mine

Centerra has substantially increased reserves at the Kumtor and Boroo mines since the IPO. In the one and one-half years since the IPO, reserves at the Kumtor mine have increased by 3.1 million ounces, at the Boroo mine by 600,000 ounces, and one million ounces have been added to the Gatsuurt project. These significant exploration results are reflected in updated

life-of-mine production data for the Kumtor and Boroo mines and the Gatsuurt project, the next five years of which are summarized below. The full life-of-mine data can be found at Centerra's website at www.centerragold.com and the related cost information for the Kumtor mine can be found in the Kumtor Technical Report filed on SEDAR at www.sedar.com. Centerra's gold production in 2009 is now forecast to exceed one million ounces.

	2006	2007	2008	2009	2010
Kumtor					
Mined Ore (tonnes/yr, 000s)	7,569	6,775	5,138	4,926	6,939
Mined Waste (tonnes/yr, 000s)	93,385	124,800	107,293	113,514	116,337
Total Mined (tonnes/yr, 000s)	101,367	131,575	112,431	118,441	123,275
Strip Ratio	12.4	18.4	20.9	23.0	16.8
Throughput (tonnes/yr, 000s)	5,659	5,658	5,658	5,658	5,658
Mill Grade (g/t)	3.3	3.5	4.3	5.3	4.8
Mill Recovery (%)	76.2	82.9	86.7	87.4	87.1
Ounces Poured (000s) (100%)	461	533	673	843	764
Boroo					
Mined Ore (tonnes/yr, 000s)	2,678	3,298	2,584	3,889	_
Mined Waste (tonnes/yr, 000s)	16,033	15,862	16,116	9,105	_
Total Mined (tonnes/yr, 000s)	18,711	19,160	18,700	12,994	_
Strip Ratio	6.0	4.8	6.2	2.3	_
Throughput (tonnes/yr, 000s)	2,285	1,965	1,454	414	_
Mill Grade (g/t)	3.95	4.06	3.97	5.92	_
Mill Recovery (%)	91.6	88.9	91.1	92.0	_
Ounces Poured (000s) (100%)	266	228	170	73	_
Ounces Poured (000s) (95%)	253	217	161	69	_
Gatsuurt					
Mined Ore (tonnes/yr, 000s)	70	792	1,596	1,469	2,100
Mined Waste (tonnes/yr, 000s)	933	11,243	10,434	10,562	9,952
Total Mined (tonnes/yr, 000s)	1,003	12,035	12,030	12,031	12,052
Strip Ratio	13.3	14.2	6.5	7.2	4.7
Throughput (tonnes/yr, 000s)	70	382	893	1,267	1,750
Mill Grade (g/t)	2.59	2.02	2.50	3.67	4.22
Mill Recovery (%)	92.0	92.0	92.0	87.9	87.6
Ounces Poured (000s) (100%)	5	23	66	131	208
Boroo and Gatsuurt Combined Pro	ocessing				
Throughput (tonnes/yr, 000s)	2,355	2,347	2,347	1,681	1,750
Mill Grade (g/t)	3.93	3.73	3.41	4.22	4.22
Mill Recovery (%)	91.6	89.2	91.4	89.3	87.6
Ounces Poured (000s) (100%)	271	251	236	204	208
Ounces Poured* (000s)	258	231	236	214	208
Consolidated (100%)	732	784	909	1,047	972

<sup>\*</sup>Represents 95% of Boroo gold poured and 100% of Gatsuurt gold poured.

The foregoing life-of-mine information is forward-looking information that involves risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking information. Refer to "Forward-Looking Statements" for a further discussion of the factors that could cause actual results to differ materially.

The life-of-mine information is based on the 2005 year-end reserves estimates, which were estimated using a gold price of US\$400, and the implementation of the Company's expenditure plan to replace its mining fleet and related equipment and infrastructure.

#### **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 and available on 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 northern end of the Kumtor pit resulted in the death of one of Centerra's employees and the temporary suspension of mining operations. The movement led to a considerable shortfall in 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible. Consequently, 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. In February 2006, there was further movement detected in the southeast wall of the open pit. Although extensive efforts are employed by the Company to prevent further ground movement, there is no quarantee 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, civil unrest, 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, wage and benefits requirements, 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 above. Furthermore, there can be no assurance that the existing or future agreements Centerra has

with the governments of these countries will prove to be enforceable or provide adequate protection against any or all of the risks described above.

Centerra has made an assessment of the political risk associated with each of its foreign investments and currently has political risk insurance to mitigate 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; provision of infrastructure and services; 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 orebodies and the processing of new or different ore grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, floods, earthquakes, pit wall failures and cave-ins; unexpected labour shortages or strikes; and cost increases for contracted and/or purchased goods and services, electrical power interruptions or unavailability of critical equipment. 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; mechanical and equipment failure; labour disputes; changes in the regulatory environment; natural

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

While Centerra takes measures to mitigate these risks and hazards, 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. 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 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, the cost or the viability of a particular project future cash flows, earnings, results of operations and financial condition.

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 Company'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 to all management levels in the organization, requires employees to maintain high standards in their conduct of the Company'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 Company. 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 29, 2006

# Auditors' Report

# To the Shareholders of Centerra Gold Inc.

We have audited the consolidated balance sheets of Centerra Gold Inc. as at December 31, 2005 and 2004 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, 2005. 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, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
January 29, 2006
(except for notes 12 and 15
which are as of March 14, 2006)

Original signed by KPMG LLP
Chartered Accountants

# Consolidated Balance Sheets

As at December 31

(In Thousands of US\$)		2005		2004
	Notes			
Assets				
Current assets			,	
Cash		\$ 202,417	\$	152,591
Accounts receivable		8,951		2,596
Inventories	3	76,721		56,796
Prepaid expenses		17,151		12,943
		305,240		224,926
Property, plant and equipment	4	239,098		267,557
Goodwill		154,586		155,520
Long-term receivables and other	5	7,357		12,456
		401,041		435,533
Total assets		\$ 706,281	\$	660,459
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities		\$ 32,129	\$	32,023
Provision for reclamation	6	17,897		18,868
Future income taxes	9	7,013		5,407
Tatale meanie taxes		24,910		24,275
Non-controlling interest		4,821		2,410
Shareholders' equity	12	,,==:		_,
Share capital		522,383		522,383
Contributed surplus		29,739		29,503
Retained earnings		92,299		49,865
		644,421		601,751
Total liabilities and shareholders' equity		\$ 706,281	\$	660,459

Commitments and contingencies (notes 6, 13, 15)
See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

Original signed by:

Ian G. Austin Director Patrick M. James

Director

# Consolidated Statements of Earnings and Retained Earnings (Deficit)

For the Years Ended December 31

(In Thousands of US\$)		2005		2004	2003
	Notes				
Revenue from			,		
Gold sales		\$ 338,583	\$	245,421	\$ 78,557
Management fees		_		1,642	3,485
		338,583		247,063	82,042
Expenses					
Cost of sales		186,177		109,920	47,102
Depreciation, depletion and					
reclamation		59,896		53,763	15,195
Exploration and business					
development	7	29,931		15,000	6,574
Interest and other	8	(4,773)		(7,582)	952
Administration		17,934		11,544	3,861
		289,165		182,645	73,684
Earnings from operations		49,418		64,418	8,358
Other expense		_		8,541	_
Earnings before income taxes and					
minority interest		49,418		55,877	8,358
Income tax expense (recovery)	9	4,572		(156)	1,452
Non-controlling interest		2,412		5,398	(2,158)
Net earnings		42,434		50,635	9,064
Retained earnings (deficit),					
beginning of year		49,865		(770)	(9,834)
Retained earnings (deficit), end of year		\$ 92,299	\$	49,865	\$ (770)
Basic and diluted earnings per					
common share	12	\$ 0.59	\$	0.91	\$ 0.24

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Cash Flows

For the Years Ended December 31

(In Thousands of US\$)	2005		2004	2003
Operating activities		1		
Net earnings	\$ 42,434	\$	50,635	\$ 9,064
Items not requiring (providing) cash:				
Depreciation, depletion and reclamation	59,896		53,763	15,195
Deferred charges recognized	5,397		6,979	6,655
Loss on settlement of debt	_		9,084	_
Future income tax expense (recovery)	2,540		(1,041)	1,276
Non-controlling interest	2,412		5,398	(2,158)
Other	2,817		3,264	(10,060
	115,496		128,082	19,972
Change in working capital	(32,096)		(39,605)	4,475
Cash provided by operations	83,400		88,477	24,447
Investing activities				
Acquisition of net business assets,				
net of cash acquired	_		(2,697)	_
Additions to property, plant and equipment	(33,574)		(11,785)	(60,605
Pre-commissioning revenues	_		4,223	` _
Redemption of shares, Cameco Ireland	_		22,900	_
Cash provided by (used in) investing	(33,574)		12,641	(60,605
Financing activities	(,-,		, .	(
Proceeds of share issue	_		84,746	_
Increase in long-term debt	_		_	10,000
Repayment of long-term debt	_		(41,509)	(20,842
Advances from (to) parent company	_		(1,865)	36,836
Cash provided by (used in) financing	_		41,372	25,994
Increase (decrease) in cash during the year	49,826		142,490	(10,164
Cash at beginning of the year	152,591		10,101	20,265
Cash at end of the year	\$ 202,417	\$	152,591	\$ 10,101
Supplemental cash flow disclosure				
Change in working capital:				
Accounts receivable	\$ (6,355)	\$	3,753	\$ (6,042
Inventory – ore and metal	(7,078)		(12,696)	2,616
Inventory – supplies	(14,561)		(9,897)	(310
Prepaids	(4,208)		(4,840)	(1,739
Hedges	_		(20,622)	(5,110
Accounts payable and accrued liabilities	106		4,697	15,060
	(32,096)		(39,605)	4,475
Other cash payments:				
Interest paid	\$ 55	\$	1,637	\$ 1,403
Income taxes paid	1,525		223	137

See accompanying notes to the consolidated financial statements.

# Notes to the Consolidated Financial Statements 1. Basis of Presentation

For the Year Ended December 31, 2005

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 include the accounts of the Company and its whollyowned subsidiary Kumtor Gold Company ("KGC"), and its 95%-owned subsidiary Boroo Gold Company ("BGC"). Interest in the 62.14%-owned REN project in Nevada is accounted for by the proportionate consolidation method.

The 2004 comparative year reflects the various transactions which created Centerra, namely 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 which owns the BGC project and was previously controlled by Cameco Gold through a 56% ownership interest, the exchange of KGC subordinated debt and the initial public offering of Centerra (note 11).

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 were 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 polices of Centerra follows the notes to the consolidated financial statements.

#### 3. Inventories

(Thousands of US\$)	2005	2004
Broken ore	\$ 13,930	\$ 4,971
Gold in-circuit	3,319	6,679
Gold doré	12,275	10,511
	29,524	22,161
Supplies	47,197	34,635
Total	\$ 76,721	\$ 56,796

# 4. Property, Plant and Equipment

	Accumulated						
	Depreciation						2005
(Thousands of US\$)		Cost		and Depletion			Net
			1		1		
Mine buildings	\$	44,526		\$ 31,613		\$	12,913
Plant and equipment		383,236		287,085			96,151
Mineral properties		203,011		115,999			87,012
Mobile equipment		75,558		45,339			30,219
Construction in process		12,803		_			12,803
Total	\$	719,134		\$ 480,036		\$	239,098

			Depreciation	2004
(Thousands of US\$)	Cost	ć	and Depletion	Net
Mine buildings	\$ 23,238	\$	11,011	\$ 12,227
Plant and equipment	210,775		102,325	108,450
Mineral properties	151,921		37,834	114,087
Mobile equipment	41,402		16,628	24,774
Construction in process	8,019		_	8,019
Total	\$ 435,355	\$	167,798	\$ 267,557

# 5. Long-Term Receivables and Other

(Thousands of US\$)	2005	2004
Reclamation trust fund (note 6)	\$ 4,363	\$ 4,065
Deferred charges	2,823	8,220
Other long-term receivables	171	171
Total	\$ 7,357	\$ 12,456

All gold forward sales agreements were closed in 2004. The deferred charges, relating to the closing of the hedges, will be recognized in future periods as follows:

(Thousands of US\$)	
2006	\$ 2,266
2007	557
	\$ 2,823

During 2005 Centerra recognized a charge of \$5.4 million against income from its deferred hedge balance.

## 6. Asset Retirement Obligations

(Thousands of US\$)	2005	2004
Kumtor gold mine	\$ 15,633	\$ 16,701
Boroo gold mine	2,264	2,167
Total	\$ 17,897	\$ 18,868

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 to be \$23.0 million.

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 of US\$)	2005	2004	2003
Balance, beginning of year	\$ 18,868	\$ 7,112	\$ 6,672
Additional liability assumed on			
restructuring (note 11)	_	10,778	_
Liabilities incurred / (settled)	(77)	_	_
Revisions in estimated cash flows	(2,209)	_	_
Accretion expense	1,315	978	440
Balance, end of year	\$ 17,897	\$ 18,868	\$ 7,112

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, 2005 was \$4.4 million (2004 – \$4.1 million) (note 5).

# 7. Exploration and business development costs

(Thousands of US\$)	2005	2004	2003
Exploration	\$ 25,457	\$ 15,000	\$ 6,574
Business development	4,474	_	_
Total	\$ 29,931	\$ 15,000	\$ 6,574
8. Interest and other			
(Thousands of US\$)	2005	2004	2003
Interest income	\$ (5,269)	\$ (1,546)	\$ (3,038)
Interest expense on long-term debt	55	1,146	1,992
Financing charges and other interest	_	82	2,477
Foreign exchange loss (gain)	441	(7,264)	492
Capitalized interest	_	_	(971)
Net	\$ (4,773)	\$ (7,582)	\$ 952

## 9. Income Taxes

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

	Fι	ıtu	re	tax	asse	ts
--	----	-----	----	-----	------	----

(Thousands of US\$)	2005	2004
Property, plant and equipment	\$ 32,422	\$ 26,990
Foreign exploration and development	655	726
Tax loss carryforwards	9,832	14,664
Other	403	
Future income tax assets before valuation allowance	43,312	42,380
Valuation allowance	(34,259)	(29,531)
Future income tax assets, net of valuation allowance	\$ 9,053	\$ 12,849
Future tax liabilities		
(Thousands of US\$)	2005	2004
Property, plant and equipment	\$ 15,087	\$ 16,617
Deferred hedge losses	323	1,078
Inventory	656	561
Future income tax liabilities	\$ 16,066	\$ 18,256
Net Future income tax assets (liabilities)	\$ (7,013)	\$ (5,407)

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 of US\$)		2005	2004	2003
Earnings (loss) before income taxes and				
minority interest	\$	49,418	\$ 55,877	\$ 8,358
Combined federal and provincial tax rate		36.1%	36.1%	37.0%
Computed income tax expense (recovery)		17,840	20,172	3,092
Increase (decrease) in taxes resulting from:				
Permanent differences and other		1,379	404	1,760
Valuation allowance		4,728	(4,911)	60
Tax loss expired		_	1,029	_
Difference between Canadian rate and				
rates applicable to subsidiaries in				
other countries		(19,922)	(16,855)	(3,467)
Large corporations and other taxes		547	5	7
Income tax expense (recovery)	\$	4,572	\$ (156)	\$ 1,452
Income tax expense (recovery) is comprised o	f:			
(Thousands of US\$)		2005	2004	2003
Current income taxes	\$	2,032	\$ 885	\$ 176
Future income taxes (recovery)		2,540	(1,041)	1,276
Net	\$	4,572	\$ (156)	\$ 1,452

## 10. Joint Ventures

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

- prior to the restructuring in June 2004, as described in note 11 (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 revenue and expenses, and cash flows relating to its joint ventures was as follows:

(Thousands of US\$)		2005		2004		2003
Revenues	\$		\$	41,718	\$	78,557
Expenses	,	(3,740)	Ψ	(33,850)	Ψ	(74,988)
Net earnings (loss)	\$	(3,740)	\$	7,868	\$	3,569
Cash provided by (used in)						
Operating activities	\$	(3,740)	\$	14,882	\$	25,084
Investing activities		_		(930)		(3,181)
Financing activities		_		(5,667)		(22,465)
Increase (decrease) in cash during the year	\$	(3,740)	\$	8,285	\$	(562)

## 11. Restructuring of Centerra

## (a) Transfer of gold interests from Cameco Gold

Pursuant to the restructuring agreement of June 2004 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 intercompany debt and advances into equity.

(Thousands	of	US\$)
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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 of June 2004 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 were as follows:

(Thousands of US\$)	
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 included for all periods presented.

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 were as follows:

(Thousands of US\$)	
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 of US\$)	
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.

#### (f) Debt Repayment

The senior debt outstanding in 2003 was settled with cash in March 2004 and the subordinated debt obligations were settled at the time of the restructuring (note 12(d)).

## 12. Shareholders' Equity

#### (a) 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, 2005, only common shares had been issued as follows:

	2005		2005
Number Issued	(Number of Shares)	(Thou	usands of US\$)
Balance, January 1, 2002, 2003 and 2004	38,149,071	\$	120,831
Adjustment on restructuring (note 11(a))	_		36,975
Issued to Kyrgyzaltyn (note 11(b))	18,789,717		200,783
Issued to AGR shareholders (note 11(c))	5,204,605		55,615
Issued to subordinated debt holders (note 11(d))	3,061,212		34,433
Initial public offering (note 11(e))	6,875,000		73,746
Balance, December 31, 2004	72,079,605	\$	522,383
Issued during 2005	_		_
Balance, December 31, 2005	72,079,605	\$	522,383

#### (b) Earnings per Share

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.

The weighted average number of shares outstanding for 2004 is comprised of the shares issued under the restructuring reflected on a continuity of interest basis, plus the incremental effect of the shares issued under the transactions described in note 11.

	2005	2004	2003
Basic weighted average number of			
common shares outstanding (thousands)	72,079	55,604	38,149
Diluted weighted average number of			
common shares outstanding (thousands)	72,113	55,622	38,149
Basic and diluted earnings per			
common share	\$ 0.59	\$ 0.91	\$ 0.24

#### (c) Stock-Based Compensation

#### Centerra Plan

(i) 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 of the Company.

Centerra stock option transactions during the year were as follows:

(Number of Options)	20	05	 2004
Beginning of year	107,5	27	_
Options granted	92,6	56	107,527
End of year	200,1	83	107,527
Award price for options granted (\$Cdn/share)	\$ 20.	12	\$ 15.50

Fair Value of options granted in 2005 was \$564,402.

The compensation expense associated with this stock option series was calculated using the Black-Scholes valuation model, assuming a 6-year term, 34% volatility and a risk-free rate of return of 3.49%, and is being charged against net income over its vesting period.

For 2005, \$0.7 million (2004 – \$0.2 million) 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, 2005 are as follows:

Award Date	Award Price	Expiry Date	Number of Options
2004	\$ 15.50 (Cdn)	2012	107,527
2005	\$ 20.12 (Cdn)	2013	92,656

(ii) 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, except for the performance share units that were issued June 30, 2004, for which vesting will be December 31, 2006. The number of units that will vest may be higher or lower than the number of units credited to a participant. The number of units which will vest is determined based on Centerra's total return performance relative to the S&P/TSX Capped Gold Index Total Return Investment Value during the applicable period. The number of units that vest is determined by multiplying the number of units credited to the participant by the adjustment factor, which can be as high as a factor of 1.5 or potentially result in no payout. 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, 2005, the number of units outstanding was 141,373 (61,051 at December 31, 2004). In 2005, approximately \$1.3 million of compensation expense was recorded on this plan (\$0.2 million in 2004).

(iii) Centerra has established an annual performance share unit plan for eligible employees at their mine site operations. At the start of a contract period, an eligible employee receives a number of performance share units based on the Centerra share price on that start date. This award vests in one year and on the annual anniversary date of their contract, the eligible employee is entitled to receive an amount based on the assigned number of performance share units times the five-day average Centerra share price preceding the annual anniversary date. The performance share units cannot be converted to shares and the eligible employee must complete the annual contract period in order to receive payment. At December 31, 2005 the number of units outstanding was 130,814 with a related liability of \$2,038 (December 31, 2004 – 142,699 units, \$1,088). In 2005, approximately \$2.8 million of compensation expense was recorded on this plan (\$1.9 million in 2004).

(iv) 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, 2005, the number of units outstanding was 31,337 (17,291 at December 31, 2004). In 2005, approximately \$0.4 million of compensation expense was recorded on this plan (\$0.3 million in 2004).

#### 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 ("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, 2005 was \$73.79 (Cdn) per share (December 31, 2004 – \$41.95 (Cdn) per share).

In 2005, approximately \$4.2 million of compensation expense was recorded on this plan (\$1.4 million in 2004).

Transactions under the Cameco plan for the respective years were as follows (adjusted for the two most recent Cameco share splits which were effective February 17, 2006 and December 31, 2004):

	2005	2004
	(Number	of options, except as noted)
Paginning of year	224 400	450,000
Beginning of year	334,400	459,000
Options granted	_	248,400
Options exercised	(102,600)	(144,600)
Options cancelled	(9,600)	(218,400)
End of year	232,200	344,400
Average award price for options granted – cdn \$	_	\$ 10.52
Award price for options exercised – cdn \$	\$4.81 – \$10.52	\$4.81 - \$7.31

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The terms of	tne or	otions	outstanding	as a	τυ	ecember	31	are	as	TOIIOWS:

Award Date	Award Price	e (Cdn\$)	Expiry Date	2005	2004
				(Nu	mber of options)
2001	\$	4.81	2009	2 000	9 400
2001	<b>D</b>	4.01	2009	3,000	8,400
2002	\$	7.31	2010	17,400	51,000
2003	\$	5.88	2006	4,800	4,800
2003	\$	5.88	2007	3,600	3,600
2003	\$	5.88	2008	3,000	3,000
2003	\$	5.88	2011	66,600	95,400
2004	\$	10.52	2007	5,400	5,400
2004	\$	10.52	2012	128,400	172,800
				232,200	344,400

#### 13. Commitments and Contingencies

## Kumtor operations

KGC entered into a priority power supply agreement with Kyrgyzenergo JSC ("Kyrgyzenergo") commencing May 22, 1995. The agreement provides for KGC to pay to Kyrgyzenergo, during the life of the Kumtor Gold Project, the standard cost of energy consumed and a construction charge. The construction charge is equal to the principal and interest payments associated with KGC's \$32.7 million portion of a loan of \$37.2 million that Kyrgyzenergo obtained in order to construct power facilities. The loan repayments together with interest commenced on December 19, 1997 and are in 20 equal semi-annual instalments. KGC is obligated to the full repayment of their portion of the loan in accordance with the remaining construction charge payments amounting to \$4.8 million as at December 31, 2005 (December 31, 2004 – \$8.2 million).

In March of 2002, the Republic completed the restructuring and privatization of electric power companies in the country and OJSC National Electric Network of Kyrgyzstan ("NENK") assumed all assets and liabilities of Kyrgyzenergo. KGC now pays the cost of the energy and the construction charge to NENK. All scheduled payments to December 31, 2005 have been made.

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. This commitment was met during 2005.

During the year ended December 31, 2005, KGC entered into contracts to purchase plant and equipment for \$62.2 million (December 31, 2004 – \$5.5 million). These commitments are expected to be settled in 2006.

In late June 2005, the Kyrgyz tax authorities completed their previously announced state tax audit and customs audit of the Kumtor Operating Company ("KOC"). The tax audit related

to the 2003 year, while the customs audit related to the years 2000 to 2004. After further review and appeal with the tax authorities, agreements have been reached on the major items in these assessments. The remaining open items are not expected to have a material impact on Centerra's financial position.

## Boroo operations

The Company has agreed to reimburse the Government of Mongolia for certain prior exploration expenditures. In total the obligation was \$2.4 million, which is repaid in quarterly instalments commencing in 2002 and concluding in 2007. The outstanding obligation at the balance sheet date is \$1.0 million of which \$0.6 million is repayable in 2006 and \$0.4 million is repayable in 2007.

BGC entered into a five (5) year agreement with the Electric Power Supply of Darkhan-Selenge ("ESPO") to provide power to the mine site and surrounding facilities ending in June 2009. In 2005, the terms of this agreement were renegotiated and the rates were fixed at \$0.042 per KW.

#### Corporate

In December 2004, the Company entered into a seven-year lease obligation for its corporate offices in Toronto, Canada. The lease including operating costs for 2005 was approximately \$647,000 Cdn and is expected to increase to approximately \$710,000 Cdn by November 2011, the end of the lease term.

The Company has entered into a five-year commitment with World Vision Canada to support World Vision's nutritional and health strategy in the Selenge Province of Mongolia. Over the five years this commitment will total \$700,000, payable in annual instalments of \$140,000.

## Insurance

The Company has entered into a five-year agreement ending June 30, 2009 for certain insurance coverage. Considerations under this agreement require annual payments of approximately \$4.0 million, with a minimum guaranteed payment under this contract of \$8.0 million. This minimum commitment level will be reached in June 2006.

## 14. 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.

## Foreign Exchange Risk

By virtue of our international operations, the Company incurs costs and expenses in a number of foreign currencies other than the U.S. dollar. The Company's revenue is substantially all in

U.S. dollars while some costs and expenses are incurred in Canadian dollars and other foreign currencies. The primary foreign exchange risk is to changes in the value of Canadian dollar relative to the U.S. dollar.

## 15. Related Party Transactions

#### Cameco Corporation

Cameco owned 100% of the Company until the restructuring. As at December 31, 2005, Cameco owned 52.7% of the Company's common stock. The table below 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 11.

		_	
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(Thousands of US\$)	2005	2004	2003
Senior debt guarantee fee	\$ _	\$ 85	\$ 1,440
Credit support fee	_	58	284
Administration fee	779	359	
Total	\$ 779	\$ 502	\$ 1,724

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 of 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, 2005 was \$1.0 million (2004 – \$3.7 million) and \$0.8 million of services was provided by Cameco under the services agreement during 2005 (2004 – \$0.4 million).

### Other

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 Cdn per hour for any additional services she provides to the Company, as authorized by the Chairman of the Board. In 2005, Ms. Stephens received \$429,055 Cdn in aggregate (2004 – \$375,137 Cdn). 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 Cdn in 2003.

At December 31, 2005, a relocation loan in the amount of \$250,000 Cdn was outstanding with Centerra's President and Chief Executive Officer, Mr. Homeniuk. The loan which is payable in June 2010, is interest-free giving rise to a taxable benefit to Mr. Homeniuk.

#### 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. In November 2005, the Company prepaid \$1.0 million of these fees, which will be fully recovered against future commitments.

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 Sale Agreement between KOC (on behalf of KGC), Kyrgyzaltyn and the Government of the Kyrgyz Republic. For periods prior to the restructuring, the Centerra financial statements reflect one-third of these charges in accordance with the accounting described in note 11.

## Related parties in the Kyrgyz Republic

(Thousands of US\$)	2005	2004	2003
Management fees to Kyrgyzaltyn	\$ 747	\$ 949	\$ 813
Concession payments to the			
Kyrgyz Republic	1,992	2,531	3,875
	\$ 2,739	\$ 3,480	\$ 4,688
Gross gold and silver sales to Kyrgyzaltyn	\$ 220,242	\$ 257,739	\$ 258,908
Deduct: refinery and financing charges	(2,603)	(2,766)	(3,220)
Net sales revenue received from			_
Kyrgyzaltyn	\$ 217,639	\$ 254,973	\$ 255,688

Kyrgyzaltyn and KGC have agreed, pursuant to a Gold Payment Agreement effective December 22, 2005 (the "GPA"), as amended, that until the earlier of (i) April 28, 2006 and (ii) the date on which at least \$11 million of proceeds from the sale of shares of Centerra owned by Kyrgyzaltyn have been deposited into a special purpose gold payment account of Kyrgyzaltyn, Kyrgyzaltyn will have 12 days to pay for gold shipped from the Kumtor mine. Kyrgyzaltyn shall pay interest on unpaid amounts equal to LIBOR plus 0.25%. Prior to the effective date of the GPA, KGC shipped gold to Kyrgyzaltyn on a pre-paid basis. Under the GPA, Kyrgyzaltyn has agreed to sell, after March 1, 2006 but before April 28, 2006, a sufficient number of Centerra shares to yield \$11 million of proceeds. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility, which facility will be used by Kyrgyzaltyn to resume the prior practice of pre-paying for gold. While the GPA is in effect the obligations of Kyrgyzaltyn to KGC shall be secured by a pledge of a portion of Centerra shares owned by Kyrgyzaltyn.

## 16. 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, activities related to the Gatsuurt 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.

	Kyrgyz		North	
Year Ended December 31, 2005 (\$ millions)	Republic	Mongolia	America	Total
Revenue	\$ 213.8	\$ 124.8	\$ —	\$ 338.6
Expenses				
Cost of sales	134.6	51.6	_	186.2
Depreciation, depletion				
and reclamation	35.2	24.3	0.4	59.9
Exploration and business				
development	14.6	8.6	6.7	29.9
Interest and other	3.9	0.6	(9.3)	(4.8)
Administration	2.8	0.8	14.4	18.0
Earnings (loss) before				
income taxes	22.7	38.9	(12.2)	49.4
Income tax expense				
(recovery)	5.3	(1.6)	0.9	4.6
Non Controlling interest	_	2.4	_	2.4
Net earnings (loss)	\$ 17.4	\$ 38.1	\$ (13.1)	\$ 42.4
Assets (excluding goodwill)	\$ 243.0	\$ 136.6	\$ 172.1	\$ 551.7
Goodwill	\$ 129.7	\$ 24.9	\$ —	\$ 154.6
Capital expenditures for				
the year	\$ 21.5	\$ 11.4	\$ 0.7	\$ 33.6

		Kyrgyz					North		
Year Ended December 31, 2004 (\$ millions)		Republic		Mor	ngolia		America		Total
Revenue	\$	159.2	\$	8	37.9	\$		\$	247.1
Expenses									
Cost of sales		81.2		2	28.7		_		109.9
Depreciation, depletion									
and reclamation		31.9		2	21.8		0.1		53.8
Exploration and business									
development		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 taxe	es	31.6		2	29.8		(5.6)		55.8
Income tax expense (recovery)		(0.3)			_		0.1		(0.2)
Non Controlling interest		_			5.4		_		5.4
Net earnings (loss)	\$	31.9	\$	2	24.4	\$	(5.7)	\$	50.6
Assets (excluding goodwill)	\$	239.8	\$	13	32.6	\$	132.6	\$	505.0
Goodwill	\$	129.7	\$	2	25.8	\$	_	\$	155.5
Capital expenditures for the year	\$	4.7	\$		7.1	\$	_	\$	11.8
Very Feeled December 24, 2002 (ft william)		Kyrgyz		N.A	U-		North		Takal
Year Ended December 31, 2003 (\$ millions)  Revenue	\$	Republic 82.0	\$	IVIOR	ngolia	\$	America	\$	82.0
	Þ	02.0	Φ		_	Þ		Φ	02.0
Expenses		47.1							47.1
Cost of sales		47.1			_		_		47.1
Depreciation, depletion		45.2							45.2
and reclamation		15.2			_		_		15.2
Exploration and business									
development		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 taxe	es.	12.7			(4.3)		_		8.4
Income tax expense (recovery)		1.3			_		0.2		1.5
Non-controlling interest					(2.2)				(2.2)
Net earnings (loss)	\$	11.4	\$		(2.1)	\$	(0.2)	\$	9.1
Assets	\$	99.6	\$	Ç	97.2	\$	44.6	\$	241.4
Capital expenditures for the year	\$	3.9	\$		6.7	\$		\$	60.6

#### 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.

## 17. Comparative Information

Certain prior year balances have been reclassified to conform to 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

Substantially all 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. The cost of inventories is determined on a weighted-average basis and includes direct materials, direct labour, operational overhead expenses and depreciation, depletion and reclamation.

Consumable supplies and spares are valued at the lower of cost and weighted-average cost and replacement cost, which includes expenditures incurred to acquire the inventories and bring them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of overheads based on normal operating capacity.

## 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 asset is written-down to fair value and charged 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. Goodwill is assigned to the reporting units 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 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 and equipment impairment

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 and resources, 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 earnings 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, reclamation plans 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 may use derivative commodity instruments to reduce exposure to fluctuations in commodity prices, interest rates and foreign currencies. 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 the linking of 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 any 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 may be deferred and recognized in the same period as the corresponding hedged items, subject to completion of necessary hedge accounting testing. 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 gain or loss on such derivative instrument is recognized immediately in earnings. Should a hedge be deemed ineffective, the change in fair value is charged to earnings.

## Stock-based compensation

Centerra has a stock option plan that is described in note 12. 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 Centerra options granted under the plan without share appreciation right, (as has been the case for 2005), are accounted for using the fair value method, with compensation expense recognized over the vesting period.

Performance share units granted by Centerra for eligible employees, and deferred share units granted by Centerra to eligible members of the Board of Directors, 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 these performance share units is offset against the accrued obligation.

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 Summary

Reserves<sup>(1)</sup>

(Tonnes and troy ounces in thousands) (10)

	Proven				Probable			То	Total Proven and Probable Reserves			
Property	Tonnes	Grade (g/t)	Contained Gold (oz)		Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share <sup>(2)</sup> (oz)	Mining Method <sup>(3)</sup>
Kumtor	17,600	3.7	2,099		22,562	3.9	2,854	40,162	3.8	4,953	4,953	OP
Boroo	8,810	2.8	774		4,580	3.0	444	13,390	2.8	1,218	1,157	OP
Gatsuurt <sup>(4)</sup>	_	_	_		8,959	3.4	986	8,959	3.4	986	986	OP
Total	26,410	3.4	2,873		36,101	3.7	4,284	62,511	3.6	7,157	7,096	

#### Measured and Indicated Resources

(Tonnes and troy ounces in thousands) (10)

	Measured					Indicated				Total Measured and Indicated Resources					
Property	Tonnes	Grade (g/t)	Contained Gold (oz)		Tonnes	Grade (g/t)	Contained Gold (oz)		Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share <sup>(2)</sup> (oz)	Mining Method <sup>(3)</sup>		
Kumtor <sup>(5)(6)</sup>	13,406	3.8	1,634		10,601	4.1	1,387		24,007	3.9	3,021	3,021	OP+UG		
Boroo <sup>(5)(7)</sup>	1,870	2.4	147		782	2.2	54		2,652	2.4	201	191	OP		
Gatsuurt (4)(5)(8)	_	_	_		5,584	3.1	565		5,584	3.1	565	565	OP		
REN <sup>(9)</sup>	_	_			2,753	13.6	1,201		2,753	13.6	1,201	746	UG		
Total	15,276	3.6	1,781		19,720	5.1	3,207		34,996	4.4	4,988	4,523			

## Inferred Resources

(Tonnes and troy ounces in thousands) (10)

	In	ferred			
	Tonnes	Grade	Contained	Centerra Share <sup>(2)</sup>	Mining Method <sup>(3)</sup>
		(g/t)	Gold (oz)	Share` '	Method` ′
Kumtor <sup>(5)(6)</sup>	5,475	4.6	803	803	OP+UG
Boroo <sup>(5)(7)</sup>	2,563	2.0	167	159	OP
Gatsuurt (4)(5)(8)	2,749	3.5	305	305	OP
REN <sup>(9)</sup>	301	13.2	128	80	UG
Total	11,088	3.9	1,403	1,347	

Centerra reports reserves and resources separately. The amount of reported resources does not include amounts identified as reserves. The reserve and resource estimates for Kumtor and Boroo were prepared under the supervision of Robert S. Chapman, M.Sc., P.Geo., Centerra's Director, Mergers and Acquisitions who is a qualified person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). The reserve and resource estimates for Gatsuurt were prepared by Centerra and reviewed and approved by Dr. William E. Roscoe, P.Eng. and James W. Hendry, P.Eng., of Roscoe Postle Associates Inc. ("ŔPA"), who are both independent of Centerra and the qualified persons under NI 43-101 for the purposes of the reserve and resource estimates. The Gatsuurt reserves and resources include the Central Zone and the Main Zone deposits. The resource estimate for REN was prepared by RPA in collaboration with and under the supervision of Robert S. Chapman, M.Sc., P.Geo., and Centerra's Director Mergers and Acquisitions who is a qualified person under NI 43-101.

- The reserves have been estimated based on a gold price of \$400 per ounce.
   Centerra's equity interests are: Kumtor 100%; Gatsuurt 100%; Boroo 95%; and REN 62%.
- "OP" means open pit and "UG" means underground.
- The Gatsuurt reserves and resources have been updated since Centerra's January 23, 2006 press release which announced year-end reserves and resources at Centerra's properties.
- Open pit resources occur beneath the current ultimate pit designs using a gold price of \$400 per ounce.
- The open pit resources at Kumtor are estimated based on a cut-off grade of 1.3 grams per tonne. Underground resources occur below the main Kumtor pit shell and are estimated based on a cut-off grade of 5.0 grams per tonne.
- 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.
- The resources at Gatsuurt have been estimated based on cut-off grades that are either 0.9 or 2.0 grams per tonne, depending on the type of material and the associated recovery. High grade values were also cut using variable limits ranging from 20 to 45 grams per tonne depending on the mineralized zone.
- The resources at REN are estimated based on a cut-off grade of 8.0 grams per tonne.
- (10) A conversion factor of 31.10348 grams per ounce of gold is used in the reserve and resource estimates.

# 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 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 is 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 Reserve

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 Reserve

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.

#### Inferred Mineral Resource

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.

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 it's possible evolution in the very near future. Centerra's mineral reserves include allowances for dilution, and mining and/or metallurgical recovery. No allowances have been applied to mineral resources. Stated mineral reserves and resources have been reported 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 judgement. 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 NI 43-101, 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, Chief Executive Officer and Director, has over 30 years of experience in the mineral sector including exploration, development and production. After assuming progressively more responsible positions with Cameco, he then managed Cameco's uranium exploration program and was involved in early work on the McArthur River highgrade uranium deposit, now the world's largest uranium mine. Mr. Homeniuk assumed the position of Chair and President of KOC in 1992 and was responsible for the acquisition, feasibility work and development of the Kumtor mine. Mr. Homeniuk served in this position, located in Bishkek, Kyrgyz Republic, until 1997 when he was promoted to the position of Executive Vice President with Cameco Gold. In 1999, he became President of Cameco Gold and was responsible for acquiring an ownership interest in the Australian gold exploration company AGR Limited, which directly led to the development of the Boroo mine. In 2004, he was appointed to his present position and was responsible for the public listing of Centerra Gold Inc. on the Toronto Stock Exchange. Mr. Homeniuk received a Bachelor of Science degree in Geological Engineering in 1970 and a Master of Science in 1972, both from the University of Manitoba. He is a member of the Ontario Society of Professional Engineers, Canadian Institute of Mining and Metallurgy and the Prospectors and Developers Association of Canada. Mr. Homeniuk was made an Honorary Professor of the Kyrgyz Mining Institute in 1998.

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

George R. Burns, Vice President and Chief Operating Officer, has over 25 years of experience in the mineral sector including engineering, development and production in gold, copper and coal operations. Between 1983 and 1996, Mr. Burns 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. Mr. Burns joined Cameco Gold in 2003 as Vice President and Chief Operating Officer. Mr. Burns received a Bachelor of Science degree in Mining Engineering from the Montana College of Mineral Science and Technology in 1982. He is a member of the Society of Mining, Metallurgical and Exploration and the Prospectors and Developers Association of Canada.

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

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

Ross S. Brown, Vice President, Human Resources, has more than 29 years of senior strategic human resource experience in domestic and international settings. Mr. Brown 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. He was most recently Director Human Resources, Corporate & International for Noranda Inc. and Falconbridge Limited. 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 KPMG and Watson Wyatt providing clients with a wide range of Human Resources advice and services and as Vice President Human Resources for TVX Gold Inc.

Mr. Brown 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.

Frank H. Herbert, General Counsel and Corporate Secretary, 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 resources sector. Mr. Herbert has also practiced with Freshfields in London, where he focused on international natural resource transactions and joint ventures. Mr. Herbert joined Centerra in November 2004. Mr. Herbert holds a LLB from Queen's University and a B.A. from the University of Toronto.

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

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

John S. Auston, Director, is a graduate of McGill University, 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 CEO of Ashton Mining of Canada from 1996 to 2000 and was President and CEO of Granges, Inc. from 1993 to 1995. Mr. Auston is currently a director of Cameco Corporation and Eldorado Gold Corporation.

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

Gerald W. Grandey, Director, has served as President and Chief Executive Officer of Cameco since 2003 and has more than 30 years of experience in the mining industry. Mr. Grandey 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, Mr. Grandey 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. Mr. Grandey 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, the Canadian Nuclear Association, the National Mining Association, the Saskatoon YMCA and the Royal University Hospital Foundation.

Terry V. Rogers, Director, has more than 30 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 KOC in the Kyrgyz Republic. Prior to his association with Cameco, Mr. Rogers served with Morrison-Knudsen Company and its subsidiaries at a variety of operating sites worldwide and in the corporate headquarters in Boise, Idaho. His assignments included acting as Managing Director, Technical for MIBRAG mbH, a company in Leipzig, Germany producing lignite from three open cast mines and generating electricity at three coal-fired power stations. Mr. Rogers has also served as president of the Jerooy Gold Company, worked for MK Gold Company in the Kyrgyz Republic and served as General Manager of American Girl Mining Joint Venture with MK Gold in Southern California. Other assignments with Morrison-Knudsen include operations management at several gold and coal mining projects in the United States. Mr. Rogers received an Associate degree in Applied Science from the Superior Technical Institute in Wisconsin in 1972.

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

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



# Corporate Information

## Directors

Patrick M. James (1), (2), (4), (6) lan G. Austin (1), (2), (3) John S. Auston (1), (5) Almazbek S. Djakypov (4), (5) Gerald W. Grandey (2) Leonard A. Homeniuk Terry V. 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 Resources and Compensation Committee
- (4) Member of the Safety, Health and Environmental
  Committee
- (5) Member of the Reserves Committee
- (6) Mr. James is Chair 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

Ian Atkinson

Vice President, Exploration

Ronald H. Colquhoun

Vice President, Project Development and Engineering

#### Ross Brown

Vice President, Human Resources

Frank H. Herbert

General Counsel and Corporate Secretary

Paul A. Korpi

President, Boroo Gold Company

Andrew M. Lewis

President, Kumtor Operating Company

#### Annual Meeting —

Canada

M5E 1X8

The annual meeting of shareholders of Centerra Gold is scheduled to be held on Wednesday, May 10, 2006 at 2:00 p.m. Eastern Standard Time at the Esso Theatre Hockey Hall of Fame BCE Place 10 Front Street, Concourse Level Toronto, Ontario

# Transfer Agent

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

CIBC Mellon Trust Company 320 Bay Street, P.O. Box 1 Toronto, Ontario Canada

M5H 4A6

North American phone toll free: 1-800-387-0825 or (416) 643-5500 Website: www.cibcmellon.com

## Auditors

KPMG LLP Suite 3300 Commerce Court W. 199 Bay Street Toronto, Ontario Canada M5L 1B2

#### Legal Counsel

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Box 270, TD Centre
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Canada
M5K 1N2

## Stock Exchange Listing

Toronto Stock Exchange Symbol: CG

# Corporate Headquarters

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Web site:

www.centerragold.com

