



centerra **GOLD**



ON THE WAY TO SUSTAINABLE DEVELOPMENT

JETY-OGUZ DISTRICT
2011-2012

ON THE WAY TO SUSTAINABLE DEVELOPMENT



Jety-Oguz District



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centerraGOLD



About the Company



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

Kumtor Operating Company is the operator of the Kumtor project responsible for the entire production cycle.

This first and by far the most important enterprise in Kyrgyzstan's mining sector was created due to foreign investment. Today, Kumtor is a socially oriented enterprise employing advanced technologies and observing environmental and industrial security standards adopted across the world.

Kumtor accounts for a quarter of the national industrial output while its produce makes up a half of national exports.

The Deposit

Kumtor, one of the highest gold deposits in the world, is situated in the eastern region of the Central Tien-Shan at an altitude of 4,000 meters above sea level in a permafrost zone.

The name of Kumtor Gold Project comes from the River Kumtor in the upper reaches of which significant gold reserves were discovered. While geological surveys in this area have been under way since the 1920s, the deposit itself was not discovered until 1978. Its total gold reserves and resources were estimated by the Soviet geologists at more than 700 tonnes.

No nuggets or placer gold is found at Kumtor. In the deposit area, gold occurs as fine inclusions in pyrite. Therefore, its extraction from ore is an extremely difficult process, and gold production in a hostile high-altitude environment is possible only due to the state-of-the-art industrial technologies.

The deposit is being developed by open-pit mining techniques utilizing typical drill, blast, loading and haulage operations. The ore is delivered to the crusher and further to the mill, where the gold is extracted using the carbon-in-leach technology.



Work at the mine site



The Deposit Development History

Despite the fact that the first feasibility study was drafted by GINALMAZZOLOTO of the Chief Directorate of Precious Metals and Diamonds of the USSR Council of Ministers in 1989, the development of the mine was delayed for being too costly: 995.4 million Soviet rubles (an approximate equivalent of 1.46 billion USD as it stood in those days).

It was not until after Kyrgyzstan gained independence that it found itself in a position to attract western investment to start developing its own mineral resources. After thoroughly examining several investment offers, the Government of the Kyrgyz Republic favored those made by Canadian Cameco Corporation, one of the world's greatest uranium producers. On December 4, 1992, the sides signed the Kumtor Master Agreement in Toronto.

In February 1993, Kumtor Operating Company was created.

The feasibility study for the Kumtor mine was drafted in 1993 and approved by the Government of the Kyrgyz Republic on May 31, 1994.

Considerable investment which exceeded US \$452 million made it possible to build the mine within a record time with no government subsidies. The mine construction began in 1994 and was over in 1997.

Commercial gold production at Kumtor began in May 1997.

In 2007, the Company started preparations for the underground development of the deposit. Currently, underground declines are under construction, and the Company plans to begin underground mining as soon as 2013.

In 2011, the Kumtor open pit mine-life was extended to 2021, based on the results of exploration.

Centerra Gold Inc.

2004 saw the restructuring of Kumtor Gold Project. The Government of the Kyrgyz Republic issued a resolution transferring its project assets to Centerra Gold Inc. (Centerra). Thus, for the first time in its history, the Kyrgyz Republic became a co-owner of an international mining corporation.

In 2004, the Government of the Kyrgyz Republic sold part of its shares estimated at US \$ 86 million.

That same year, following the restructuring, Kumtor Operating Company became a subdivision of Centerra Gold Inc.

In April 2009, the Government of the Kyrgyz Republic, Centerra Gold Inc. and Cameco Corp. signed an Agreement on New Terms over the Kumtor deposit.

This Agreement, after being ratified by the national parliament, resolved all of the existing disputes, expanded the Company's concession area, adopted a simplified and stabilized tax regime for the Kumtor project. Under the new tax regime, gross revenue is taxed at a rate of 14%, which includes a 1% monthly contribution to the Issyk-Kul Region Development Fund.

The Kyrgyz Republic, represented in the Company by Kyrgyzaltyn JSC, in its turn, increased its shares in Centerra up to approximately 33%. After Cameco sold its shares in December 2009, the Kyrgyz Republic became the largest shareholder of Centerra Gold Inc. As of March 1, 2012, its shares are estimated at US \$ 1,546,000,000.

Centerra Gold Inc. is a growth-oriented North American gold producer and the largest Western-based gold producer in Central Asia. Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is based in Toronto, Canada. In addition to the Kyrgyz Republic owning approximately 33% of shares via Kyrgyzaltyn JSC, Centerra has other shareholders, including major investment funds in the USA, Britain, Canada as well as minor European and North American investors.

Centerra has two producing gold mines:

- 100% interest in the Kumtor mine in the Kyrgyz Republic;
- 100% interest in the Boroo mine in Mongolia.

It also has interests in promising exploration properties located in Mongolia, Turkey, China and the Russian Federation.

In its activities KOC adheres to industrial and environmental security standards adopted by the Kyrgyz Republic and Canada as well as those recommended by World Bank.

In recognition of Kumtor's exemplary safety performance, the Company was honored with Cameco's award for achieving the highest level of safety in the corporation twice, in 2001 and 2004.



Gold melting

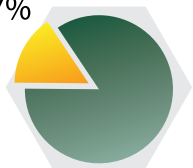
Contribution to the Kyrgyz Economy

Since the launch of production, Kumtor has accounted for up to 26% of the national industrial output and 2.5% to 12% of the national GDP in Kyrgyzstan. Gold produced by Kumtor makes up approximately a half of national exports and services.

The Company was awarded the Bona Fide Taxpayer Certificate four times, in 2002, 2006, 2009 and 2010, in recognition of its significant contribution to the national budget of the Kyrgyz Republic and exemplary observance of the national tax law.

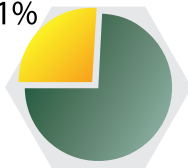
According to preliminary reports of the National Statistics Committee of the Kyrgyz Republic:

11,7%



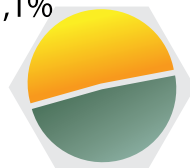
Kumtor's share
in GDP
in 2011 was

26,1%



Kumtor's share in
the total industrial
output is

51,1%



Gold's share
in the national exports
in 2011 was



The Pattern of Payments Made by Kumtor Gold Project within the Kyrgyz Republic

US \$ millions	2011	1994-2011
Taxes, customs & other mandatory payments	138,394	524,259
Kyrgyz Republic Social Insurance Fund	24,269	72,476
Issyk-Kul Development Fund	10,790	23,036
Licenses & permits	0,280	2,019
Pollution tax and payments to the Environment Protection Agency	0,310	3,439
Payments to Kyrgyzaltyn Refinery	0,607	11,421
Revenue from the sale of Centerra shares	-	86,000
Dividends	30,167	44,413
Purchases in the Kyrgyz Republic:		
- supplies & services	79,953	482,836
- foods	4,949	41,193
Kyrgyz-infrastructure-related payments:		108,399
- electricity	12,429	
- roads outside the mine site	1,559	33,802
- Tamga-Kumtor power-transmission line	-	41,612
KOC employees' net wage	64,793	312,076
Sanatoria treatment	0,120	0,608
Education, scholarships & training	0,109	3,765
Sponsorships & charities	1,211	9,866
School construction and reconstruction	10,000	10,000
Region's Sustainable Development Program	0,286	2,205
Payments to communities	-	4,400
Total	383,172	1 852,023



The ball mill at the Kumtor mine site

Human Resources

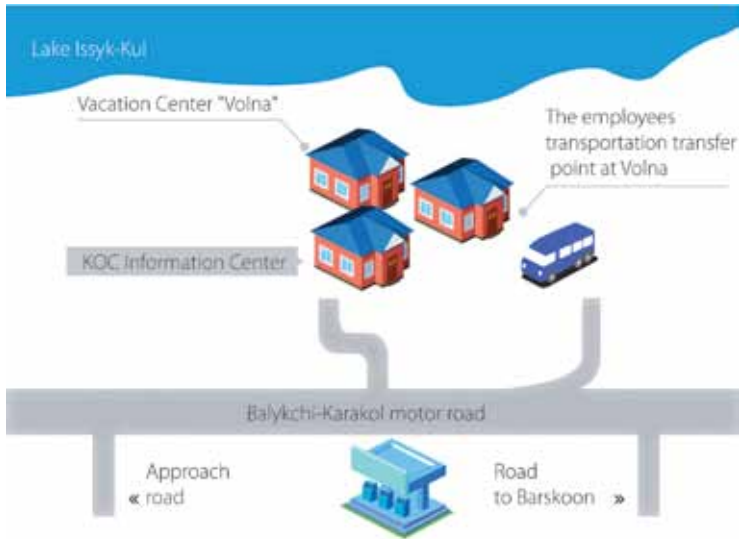
Kumtor Operating Company provides jobs for more than 2.700 people. 95% of the Company full-time employees are citizens of Kyrgyzstan. The percentage of the Kyrgyzstanis in the Company's personnel is steadily growing due to gradual replacement of expat specialists by local labor. In addition, Kumtor provides jobs for a further several thousand Kyrgyz citizens employed in the related sectors.

The Company works incessantly to make its hiring procedures as transparent as possible. According to its human relations policy, Kumtor Operating Company selects its potential employees from among the worthiest candidates considering their personal and professional qualities, skills and qualifications. Other things being equal, preference is given to people residing in Jety-Oguz and Ton districts, or in the area where the Company operates.

Every new vacancy is announced by KOC's Human Resources through media outlets and ayil districts. Details concerning the existing vacancies are provided in the Company's offices located in Karakol, Balykchi and Bishkek, at the KOC Regional Information Center (RIC) in Barskaun or on the website www.kumtor.kg. All candidates are required to fill in a standard form, which can be obtained in any of the Company's offices or at the Regional Information Center.



Company employees at the mine site



Traveling scheme

Working hours: **Mon.-Fri. 9:00-18:00**

All forms are free of charge. The RIC officers will surely help you to fill in the forms and register them. The forms considered, the candidates found to be the fittest will be invited for an interview. Each interview with Jety-Oguz and Ton residents will be attended by the representatives of the Company and district public activists.

Persons who successfully pass the interview will be sent to Bishkek for a medical examination. The Company makes the final decision with regard to the employment of candidates based on the results of the interview and the medical.

The Company gives much attention to professional training. The Company has adopted a Graduate Internship Program under which graduates of Kyrgyzstan's universities are enabled to gain two-year experience of work with a large company.

For several years now, some of the Jety-Oguz school graduates have been enabled to get professional qualifications that are required by the mine at a Bishkek vocational school. The best graduates get employment at the mine.

Environment

The environment and occupational safety remain top priorities in the Company.

In its activities KOC adheres to production and environmental standards accepted by international lending institutions. Kumtor Operating Company is closely following relevant requirements effective in Canada and Kyrgyzstan as well as those recommended by World Bank.

All operations are in full compliance with the strictest of the aforementioned standards effective in both countries as well as those recommended by World Bank.

The mine has organized continuous environment impact monitoring, which is an integral part of the Environmental Management Action Plan. The Company's environmental experts keep under close control the state of the tailings storage facilities which is maintained by using an earth-filled dam including a synthetic liner.

The dam was designed by the leading experts of Kyrgyzstan and those of Golder Associates. Over 200 controllers have been installed to enable engineers to monitor the state of the dam.

Waste water, both process and potable, is subject to repeated treatment before being discharged into the River Kumtor. Water control is exercised by the Company's environmental experts on a regular basis.

Long before the end of the project, a Decommissioning and Reclamation Plan was developed with the objective of ensuring general safety after the closure of the mine; complying with the project's design standards; land and natural drainage rehabilitation, geotechnical stability of soil, and minimizing residual impacts on biophysical resources.

The project's environmental and other operational matters are monitored by the Kyrgyz ministries and the Independent Mining Expert Center and are reported to the project lenders.

Kumtor has offered Kyrgyzstan an opportunity to permanently monitor natural landmarks, weather conditions and study wildlife in the mine surroundings. Supported by the project, scientists are engaged in studies of glacial Lake Petrov lying near the mine.

Kumtor Operating Company regards it as its top priority to operate the Kumtor mine in a healthy and safe manner for all employees of the Company itself as well as for contractor organizations. Therefore, an Occupational Health and Safety program is in place.

The Company is invariably committed to operate the project ensuring that safety requirements are met by all employees. Due to its balanced program Kumtor Operating Company has high safety performance. In recognition of Kumtor's exemplary safety performance, the operation and its employees were honored with Cameco's award for achieving the highest level of safety in the corporation twice, in 2001 and 2004.



Company employees monitoring the state of Petrov Lake

Social Responsibility

Одной из составляющих успешной производственной деятельности являются партнерские отношения с местным населением.

Руководствуясь принципом социальной ответственности, «Кумтор Оперейтинг Компани» реализует благотворительные и инвестиционные проекты в тех регионах Кыргызской Республики, где работает предприятие и живет большинство ее работников.

Issyk-Kul Region Development Fund

The Company's contributions to the Issyk-Kul Region Development Fund (IKDF) increased significantly in 2009 after the Agreement on New Terms came into effect. Under the said Agreement, the Company has contributed 1% of its gross revenue to the Fund on a monthly basis. These resources are used to fund key social projects designed to develop the region's economic potential and social infrastructure.

In 2011, Kumtor Operating Company contributed to the Issyk-Kul Development Fund US \$10.8 million compared with US \$6.5 million in 2010 and US \$3.1 million in 2009.

To insure that the Issyk-Kul Development Fund's resources be spent transparently and equitably, a Supervisory Board was founded whose mission it is to distribute the Fund's resources, approve funding plans and select the most promising projects. Under the Agreement on New Terms, the Fund is authorized to spend 50% of its resources without getting permission from KOC. The Supervisory Board meets at least once in a quarter.



*A meeting of the Supervisory Board
of the Issyk-Kul Region Development Fund*

The Supervisory Board of the Issyk-Kul Development Fund (as of January 1, 2012):

V.P. Sitchikhin	Chairman, Deputy Head of the Issyk-Kul Region Administration;
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Members:

A.K. Okenov	Acting Chief of Works and Building Department, Region Administration;
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Sh.E. Kulanbayev	Member of Ak-Suu District Kenesh;
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R.S. Namazaliyeva	Deputy Chair of Tyup District Kenesh;
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G.S. Saliyeva	Deputy Chair of Jety-Oguz District Kenesh;
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K.I. Alymbayev	Deputy Chair of Karakol City Kenesh;
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Zh.A. Karybayev	Deputy Chair of Balykchy City Kenesh;
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S. Teltayeva	President, Jety-Oguz Ayimy Public Fund;
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A. Ibrayeva	Chair, Jety-Oguz Ayimy Public Association.
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According to the Fund's reports, IKDF contributed a total of 636 million soms in 2011 to provide funding for 304 projects. The resources were used to build or renovate buildings for education, health protection, culture and sport institutions. Financial support was also provided for the local self-government bodies, which used it to restore and give a boost to the region's infrastructure, including repairs to roads and water supply systems, territory improvement, organization of public events and purchase of agricultural equipment.

The Fund's contributions for projects to be implemented in Jety-Oguz District in 2011 totaled 87,737,000 soms.

In observance of the transparency principles of a public company that should guarantee all parties concerned access to information, Kumtor Operating Company regularly publishes lists of projects approved by the IKDF Supervisory Board. To read the project list please visit the Company's corporate website at www.kumtor.kg.

Sponsorships and Financial Aid

In addition to IKDF's contributions, sponsorships and financial aid are also provided by Kumtor Operating Company for the region where the Company operates.

Sports and Culture

The Company provides support for cultural and sports events in the community. In 2011, two tournaments were organized with KOC's support: a judo competition organized by the sports club "Khidayat" at Tosor and a Graeco-Roman wrestling championship held by Tour Invest Group at Saruu.



Formal opening of a sports tournament at Saruu

Sponsorship was provided for the Tamga-based dance group "Kyzgaldak" in purchasing costumes.

KOC's sponsorship was also provided for a Tosor resident, B.Kydyraliyev, enabling him to take traineeship in Japan in order to acquire skills to train young sportsmen in Issyk-Kul province.

Five village libraries got subscriptions to national periodicals paid for by the Company.

Support for Educational Institutions

In 2011, KOC rendered traditional assistance to the region's schools in providing them with stationery and class registers.

Sponsorship was also provided for a Tamga school enabling it to get a school bus repaired and purchase paints for renovation of the school building.

In addition, the Company supported a school teachers competition organized by the Jety-Oguz Teachers' Union.

New Year gifts were distributed to primary schools and kindergartens. Company employees helped deliver gifts to the kids and congratulate them on the coming New Year.



A new school at Chon-Jargylchak

Support for Government Structures

Office equipment was purchased and repairs were made to the security premises of the District Fire Department with KOC's support.

In 2011, assistance was rendered to the Jety-Oguz Land Management and Real Property Registration Department.

Kumtor Operating Company contributed 30,000 soms in support of the Tamga substation of the Issyk-Kul High-Voltage Networks.

Social Events

A number of social events were also supported by Kumtor Operating Company. Its contributions were used to celebrate the 80th anniversary of Jety-Oguz District, purchase March 8 gifts and organize Victory Day celebrations in the region.



Veterans congratulated on a Victory Day

Sustainable Development Projects

Special attention is given by the Company to the region's sustainable development projects. Thus, 7,300,000 soms was granted in financial aid to the fruit-processing plant "Jelden-Ata" in 2011. In August-October the plant purchased apricots, apples and pears from the Jety-Oguz and Ton residents. The final product, sauce, was recognized by the National Standards Committee and Sanitation Inspectorate as being of good quality. Currently, the plant management is negotiating supplies of its produce to the domestic and foreign markets.

The Tamga-based microcredit agency "Jety-Oguz" also continued operation, 9,400,000 soms being added to its credit portfolio in 2011. As of February 1, 2012, credits granted by the agency at an interest rate of 10% to 12% exceeded 26 million soms. Most projects were designed to give a boost to farming, small businesses and the service sector.



Acceptance of apples at the fruit-processing plant "Jelden-Ata"

Environment and Health Protection

Kumtor Operating Company continued financing of the Referral Health Center at Barskoon. Under the existing agreement, the Company contributes to the Center 900,000 soms annually.

The Public Association "Sarychat" organized the annual environmental educational summer camp for the community children with KOC's support.

Social Projects

Kumtor Operating Company's contributions made it possible to implement a number of social projects in the Tamga, Barskoon and Jargylchak ayil communities.

Assistance rendered by the Company to Jety-Oguz District in 2011 totaled 23,765,000 soms.

In addition, approximately 192 liters of diesel fuel was sold by KOC at a reduced price to the district during the spring sowing campaign.

Company Management

Michael Fischer

President of Kumtor Operating Company

Rodney Stuparyk

Vice President, Operation

Andrey Sazanov

Vice president, Government and Corporate Relations

Deon Badenhorst

Vice president, administration and Human Resources

John Suter

Vice President, Finance

Sanford Stephens

Vice President, Materials and Compliance

Douglas Grier

Director, Sustainable Development

Corporate Relations

Kerim Shatmanov

Manager, Community Relations

Akylbek Diushembiev

Manager, Government Relations and Sustainable Development Projects in the Region

Sergey Dedukhin

Manager, Media Relations



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