

Building Sustainable Development

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

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

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

George R. Burns, Vice President and Chief Operating Officer



CANADIAN & INTERNATIONAL STANDARDS

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

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

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

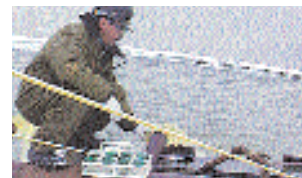
The Committee oversees compliance assurance systems and receives audit results and updates from management with respect to the Company's performance. The Committee also reviews the annual budget for safety, health and environment to ensure that sufficient resources are allocated to meet the Company's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

Management systems

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



Kumtor ●



Boroo ●

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

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

Assurance program

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

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

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

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

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

HEALTH & SAFETY

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

Kumtor •



Boroo •

Kumtor •

ENVIRONMENTAL
PERFORMANCE

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

SAFETY
PERFORMANCE

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

Emergency/contingency planning

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

Reclamation

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

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

Sustainability initiatives at Kumtor

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

Capacity building

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



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

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

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

Sustainability initiatives at Boroo

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

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

Boroo •

ENVIRONMENTAL PERFORMANCE

- *There were no environmental exceedances in 2004.*

SAFETY PERFORMANCE

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