

# Centerra Gold Inc.

CG-TSX

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Mining | Precious Metals - Gold

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Company Report - Initiation of Coverage

## Market Perform 3 C\$9.50 target price

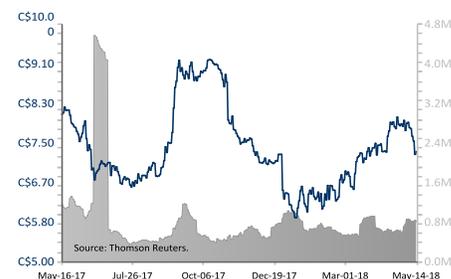
Current Price ( May-11-18 )	C\$7.25
Total Return to Target	31%
52-Week Range	C\$9.35 - C\$5.90
Suitability	High Risk/Growth

Market Data	
Market Capitalization (mln)	C\$2,153
Current Net Debt (mln)	C\$284
Enterprise Value (mil.)	C\$2,437
Shares Outstanding (mln, f.d.)	297.0
10 Day Avg Daily Volume (000s)	844
Dividend/Yield	C\$0.00/0.0%

Key Financial Metrics			
	2017A	2018E	2019E
P/NAV		0.5x	NA
P/CFPS	3.2x	4.3x	3.5x
CFPS	US\$1.79	US\$1.33	US\$1.63
Au Price (US\$/oz)	US\$1,258	US\$1,306	US\$1,300
Au Production (000 oz)	785	665	700
Au Cash All-in Sustaining Cost (US\$/oz)	US\$571.0	US\$907.0	US\$817.0

### Company Description

Centerra Gold (CG) is gold and copper mining company, with two producing mines (Mt. Milligan and Kumtor) located in Canada and Kyrgyzstan. Centerra is headquartered in Toronto, Ontario and is listed on the Toronto Stock Exchange under the symbol CG.



## Initiating Coverage of Centerra Gold

### Recommendation

We are initiating coverage of Centerra Gold Inc. (CG) with a Market Perform rating and a C\$9.50/share target price. CG operates two cornerstone assets—Mt Milligan and Kumtor—which offer investors exposure to gold and copper while generating solid FCF. Centerra also has a flexible balance sheet to support its robust project pipeline (Öksüt, Kemess, Hardrock, Gatsuurt) led by Öksüt which could increase production by 25% in 2020. CG also owns a royalty portfolio which provides FCF and three molybdenum assets which offer optionality on molybdenum prices. Either/both of these may be sold to surface value. Finally, CG trades at a discount to the intermediate peer group. However, with about 45% of its NAV in the Kyrgyz Republic, Turkey and Mongolia, CG has higher jurisdictional risk and given the recent change in the Kyrgyz Republic government, we rate the shares Market Perform.

### Analysis

- ◆ **Cornerstone Assets:** Centerra operates the Mt Milligan and Kumtor mines, which provide solid FCF generation. Production from these assets could grow through 2022 as Kumtor moves through higher grades and Mt Milligan increases to and maintains production at 55,000 tpd following water challenges due to low snowpack in 2018.
- ◆ **Strong Development Pipeline:** Centerra is currently developing its Öksüt project in Turkey which could increase production by ~25% in 2020. Longer term, Kemess (Canada), Hardrock (Canada) and Gatsuurt (Mongolia) offer growth options.
- ◆ **Flexible Balance Sheet:** Centerra has ~\$515 mln in working capital, including ~\$120 mln in cash and ~\$335 mln in undrawn credit and could finance its development projects without share dilution.
- ◆ **Higher Jurisdictional Risk:** Centerra has a diversified asset base, but we note some of its assets are in regions which rank lower on the Fraser Institute Index (Turkey, Mongolia and Kyrgyz Republic) and thus we believe the company has higher jurisdictional risk than some of its competitors.
- ◆ **Royalty Portfolio:** Centerra also has a royalty portfolio consisting of 19 royalties (14 of which producing). These royalties provide FCF to fund other businesses but we also believe they could be sold as royalties often trade at a premium multiple.
- ◆ **Option on Molybdenum Price:** Centerra has three main molybdenum assets—Endako, Langeloth and Thompson Creek. The Langeloth facility currently generates enough cash to cover care and maintenance costs at the Endako and Thompson Creek mines. We believe these assets provide option value on the molybdenum price which has been improving and could be sold.

### Valuation

We rate the shares Market Perform with a C\$9.50/share target price. Our target is based on a 60/40 weighting of i) a 0.7x multiple to our operating NAVPS estimate (adding net corporate adjustments at 1.0x); and ii) a 5.0x P/NTM CFPS to our NTM CFPS forecast. For more details see the “Valuation and Recommendation” section.

EPS	1Q	2Q	3Q	4Q	Full	Revenues	NAV
	Mar	Jun	Sep	Dec	Year	(mln)	
2017A	US\$0.20	US\$0.08	US\$0.00	US\$0.44	US\$0.72	US\$1,199	
2018E	0.03A	0.03	0.09	0.37	0.53	1,123	US\$10.45
2019E	0.19	0.20	0.20	0.17	0.76	1,182	NA

Source: Raymond James Ltd., Thomson One

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## Investment Overview

We are initiating coverage of Centerra Gold with a Market Perform rating and a C\$9.50/share target price, implying a 31% return.

Centerra operates two quality cornerstone assets—Mt Milligan and Kumtor— which offer investors exposure to gold and copper while generating solid FCF. Centerra also has a flexible balance sheet to support its robust project pipeline (Öksüt, Kemess, Gatsuurt, Hardrock). At 1Q18 end, Centerra had ~\$515 mln in working capital, including ~\$120 mln in cash and ~\$335 mln in undrawn credit, which could finance its development projects without share dilution. Further, Centerra owns a royalty portfolio which provides free cash flow to fund other businesses but could also be sold. Finally, Centerra owns two molybdenum mines which are currently under care and maintenance, but offer optionality on molybdenum prices, which have recently improved significantly.

Our target is based on a 60/40 weighting of: i) a 0.7x multiple (a discount to its intermediate peers reflecting higher jurisdictional risk and lower share liquidity despite its growth, longer reserve life, and flexible balance sheet) to our operating NAVPS estimate of \$10.43/share and adding net corporate adjustments at 1.0x; and, ii) a 5.0x P/NTM CFPS multiple (a discount to its peers reflecting higher jurisdictional risk and lower share liquidity despite its growth, longer reserve life and flexible balance sheet) to our NTM CFPS forecast of \$1.49.

### Investment Highlights

- ◆ **Two Cornerstone Assets:** Centerra operates the Mt Milligan and Kumtor mines, which have lower cost structures, relatively long reserve life, and provide solid FCF generation. Production could grow through 2022 from these assets as Kumtor moves through higher grades and Mt Milligan increases and maintains production at about 55,000 tpd following its water shortage in 2018 due to a low snowpack.
- ◆ **Strong Development Pipeline:** Centerra is currently developing its Öksüt project in Turkey which could increase production by ~25% in 2020. Thereafter, Kemess located in Canada could enter production by about 2022. Hardrock (Canada) and Gatsuurt (Mongolia) offer longer-term growth options.
- ◆ **Flexible Balance Sheet:** Centerra has ~\$515 mln in working capital including ~\$120 mln in cash and ~\$335 mln in undrawn credit and could finance its development projects without share dilution.
- ◆ **Royalty Portfolio:** Centerra has a royalty portfolio consisting of 19 royalties (14 of which are producing). These royalties provide free cash flow to fund other businesses, but we also believe they could be sold given royalties often trade at premium multiples.
- ◆ **Option on Molybdenum Price:** Centerra has three main molybdenum assets—Endako, Langeloth, and Thompson Creek. The Langeloth facility generates enough cash to cover care and maintenance costs at Endako and Thompson Creek. We believe these assets provide option value on the molybdenum price which has been improving and given these assets are non-core, they could be sold.

### Key Risks

- ◆ **Jurisdictional Risk:** Centerra has a diversified asset base but we note some of its assets are in regions which rank lower on the Fraser Institute Index (Turkey, Mongolia, and Kyrgyz Republic) and thus we believe the company has higher jurisdictional risk than some of its competitors. Specifically, near term, the market may focus on the change in government in the Kyrgyz Republic and the longstop date (May 31, 2018) for the satisfaction of all of the conditions precedent to completion of the Kumtor Strategic Agreement.
- ◆ **Mt Milligan Water Supply:** Milling operations at Mt Milligan were suspended at 2017 year-end due to lack of sufficient fresh water. Centerra restarted operations in February 2018 at a reduced capacity and expects to steadily increase mill throughput to 55,000 tpd for 2H18 depending on water availability which is a function of the snowpack and alternative water sources. Any delays in ramping up could affect Centerra's near-term cash flows. Furthermore, future production forecasts assume sufficient availability of water either from a

more normal snowpack or alternative sources. We note Mt Milligan can use water from nearby Philip Lake as an alternative source until October 2018, under an amendment to the Mt Milligan Environmental Assessment Certificate. In addition, pursuant to the amendment, issued in January 2018, the company has until February 2019 to carry out the necessary studies and to consult with relevant First Nations groups in an effort to make the amendment to the Environmental Assessment Certificate permanent as Philip Lake may be required for ongoing operations if the snowpack remains low. Given Centerra does not anticipate receiving permanent permission to withdraw water from Philip Lake until 2019, it may also have to get an extension on its temporary permit which expires in October 2018. In addition, other permits are also being pursued to withdraw water from other groundwater sources to supplement water supply.

### Potential Catalysts

- ◆ **Ratification of the Kumtor Strategic Agreement:** The longstop date for the satisfaction of all of the conditions precedent to completion of the Kumtor Strategic Agreement has been extended to May 31, 2018. We note on April 19, 2018, the Kyrgyz Republic Government was dismissed following a vote of no confidence in the Kyrgyz Republic Parliament. Centerra continues to work with the Government of the Kyrgyz Republic to ensure the satisfaction of the remaining conditions precedent to completion of the Strategic Agreement.
- ◆ **Sale of Non-core Assets:** Selling non-core assets such as the molybdenum assets and potentially some gold assets and/or selling the royalty portfolio could monetize hidden value.
- ◆ **Development at Öksüt:** Centerra expects first gold pour to occur in 1Q20.
- ◆ **Investment Decisions at Pipeline Projects:** Positive decisions at Kemess and/or Hardrock could significantly increase longer-term growth.

**Exhibit 1: Centerra Gold Financial and Operating Summary**

### Centerra Gold Inc.

**Rating:** MP3  
**Target Price:** C\$9.50  
**Projected Return:** 31%

**TSX:CG**  
 US\$10.45  
**NAVPS:**  
**YR-END:** 31-Dec

**Investment Thesis**  
 Centerra Gold offers investors exposure to gold and copper and growth. It has 2 core, lower cost assets (Kumtor and Mt. Milligan) that generate good FCF and with the startup of its Oksut project in 2020, we expect production could increase about 25%. Longer term growth could come from its Kemess, Hardrock or Gatsurt properties. The company has a flexible balance sheet with ~\$515 mln in working capital including ~120 mln in cash and ~\$335 mln in undrawn credit which could finance its development projects without share dilution. In addition, we believe it may sell its molybdenum and/or royalty businesses to surface value. However, with about 45% of NAV in the Kyrgyz Republic, Turkey and Mongolia, the company has higher jurisdictional risk than some of its competitors.

**Key Attributes**  
 2 lower-cost core assets (Kumtor and Mt. Milligan) that can generate good FCF  
 Near term growth in pipeline - With the startup of Oksut in 2020, production could grow about 25% through 2020 to about 850 Koz.  
 Longer term growth - Post 2020 Kemess, Gatsurt and Hardrock could add another 250-300 Koz of production  
 Flexible Balance Sheet - With its large working capital and undrawn credit we believe Centerra could finance its growth internally.  
 Royalty and moly assets could be sold to realize value.

**Key Concerns**  
 Higher Jurisdictional risk, about 45% of NAV in regions (Kyrgyz Republic, Turkey & Mongolia) which rank lower on Fraser Institute Index.  
 Insufficient water supply could impact Mt Milligan production.

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**Management**  
 Scott Perry, President & CEO  
 Darren Millman, VP & CFO

**Reporting Currency:** USD\$ 11-May-18

**Market Statistics**

Share Price	C\$7.25	Shares Basic (mln)	292
52 Week High/Low	C\$5.9-9.35	Shares Fully Diluted (mln)	297
Market Cap. (mln)	C\$2,153	Free Float (%)	73%
Enterprise Value (mln)	C\$2,437	Avg. Daily Vol. ('000)	707
NTM Dividend	C\$0.00	Div Yield %	0.00%

**Financial Metrics**

	2017A	2018E	2019E	2020E
<b>Income statement</b>				
Revenue (mln)	1,199	1,123	1,182	1,388
Corporate EBITDA (mln)	423	379	479	732
Corporate EBIT (mln)	222	186	251	416
Net Earnings (mln)	210	154	223	386
EPS - Adjusted	0.72	0.53	0.76	1.32
<b>Cash flow statement</b>				
Operating Cash Flow (mln)	501	227	475	726
CFPS	1.79	1.33	1.63	2.49
Investing Cash Flow (mln)	(11)	(532)	(381)	(309)
Financing Cash Flow (mln)	(234)	20	(24)	(24)
FCF (mln)	234	(75)	90	423
FCF / Share	0.80	(0.26)	0.31	1.45
<b>Balance sheet</b>				
Cash & Equivalents (mln)	416	131	202	600
Working Capital (mln)	654	580	650	1,049
Total Debt (mln)	292	345	345	345
Common Equity (mln)	2,025	2,193	2,416	2,802

**Valuation Metrics**

	2017A	2018E	2019E	2020E
EBITDA Margin	35%	34%	41%	53%
EV / EBITDA	5.8x	6.4x	5.1x	3.3x
P / CF	4.0x	5.4x	4.5x	2.9x
FCF Yield	11%	-4%	4%	20%
P / E	10.1x	13.8x	9.5x	5.5x

**Current Ratio**  
 Price / Book  
 LTD / (LTD + Equity)  
 Net Debt / LTM EBITDA  
 ROE  
 ROIC

Current Ratio	2.8x	3.8x	4.1x	6.1x
Price / Book	1.0x	1.0x	0.9x	0.8x
LTD / (LTD + Equity)	13%	14%	12%	11%
Net Debt / LTM EBITDA	-29%	56%	30%	-35%
ROE	10%	7%	9%	14%
ROIC	9%	6%	8%	12%

Reserves & Resources	Gold (Koz)		Copper (mln lbs)	
	2P	M&I	2P	M&I
Mt. Milligan	5,138	1,862	1,938	663
Kumtor	4,489	2,623	0	0
Oksut	1,187	176	0	0
Kemess	1,868	3,140	630	1,519
Hardrock	2,324	926	0	0
Others	1,316	1,479	0	3,359
<b>Total</b>	<b>16,322</b>	<b>10,206</b>	<b>2,568</b>	<b>5,541</b>

Assumptions	2017A	2018E	2019E	2020E
Gold (US\$/oz)	1,258	1,306	1,300	1,300
Copper (US\$/oz)	3.16	3.16	3.25	3.00

Operating Summary	2017A	2018E	2019E	2020E
Gold Production (Koz)	785	665	700	669
Copper Production (mln lbs)	54	49	67	69
AISC on By-Product Basis (US\$/oz)	571	907	817	644
AISC on By-Product Basis inc. Taxes (US\$/oz)	709	1,048	951	765

**Production and Cost Profile**

**Operating NAV Breakdown by Geography**

**NAV Sensitivity to Commodity Price Assumptions**

**Relative Performance (CG vs Au)**

**Market P/NAV Multiples**

Valuation	US\$m	US\$/Share	% NAV
Kumtor	\$1,033	US\$3.48	33%
Mt. Milligan	\$1,077	US\$3.63	35%
Oksut	\$322	US\$1.09	10%
Kemess	\$285	US\$0.96	9%
Others	\$380	US\$1.28	12%
<b>Mining Asset NAV</b>	<b>\$3,098</b>	<b>US\$10.43</b>	<b>100%</b>
Working Capital	\$516	US\$1.74	
LT Liabilities	(\$312)	US\$(-1.05)	
Other Corporate Adjustments	(\$197)	US\$(-0.67)	
<b>Total NAV</b>	<b>\$3,104</b>	<b>US\$10.45</b>	

Valuation Measures	Weight	Target
Price/NAVPS (x)*	60%	0.7x
P/NTM CFPS (x)	40%	5.0x
		C\$9.35

**Target Price:** C\$9.50  
 \*Target NAVPS multiple is applied to the mining assets, with net cash included at par

Source: Centerra Gold Inc., Capital IQ, Raymond James Ltd.

## Company Overview

Centerra Gold (CG) is gold and copper mining company, with two producing mines (Mt Milligan and Kumtor) located in Canada and Kyrgyzstan. Centerra is headquartered in Toronto, ON and is listed on the Toronto Stock Exchange under the symbol CG. In recent years, Centerra has focused on optimizing its asset portfolio through acquisitions and organic growth. In 2016, Centerra acquired Thompson Creek Metals Company, which owned the Mt Milligan mine and a molybdenum business. In September 2017, Centerra entered into a comprehensive settlement agreement with the Kyrgyz Government and recently the longstop date for the satisfaction of all of the conditions precedent to completion of the Strategic Agreement has been extended to May 31, 2018. In January 2018, Centerra acquired AuRico Metals Inc., which owned the Kemess gold-copper project in British Columbia and a royalty portfolio. Most recently, in March 2018, Centerra commenced construction at its Öksüt project in Turkey after receiving necessary permits with production expected in 2020.

Centerra also has a flexible balance sheet. At March 31, 2018, Centerra had ~\$120 mln in cash, restricted cash, and short-term investments and ~\$335 mln in undrawn credit as well as ~\$312 mln in long-term debt with no significant repayments until 2022.

## Asset Overview

Centerra Gold's asset base consists of two producing mines and three development projects. It also owns 50% of the Hardrock project in Ontario, Canada and a molybdenum business. We highlight some of Centerra's key assets in Exhibit 2.

### Exhibit 2: CG's Key Assets

Key Assets	Status	Ownership	Country	Metal	Contained	Grade
Kumtor	Production	100%	Kyrgyz Republic	Au	Au: 4,489 Koz 2P 2,623 Koz M&I 3550 Koz Inf	Au: 2P: 2.4 g/t M&I: 2.8 g/t Inf: 6.4 g/t
Mt. Milligan	Production	100%	Canada	Au, Cu	Au: 5,138 Koz 2P 1,862 Koz M&I 373 Koz Inf Cu: 1,938 Mlbs 2P 663 Mlbs M&I 111 Mlbs Inf	Au: 2P: 0.3 g/t M&I: 0.3 g/t Inf: 0.3 g/t Cu: 2P: 0.188 % M&I: 0.131 % Inf: 0.143 %
Oksut	Development	100%	Turkey	Au	Au: 1,187 Koz 2P 176 Koz M&I 108 Koz Inf	Au: 2P: 1.3 g/t M&I: 0.5 g/t Inf: 0.7 g/t
Kemess	Development	100%	Canada	Au, Ag, Cu	Au: 1,868 Koz 2P 3,140 Koz M&I 917 Koz Inf Ag: 6,878 Koz 2P 14,054 Koz M&I 5,068 Koz Inf Cu: 630 Mlbs 2P 1519 Mlbs M&I 583 Mlbs Inf	Au: 2P: 0.5 g/t M&I: 0.4 g/t Inf: 0.3 g/t Ag: 2P: 2.0 g/t M&I: 1.7 g/t Inf: 1.8 g/t Cu: 2P: 0.266 % M&I: 0.273 % Inf: 0.310 %
Gatsuurt	Development	100%	Mongolia	Au	Au: 1,316 Koz 2P 678 Koz M&I 263 Koz Inf	Au: 2P: 2.7 g/t M&I: 1.9 g/t Inf: 2.1 g/t
Hardrock	Advanced Exploration	50%	Canada	Au	Au: 2,324 Koz 2P 926 Koz M&I 1,237 Koz Inf	Au: 2P: 1.0 g/t M&I: 2.3 g/t Inf: 3.5 g/t
Thompson Creek	Care & Maintenance	100%	United States	Mo	Mo: 177 Mlbs M&I 1 Mlbs Inf	Mo: M&I: 0.068 % Inf: 0.045 %
Endako	Care & Maintenance	75%	Canada	Mo	Mo: 166 Mlbs M&I 44 Mlbs Inf	Mo: M&I: 0.045 % Inf: 0.042 %

Source: Centerra Gold Inc., Raymond James Ltd.

**Kumtor:** The Kumtor mine is located in the Tien Shan Mountains, some 350 km to the southeast of the national capital, Bishkek. The Kumtor mine is comprised of the main Central deposit (consisting of the Stockwork and SB Zones) and two smaller satellite deposits known as the Sarytor deposit and the Southwest deposit. It is the largest gold mine operated in Central Asia by

a Western-based company, having produced more than 11.5 Moz of gold since it started production in 1997. Current mine life is estimated at 2026.

The Kumtor mine plays a particularly important role in the economic and political life of the Kyrgyz Republic. It is one of the largest private sector employers of Kyrgyz citizens, is the largest foreign investment in the country, and represents a significant portion of the country's gross domestic product, export earnings and total industrial production. The importance of Kumtor to the Kyrgyz economy means that it has a very high profile within the country. Accordingly, Kumtor continues to be at the center of political and public attention in the Kyrgyz Republic. We note that Kyrgyzaltyn JSC (a joint stock company formed under the laws of the Kyrgyz Republic and owned 100% by the Government of the Kyrgyz Republic) is Centerra's largest shareholder and owns about 26.5% of Centerra shares. Centerra's Kyrgyz Republic subsidiaries are Kumtor Gold Company CJSC (KGC) and Kumtor Operating Company (KOC).

Centerra entered into the Kumtor Strategic Agreement with the Government of the Kyrgyz Republic (the "Government") on behalf of the Kyrgyz Republic on September 11, 2017. The Strategic Agreement includes, among other things:

- ◆ Full and final reciprocal releases and resolution of all arbitral and environmental claims, disputes, proceedings and court orders, and releases the company and its Kyrgyz subsidiaries from future claims covering the same subject matter as the environmental claims arising from approved mine activities. In 1Q18, the environmental claims commenced by Kyrgyz regulatory agencies in the Kyrgyz courts were terminated/abandoned by the relevant Kyrgyz regulatory authorities and certain outstanding criminal investigation affecting KGC and the Kumtor project have been closed;
- ◆ The termination of the Kyrgyz Republic interim court order which, among other things, restricted KGC's ability to transfer cash to Centerra. On September 4, 2017, the Bishkek InterDistrict Court lifted the interim court order and, as a result, KGC transferred cash balances over and above its ordinary working capital requirements to Centerra on September 15, 2017, when the lifting of the interim court order became effective;
- ◆ An acknowledgement that there will be no restrictions on the ability of KGC to distribute funds to Centerra in the future;
- ◆ All restrictions are lifted on the free movement of KGC's employees;
- ◆ No admission on the part of Centerra or its Kyrgyz subsidiaries of: (i) any environmental wrongdoing, (ii) any non-compliance with Kyrgyz law or the Kumtor Project Agreements or (iii) any pre-existing obligation to make additional environmental or Reclamation Trust Fund payments or environmental remediation efforts;
- ◆ The existing 2009 agreements governing the Kumtor project (Kumtor Project Agreements) remain in full force and effect, including the tax and fiscal regime thereunder;
- ◆ No changes to current or planned operations at the Kumtor Project are required;
- ◆ KGC has agreed to make a one-time lump sum payment totaling \$57 mln to a new, government administered Nature Development Fund (\$50 mln) and to a new, government-administered Cancer Care Support Fund (\$7 mln) and within 12 months of closing make a further one-time payment of \$3 mln to the Cancer Care Support Fund;
- ◆ KGC has agreed to make annual payments of \$2.7 mln to the new Nature Development Fund, conditional on the Government continuing to comply with its obligations under the Strategic Agreement;
- ◆ KGC has agreed to accelerate its annual payments to Kumtor's Reclamation Trust Fund in the amount of \$6 mln a year until the total amount contributed by KGC reaches the total estimated reclamation cost for the Kumtor project (representing the independent assessment of Kumtor's current reclamation costs) subject to a minimum total reclamation cost of \$69 mln (which is broadly in line with KGC's current estimated reclamation cost for the Kumtor project);
- ◆ KGC would consider, together with the Government, other potential investment opportunities in the Kyrgyz Republic and at the Kumtor project.

The releases of liability and all payments are subject to a range of initial conditions precedent designed to protect Centerra, KGC and KOC, including: (i) the approval by the Government of various outstanding items, including the Kumtor life-of-mine (LOM) plan, official reserves report and the tailings dam expansion; (ii) compliance by the Government with its obligations under the Kumtor Project Agreements; (iii) continued operation of the Kumtor Mine by KGC and KOC with all necessary permits; (iv) no expropriation action having been taken by the Government; and (v) termination of the environmental disputes and the civil and criminal proceedings instigated by the Kyrgyz General Prosecutor's Office on terms satisfactory to Centerra.

The longstop date for the satisfaction of all of the conditions precedent to completion of the Strategic Agreement has been extended to May 31, 2018. In connection with the Strategic Agreement, the arbitration previously commenced by Centerra, KGC and KOC against the Government of the Kyrgyz Republic and Kyrgyzaltyn will be suspended until May 31, 2018.

On April 19, 2018, the Kyrgyz Republic Government was dismissed following a vote of no confidence in the Kyrgyz Republic Parliament. Centerra will continue to work with the Government of the Kyrgyz Republic to ensure the satisfaction of the remaining conditions precedent to the completion of the Strategic Agreement.

**Potential Chaarat offer for Kumtor:** In March 2018, Centerra received an unsolicited, non-binding proposal from Chaarat concerning Centerra's Kumtor Mine located in the Kyrgyz Republic. Centerra promptly communicated to Chaarat's advisers that it has no interest in the transaction proposed by Chaarat. Centerra notes that the Kumtor Mine is directly held through Centerra's wholly-owned, direct subsidiary, Kumtor Gold Company, and the transaction proposed by Chaarat could not occur without the participation of both Centerra and the Kyrgyz Republic Government. On May 1 2018, Chaarat confirmed that the proposal it made in relation to the potential acquisition of the Kumtor mine values Kumtor at \$800 mln. Part of the transaction would be \$400 mln in cash from Chaarat. Chaarat also proposed that—subject to the Kyrgyz government's approval—\$400 mln of Centerra shares currently held by Kyrgyzaltyn will be transferred to Centerra and cancelled, in exchange for a 50% direct preferred economic interest in the Kumtor mine. As a result, Chaarat would own all of the common equity of Kumtor, as well as control over management and operations of the mine; and Kyrgyzaltyn will own all of the preferred equity of Kumtor, and be entitled to 50% of the economic benefits from the mine. Chaarat plans to fund the cash component of the offer through a mixture of debt and equity, backed by two major international financial institutions, which have made private indications of support for the transaction to the parties concerned. While we do not expect this transaction to be completed, we note that if a deal for Kumtor could be reached for cash at a fair value it is possible that Centerra shares could re-rate, as we believe Kumtor trades at a discount to NAV given the historical jurisdictional uncertainty in the Kyrgyz Republic.

**Mt Milligan:** Centerra acquired the Mt Milligan mine in Canada (which began operations in 2014) along with some molybdenum assets from Thompson Creek in October 2016. The Mt Milligan mine is a conventional truck-shovel open-pit copper and gold mine and concentrator with a nominal throughput rate of 62,500 tpd. The mine is subject to a streaming arrangement whereby Royal Gold is entitled to receive 35% of the gold produced and 18.75% of the copper production. Royal Gold will pay Centerra \$435 per ounce of gold delivered and will pay 15% of the spot price per metric tonne of copper delivered.

On December 27, 2017, Centerra announced because of a lack of sufficient water resources, mill processing operations at the Mt Milligan were temporarily suspended. The mill was restarted on February 5, 2018 using only one ball mill to minimize water requirements and the second ball mill was restarted on March 23, 2018 as a result of building up sufficient water resources in the tailings storage facility (TSF). Mill throughput is expected to average approximately 40,000 tonnes per day until the spring melt occurs, provided that the collection pumping of water to the TSF continues as planned and there are no unexpected cold weather events. As more water becomes available, production should increase and is expected to average approximately 55,000 tonnes per calendar day for 2H18. We assume production remains at 55,000 tonnes per day thereafter but note this assumes that sufficient water is available. This will be dependent on the snowpack sufficiently replenishing the water levels in the TSF or finding alternative sources. One source is Philip Lake where Mt Milligan can pump water until October 2018, as currently permitted under an amendment to the Mt Milligan Environmental Assessment Certificate. In addition, pursuant to the amendment issued in January 2018, the company has until February 2019 to carry out the necessary studies and to consult with relevant First Nations groups in an effort to make the

amendment to the Environmental Assessment Certificate permanent as Philip Lake may be required for ongoing operations. Given Centerra does not anticipate receiving permanent permission to withdraw water from Philip Lake until 2019 it may also have to get an extension on its temporary permit which expires in October 2018. In addition, permits are being pursued to withdraw water from other groundwater sources to supplement water supply.

**Öksüt Project:** The 100%-owned Öksüt project is located in south-central Turkey, 295 km to the southeast of the capital city of Ankara and 48 km directly south of the city of Kayseri which has a population of ~1.1 mln. The Öksüt project is planned as a conventional truck and shovel open pit mine and an 11,000 tpd heap leach operation. A total of approximately 1.2 Moz of gold are planned to be mined and stacked over a mine life of eight years from the two open pits. The Öksüt mine is subject to a Turkish Government State royalty, which is a sliding scale royalty for gold and other metals. Turkish Mining Law provides a reduction of 50% of the royalties payable relating to gold processed at refining facilities within Turkey. The Turkish Government State royalty is dependent on the price of gold, as shown in Exhibit 3:

**Exhibit 3: CG Turkish Government State Royalty**

Gold price (\$/oz)	Royalty
<800	2%
801-1,250	4%
1,251-1,500	6%
1,501-1,750	8%
1,751-2,000	10%
2,001-2,250	14%
>2,251	16%

Source: Centerra Gold Inc.

In February 2018, Centerra received an Investment Incentive Certificate (IIC) from the Turkish Ministry of Economy for the development of Öksüt Project in central Turkey and construction began in 1Q18 with first production expected in 2020 following a capital investment of \$220 mln. In 2016, OMAS, a wholly-owned subsidiary of the Centerra, entered into a \$150 mln five-year revolving credit facility (the OMAS Facility). In April 2018, the OMAS Facility was amended, and among other things, the expiry of the facility was extended from December 30, 2021 to March 31 2024. The purpose of the OMAS Facility is to assist in financing the construction of Öksüt Project. Availability of the OMAS Facility is subject to customary conditions precedent, with a deadline for completion of June 30, 2018. If the conditions are not satisfied, waived or amended by such deadline, the commitments under the OMAS Facility will be cancelled. Centerra expects that such conditions will be satisfied in the normal course.

**Kemess:** Centerra acquired the Kemess project effective January 8, 2018 with the acquisition of AuRico Metals. The Kemess project is located in a mountainous area of north-central British Columbia, Canada, approximately 250 km north of Smithers and 430 km northwest of Prince George. The project is at an advanced stage with an approved EA certificate. In addition to the EA, additional permits are required and this process is anticipated to be completed in 3Q18. The property includes the former Kemess South (KS) Mine (operated from 1998-2011), the Kemess Underground (KUG) deposit, and the Kemess East (KE) deposit. Centerra plans to process material through the existing Kemess mill to produce a concentrate free of deleterious elements. The KUG project is expected to have a 12-year life, producing about 106 Koz at an AISC of \$244/oz on a by-product basis. The PEA for the KE project was done on a standalone basis and estimates average annual gold equivalent production of 222 Koz, based on annual production of 80 Koz gold, 57 mln lbs of copper and 318 Koz of silver, at an AISC of \$744/oz gold and \$1.79/lb copper over a 12-year life. The PEA does, however, assume that the KUG project is advanced ahead of KE, and thus some components like the access corridor connecting KUG to the KS process plant and the water treatment plants associated with KUG, are not duplicated in the capex for KE. We assume KUG begins production in 2022.

**Gatsuurt:** The Gatsuurt property is situated 35 km from Centerra's Boroo mine in Mongolia. From March 2004 through to December 2015, the Boroo mine produced approximately 1.8 Moz of gold. Gatsuurt is connected to the Boroo mine site by a 52 km road. The property is subject to a sliding scale royalty fee payable to the Mongolian Government on gold sales, which starts at 5% and increases to a maximum of 10%, depending on the price per ounce of gold (the maximum being reached at a gold price of \$1,300/oz or above). However, for gold sales to Mongolbank, the rate of

royalty payable to the Mongolian Government is set at a flat rate of 2.5%. This 2.5% royalty for gold sales to Mongolbank is scheduled to expire on January 1, 2019 and there are no assurances that it will be continued. The two main licenses for the property (431A and 372A) are encumbered by an underlying 3% NSR royalty. In January 2015, the Gatsuurt property was designated as a mineral deposit of strategic importance by Mongolian Parliament. Such a designation entitled Mongolia, pursuant to the Minerals Law, to take a 34% ownership interest in the Gatsuurt property. The Government of Mongolia and Centerra have entered into a nonbinding memorandum of understanding to exchange Mongolia's 34% interest in the project for a 3% special royalty on the Gatsuurt property, though this arrangement is subject to the negotiation and execution of definitive agreements. A feasibility study filed in December 2017 indicated an NPV for Gatsuurt assuming a discount rate 5% and gold price of \$1,250/oz of \$39.5 mln.

**Greenstone Gold Property:** Centerra acquired its 50% interest in Greenstone Gold in 2015. The Greenstone Gold property is located in northern Ontario, Canada approximately 275 km northeast of Thunder Bay, Ontario. The major deposits within the Greenstone Gold property are the Hardrock deposit, the Brookbank, Kailey and Key Lake deposits, and the Bankfield West and Viper exploration targets. There are a number of underlying agreements and royalties that apply to some of the mining claims constituting the Hardrock project, including a 3% NSR royalty in favour of Franco-Nevada over the Hardrock deposit. Centerra has committed to invest C\$185 mln to advance the project, of which half or C\$92.5 mln is on behalf of its partner Premier Gold. After Centerra has contributed its C\$92.5 mln (for a total investment of C\$185 mln), further funding of the project is on a 50/50 basis. A 2016 technical report provided an economic analysis at \$1,250/oz gold that indicated a NPV using a 5% discount rate of C\$709 mln assuming a 15-year mine life, production of about 4 Moz and capital of about C\$1.2 bln.

**Royalty Portfolio:** Centerra also has a royalty portfolio consisting of 19 royalties including 14 producing royalties. The main royalties are a 0.25% NSR on the Hemlo-Williams mine operated by Barrick, a 1.5% NSR on the Young Davidson mine operated by Alamos, a 2% NSR on Fosterville operated by Kirkland Lake Gold and a 0.5% NSR on Eagle River operated by Wesdome Gold Mines (see Exhibit 4 below). We expect annual revenues of \$12-16 mln from the royalty portfolio which can be used to fund other businesses. Alternatively, they could be sold as royalties generally trade at a premium to producing assets.

#### Exhibit 4: CG's Major Royalties

Asset	Operator	Royalty	Country	Metal	Status
Young-Davidson	Alamos Gold	1.5% NSR	Canada	Au	Producing
Fosterville	Kirkland Lake	2% NSR	Australia	Au	Producing
Hemlo-Williams	Barrick Gold	0.25 NSR	Canada	Au	Producing
Eagle River	Wesdome	0.5% NSR	Canada	Au	Producing

Source: Centerra Gold Inc., Raymond James Ltd.

**Molybdenum Assets:** Centerra has three main molybdenum assets. Endako is an open-pit molybdenum mine, concentrator and roaster located approximately 161 km west of Prince George, Canada. The Endako mine has been on care and maintenance since July 1, 2015 due to the continued weakness in the molybdenum market. Thompson Creek is an open-pit molybdenum mine and concentrator located approximately 48 km southwest of the town of Challis, Idaho, USA. It has been on care and maintenance since December 2014 due to declines in the molybdenum prices. However, Thompson Creek operates a commercial molybdenum beneficiation circuit to treat molybdenum concentrates which supplement the concentrate feed sourced directly for the Langeloth facility. This beneficiation process at Thompson Creek allows the company to process concentrate purchased from third parties, which is then transported to Langeloth for processing. The Langeloth Facility is located in Langeloth, Pennsylvania, approximately 40 km west of Pittsburgh, USA. The facility receives molybdenum concentrate from third-party producers that is either purchased for processing and re-sale or that is toll converted to finished products for third parties. While we believe these assets are non-core, the molybdenum business generates enough cash to cover the care and maintenance costs and thus we believe this business provides an option value on the molybdenum price which has been improving.

## Equity Analysis Framework

### Reserves and Resources

At year end, Centerra had proven and probable mineral reserves of about 16.3 Moz, up 2% year over year mostly due the addition of 1.9 Moz of gold as a result of the purchase of AuRico Metals which closed on January 8, 2018. The 2017 year-end gold mineral reserves have estimated using a gold price of \$1,250/oz, except for the Kumtor mine and the Kemess Underground Project which used a gold price of \$1,200/oz. Centerra's measured and indicated gold mineral resources, exclusive of gold mineral reserves, increased by 2.8 Moz compared to December 31, 2016 estimates and are now estimated to total 10.2 Moz of contained gold. More details are shown in Exhibit 5.

#### Exhibit 5: CG's Key Reserves and Resources

Reserves & Resources		(000s mt)	Gold (Koz)		Silver (Koz)		Copper (mln lbs)		Moly (mln lbs)	
			g/mt	Contained	g/mt	Contained	%	Contained	%	Contained
Mt Milligan	2P	467,939	0.34	5,138	-	-	0.19%	1,938	-	-
	M&I	229,732	0.25	1,862	-	-	0.13%	663	-	-
	Inf.	35,037	0.33	373	-	-	0.14%	111	-	-
Kumtor	2P	57,128	2.44	4,489	-	-	-	-	-	-
	M&I	28,631	2.85	2,623	-	-	-	-	-	-
	Inf.	17,275	6.39	3,550	-	-	-	-	-	-
Oksut	2P	28,163	1.31	1,187	-	-	-	-	-	-
	M&I	10,864	0.50	176	-	-	-	-	-	-
	Inf.	4,932	0.68	108	-	-	-	-	-	-
Kemess	2P	107,381	0.54	1,868	1.99	6,878	0.27%	630	-	-
	M&I	252,119	0.39	3,140	1.73	14,054	0.27%	1,519	-	-
	Inf.	85,400	0.33	917	1.85	5,068	0.31%	583	-	-
Hardrock	2P	70,858	1.02	2,324	-	-	-	-	-	-
	M&I	12,568	2.29	926	-	-	-	-	-	-
	Inf.	10,839	3.55	1,237	-	-	-	-	-	-
Thompson Creek	2P	-	-	-	-	-	-	-	-	-
	M&I	117,143	-	-	-	-	-	0.07%	177	-
	Inf.	806	-	-	-	-	-	0.05%	1	-
Endako	2P	-	-	-	-	-	-	-	-	-
	M&I	169,275	-	-	-	-	-	0.04%	166	-
	Inf.	47,325	-	-	-	-	-	0.04%	44	-
Gatsuurt	2P	15,356	2.67	1,316	-	-	-	-	-	-
	M&I	10,988	1.92	678	-	-	-	-	-	-
	Inf.	3,812	2.15	263	-	-	-	-	-	-

Source: Centerra Gold Inc., Raymond James Ltd.

### Operating/Growth Forecasts

Centerra's 2018 gold production is forecasted to be between 645-715 Koz. Kumtor's production forecast is expected to be in the range of 450-500 Koz with ~45% of the production expected to be in 4Q18. At Mt Milligan, production reached approximately 30,000 tonnes per day by mid-February 2018 with one ball mill and the second ball mill restarted at Mt Milligan on March 23, 2018. As spring melt occurs, production should improve and is anticipated to reach approximately 55,000 tonnes per day in 2H18. As a result, annual payable gold production is expected at be about 195-215 Koz. Payable copper production is expected to be in the range of 47-52 mln lbs. Streamed gold production payable to Royal Gold is expected to be 68-75 Koz of gold and 9-10 mln lbs of copper. Post 2018, we expect Mt Milligan to operate at about 55,000 tonnes per day, but we note that this assumes enough water is available. In addition, our forecasts also assume that Kumtor has higher production through to 2022 when production could reach about 600 Koz and Öksüt enters production in 2020. Our forecasts are shown in Exhibit 6.

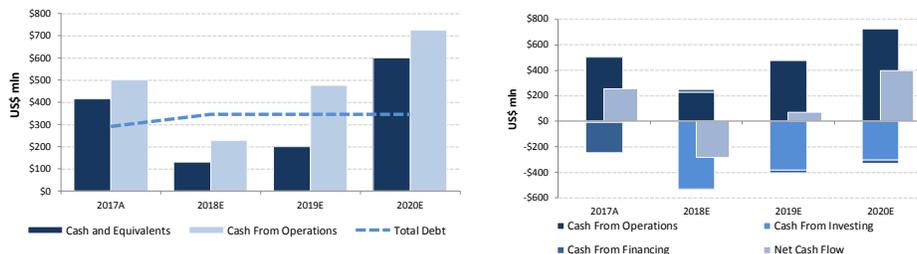
**Exhibit 6: CG's Attributable Production and Cost Forecast**

Gold Production (100% Basis)	2017A	2018E	2019E	2020E
Mt. Milligan	223	201	225	208
Kumtor	563	464	475	525
Oksut	0	0	0	130
<b>Total</b>	<b>785</b>	<b>665</b>	<b>700</b>	<b>863</b>
Guidance	<b>645-715</b>			
Copper Production (100% Basis)	2017A	2018E	2019E	2020E
Mt. Milligan	54	49	67	69
<b>Total</b>	<b>54</b>	<b>49</b>	<b>67</b>	<b>69</b>
Guidance				
AISC on By-product Basis (US\$/oz)	2017A	2018E	2019E	2020E
Mt. Milligan	505	1045	387	338
Guidance	<b>806-888</b>			
Kumtor	721	797	917	770
Guidance	<b>733-815</b>			
Oksut	0	0	0	356
Guidance				
Consolidated	571	907	817	644
Guidance	<b>799-885</b>			

Source: Centerra Gold Inc., Raymond James Ltd.

**Balance Sheet Analysis**

Centerra ended 1Q18 with ~\$123 mln in cash, restricted cash and ST investments, ~\$335 mln in undrawn credit and ~\$312 in long-term debt. On February 1, 2018, Centerra entered into a \$500 mln 4-year senior secured revolving credit facility with a lending syndicate led by The Bank of Nova Scotia and National Bank of Canada. In 2016, OMAS, a wholly-owned subsidiary of the company, entered into a \$150 mln 5-year revolving credit facility (OMAS Facility). This facility was recently extended and now expires on March 31, 2024. The purpose of the OMAS Facility is to assist in financing the construction of the company's Öksüt Project. Nothing was drawn under this facility as of March 31, 2018.

**Exhibit 7: CG Liquidity Forecast**

Source: Centerra Gold Inc., Raymond James Ltd.

We note that Centerra has a flexible balance sheet and forecast that its cash balance could grow to ~\$600 mln by 2020 year end.

**Exhibit 8: CG Balance Sheet Metrics**

Financial Metrics	2017A	2018E	2019E	2020E
Current ratio (x)	2.8x	3.8x	4.1x	6.1x
Total debt	\$292	\$345	\$345	\$345
Net debt (cash)	(\$124)	\$214	\$143	(\$256)
Net debt / NTM EBITDA	nm	0.4x	0.2x	nm
FCF Yield	15.3%	5.2%	5.4%	25.3%

Source: Centerra Gold Inc., Raymond James Ltd.

## Trading Liquidity

Centerra's market liquidity is lower than many of its peers. Centerra's average daily volume on the TSX is ~0.7 mln shares. The current market capitalization is ~C\$2.2 bln and enterprise value is ~C\$2.4 bln. We note that Kyrgyzaltyn JSC (a joint stock company formed under the laws of the Kyrgyz Republic and owned 100% by the Government of the Kyrgyz Republic) is Centerra's largest shareholder and owns about 26.5% of Centerra shares.

### Exhibit 9: CG Market Statistics

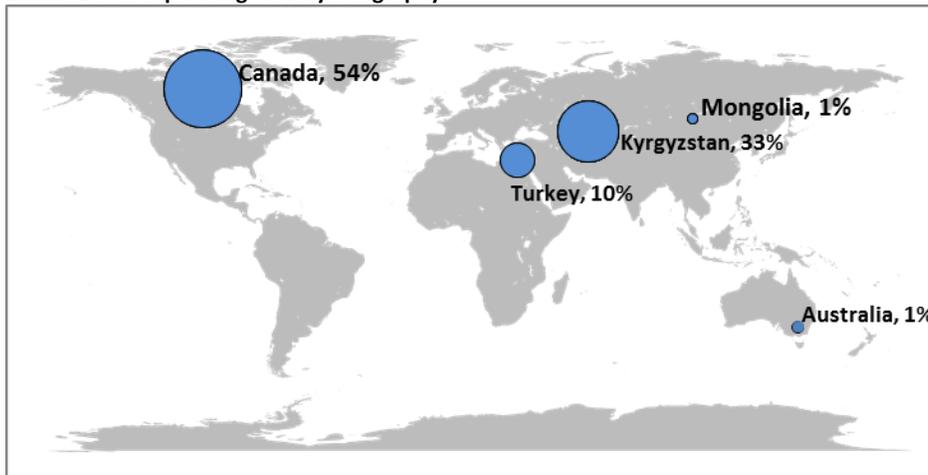
Market Statistics			
Share Price	C\$7.25	Shares Basic (mln)	292
52 Week High/Low	C\$5.9-9.35	Shares Fully Diluted (mln)	297
Market Cap. (mln)	C\$2,153	Free Float (%)	73%
Enterprise Value (mln)	C\$2,437	Avg. Daily Vol. ('000):	707
NTM Dividend	C\$0.00	Div Yield %	0.00%

Source: Capital IQ, Raymond James Ltd.

## Jurisdictional Risk

Centerra has a diversified asset base, but we note some of its assets are in regions which rank lower on the Fraser Institute Index (Kyrgyz Republic, Turkey, and Mongolia) and thus we believe the company has higher jurisdictional risk.

### Exhibit 10: CG Operating NAV by Geography



Source: Centerra Gold Inc., Raymond James Ltd.

## Valuation & Recommendation

We rate Centerra Gold Market Perform with a C\$9.50/share target price, implying a 31% return. Our target is based on a 60/40 weighting of: i) a 0.7x multiple (a discount to its intermediate peers reflecting higher jurisdictional risk and lower share liquidity despite its growth, longer reserve life and flexible balance sheet) to our operating NAVPS estimate of \$10.43/share and adding net corporate adjustments at 1.0x; and ii) a 5.0x P/NTM CFPS multiple (a discount to its peers reflecting higher jurisdictional risk and lower share liquidity despite its growth, longer reserve life and flexible balance sheet) to our NTM CFPS forecast of \$1.49.

### Exhibit 11: CG Valuation Methodology

Valuation Methodology		
	Weight	Target
Price/NAVPS (x)*	60%	0.7x
P/NTM CFPS (x)	40%	5.0x
P/NAVPS Valuation		C\$9.27
P/NTM CFPS Valuation		C\$9.46
Valuation		C\$9.35
<b>Target Price:</b>		<b>C\$9.50</b>

\*Target NAVPS multiple is applied to the mining assets, with net cash included at par.

Source: Raymond James Ltd.

**P/NAV Valuation:** We believe an appropriate way to determine the long-term value of a mining company is the NAV approach, as it takes into account reserve life, cost structures, capital cost requirements, growth prospects, timing and debt structure all in one statistic. Using a discount rate of 5% on operating assets and adding financial assets and liabilities, we have derived a NAVPS estimate for CG of \$10.45/share as shown in Exhibit 12.

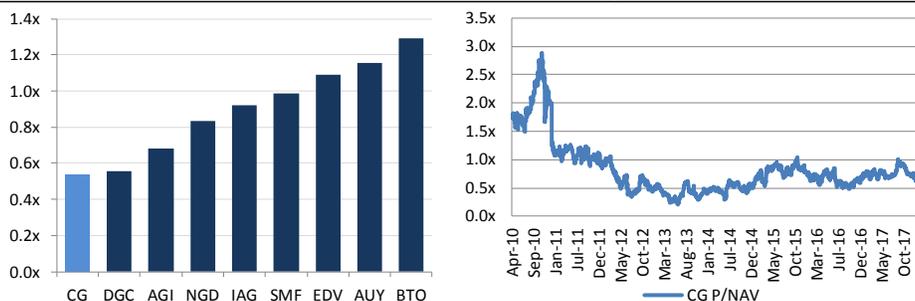
### Exhibit 12: CG Net Asset Value Estimate

Net Asset Value Estimate (5%)	US\$m	\$/Share	% NAV
Kumtor	\$1,033	\$3.48	33%
Mt. Milligan	\$1,077	\$3.63	35%
Oksut	\$322	\$1.09	10%
Kemess	\$285	\$0.96	9%
Others	\$380	\$1.28	12%
<b>Mining Asset NAV</b>	<b>\$3,098</b>	<b>\$10.43</b>	<b>100%</b>
Working Capital	\$516	\$1.74	
LT Liabilities	(\$312)	(\$1.05)	
Other Corporate Adjustments	(\$197)	(\$0.67)	
<b>Total NAV</b>	<b>\$3,104</b>	<b>\$10.45</b>	

Source: Raymond James Ltd.

**Relatively Attractive NAV Valuation:** Centerra is currently trading at a P/NAV of ~0.5x, at the lower end of intermediate gold producers and near the bottom of its historical range of ~0.4-3.0x P/NAV.

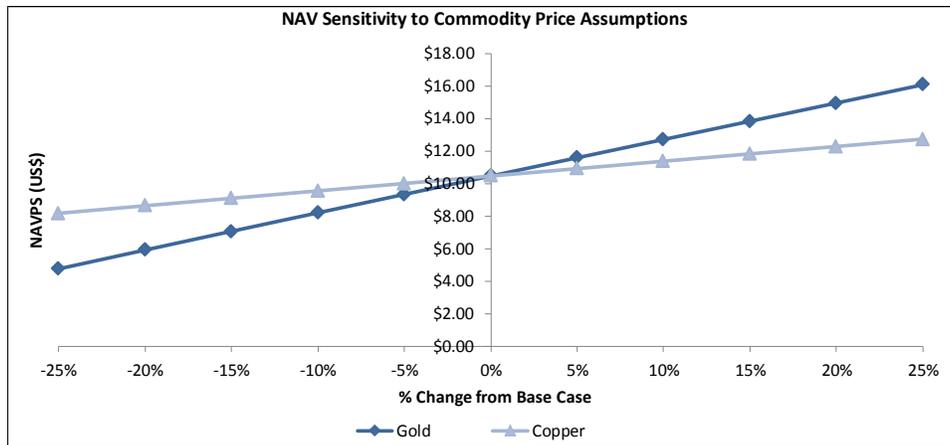
### Exhibit 13: Relative P/NAV Valuation and Historic P/NAV Multiple



Source: Capital IQ, Raymond James Ltd.

**NAV Sensitivity:** We highlight NAV sensitivity to our price assumptions for gold and copper in Exhibit 14.

**Exhibit 14: NAV Sensitivity to Commodity Price Assumptions**



Source: Raymond James Ltd.

Applying a 0.7x multiple (a discount to its peers reflecting higher jurisdictional risk and lower share liquidity despite its growth, longer reserve life, and flexible balance sheet) to our operating NAVPS estimate of \$10.43/share and adding net corporate adjustments at 1.0x we derive a valuation of C\$9.27/share.

**P/CFPS Valuation:** We believe an appropriate measure to determine near-term valuation is P/NTM CFPS as it considers cash flow generation prospects. Applying a P/NTM CFPS multiple of 5.0x (a discount to its peers reflecting higher jurisdictional risk and lower share liquidity despite its growth, longer reserve life, and flexible balance sheet) to our NTM CFPS forecast of \$1.49, we derive a valuation of C\$9.46/share.

**Exhibit 15: CG Historic P/NTM CFPS**



Source: Raymond James Ltd., Capital IQ

## Financial Statements

## Exhibit 16: Financial Statements

Financial Summary (US\$ millions)	2017A	2018E	2019E	2020E
<b>Income Statement</b>				
Revenue	\$1,199	\$1,123	\$1,182	\$1,388
Cost of Sales (inc Depreciation)	(\$700)	(\$739)	(\$737)	(\$772)
Standby Costs	(\$6)	(\$17)	(\$8)	(\$8)
<b>Gross Profit</b>	<b>\$492</b>	<b>\$367</b>	<b>\$437</b>	<b>\$608</b>
G&A	(\$38)	(\$32)	(\$38)	(\$35)
Exploration	(\$11)	(\$17)	(\$17)	(\$17)
Other expenses	(\$234)	(\$137)	(\$131)	(\$141)
<b>Earnings from Operations</b>	<b>\$209</b>	<b>\$181</b>	<b>\$251</b>	<b>\$416</b>
Net Finance Expense	(\$17)	(\$27)	(\$24)	(\$24)
Tax Expense	\$18	\$1	(\$4)	(\$6)
Non-Controlling Interest	\$0	\$0	\$0	\$0
Income from Discontinued Operations	\$0	\$0	\$0	\$0
<b>Net Income - Attributable to CG S/H</b>	<b>\$210</b>	<b>\$154</b>	<b>\$223</b>	<b>\$386</b>
<b>Net Income - Adjusted</b>	<b>\$210</b>	<b>\$154</b>	<b>\$223</b>	<b>\$386</b>
FD shares outstanding (mln)	\$292	\$292	\$292	\$292
Earnings per Share - Adjusted	\$0.72	\$0.53	\$0.76	\$1.32
<b>EBITDA</b>	<b>\$423</b>	<b>\$379</b>	<b>\$479</b>	<b>\$732</b>
<b>Cash Flow Statement</b>				
Cash flow from operations	\$501	\$227	\$475	\$726
Changes in working capital	(\$22)	(\$162)	\$0	\$0
<b>Operating cash flow (b/f working capital)</b>	<b>\$523</b>	<b>\$389</b>	<b>\$475</b>	<b>\$726</b>
Cash flow per share	\$1.79	\$1.33	\$1.63	\$2.49
Capital Expenditures	(\$267)	(\$302)	(\$386)	(\$303)
<b>Free cash flow</b>	<b>\$256</b>	<b>\$87</b>	<b>\$90</b>	<b>\$423</b>
Free cash flow per share	\$0.88	\$0.30	\$0.31	\$1.45
<b>Balance Sheet</b>				
Cash and equivalents	\$416	\$131	\$202	\$600
Other current assets	\$596	\$656	\$656	\$656
Total current assets	\$1,012	\$787	\$858	\$1,257
PP&E	\$1,674	\$2,088	\$2,241	\$2,228
Other non-current assets	\$86	\$86	\$86	\$86
Total assets	\$2,772	\$2,962	\$3,185	\$3,570
Current portion of LT debt	\$81	\$32	\$32	\$32
Other current liabilities	\$277	\$175	\$175	\$175
Total current liabilities	\$358	\$208	\$208	\$208
Long-term debt	\$212	\$312	\$312	\$312
Other long-term liabilities	\$177	\$249	\$249	\$249
Total long-term liabilities	\$389	\$561	\$561	\$561
Shareholder equity	\$2,025	\$2,193	\$2,416	\$2,802
Total liabilities & s/h equity	\$2,772	\$2,962	\$3,185	\$3,570

Source: Centerra Gold Inc., Raymond James Ltd.

## Management Bios

Officer	Title	Background
Scott G. Perry	President & CEO	Mr. Perry has over 20 years' experience in the mining industry. Mr. Perry joined Centerra in November 2015 as Chief Executive Officer and in January 2018 took on the added title of President. Prior to joining Centerra, he most recently served as Chief Executive Officer & Director of AuRico Gold. Before that, Mr. Perry acted as Executive Vice President & Chief Financial Officer of AuRico Gold. Prior to joining AuRico Gold, Mr. Perry held increasingly senior financial roles with Barrick Gold in Australia, the United States, and Russia & Central Asia. Scott holds a Bachelor of Commerce degree from Curtin University, a post-graduate diploma in applied finance and investment, as well as a CPA designation.
Gordon D. Reid	Vice President & COO	Mr. Reid has over 30 years of mining industry experience with International and North American mining companies. In January 2013, Mr. Reid was promoted to Vice President and Chief Operating Officer with responsibility for all of Centerra's operations. Mr. Reid joined Centerra in 2004 as Manager of Business Development and has held various positions including Vice-President Business Development, President, Kumtor Operating Company, and Corporate Vice President Operations. His experience includes project development, engineering, and consulting, as well as increasingly senior management roles in operations and business development. Prior to joining Centerra, Mr. Reid worked for BHP Billiton PLC (Nicolet Minerals Company), Placer Dome Inc., Noranda Inc., TVX Gold Inc., and Kilborn Engineering Pacific Ltd. Gordon has a Master's degree in Business Administration from the University of Manitoba, (1994) and a Bachelor of Science degree in Mining Engineering from Michigan Technological University (1981). He is registered as a Professional Engineer in the Province of Ontario, Canada.
Darren J. Millman	Vice President & CFO	Mr. Millman has over 18 years of experience in financial management, auditing and the mining industry. In April 2016, Mr. Millman was promoted to Chief Financial Officer. Mr. Millman joined Centerra in 2013 as Treasurer and was promoted to Vice President, Finance and Treasurer in January 2015. Prior to joining Centerra, Mr. Millman was General Manager Finance and Company Secretary at Ivanhoe Australia from 2007 to 2012, where he gained valuable experience with listing Ivanhoe on the ASX and TSX and led the financing activities. From 2000 to 2007 Mr. Millman worked with KPMG as Senior Manager, in Canada, and held several progressive senior roles in Australia and the U.K., predominately working with mining and construction corporations. From 1997 to 1999, he worked as an Accountant for Hall Chadwick in Melbourne, Australia. Mr. Millman holds a Bachelor of Business, Accounting from Victoria University (1999). Mr. Millman is a Chartered Accountant, Institute of Chartered Accountants of Australia (2003). He also has a Graduate Diploma of Applied Corporate Governance from the Institute of Chartered Company Secretaries of Australia (2010).
Dennis C. Kwong	Vice President, Business Development & Exploration	Mr. Kwong, Vice President, Business Development, joined Centerra Gold Inc. in October 2008. In this role, Mr. Kwong directs the activities focused on non-organic growth of the organization by identifying, evaluating, recommending, and negotiating value-adding business opportunities including corporate acquisitions. Mr. Kwong has a solid career in business development and finance. After pursuing his Masters of Science at McGill University and his MBA at University of Toronto, he joined PriceWaterhouseCoopers, during which time he obtained his Chartered Accountant designation. Mr. Kwong joined Noranda (subsequently Falconbridge and Xstrata) in 2002 as a Business Development Analyst where he assisted with their business strategy for China. Over his career at Xstrata he advanced to several positions of greater responsibility. Prior to joining Centerra Mr. Kwong's last position was at Xstrata's Nickel division as Director, Business Development and he was pivotal in establishing the financing package for their Koniambo nickel project in New Caledonia.

Source: Centerra Gold Inc.

## Risks

**Commodity Price Risk:** Prices for the commodities that the company produces or the company plans to produce may fluctuate and may have a large influence on the company's forecasted earnings, cash flows, asset values, and share price. Sustained low prices could also have a material adverse impact on the company's financial position and ability to raise capital.

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**Company Citations**

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
Alamos Gold Inc.	AGI	TSX	C\$	6.70	2	RJ Ltd.
B2Gold Corp.	BTO	TSX	C\$	3.63	2	RJ Ltd.
Barrick Gold Corporation	ABX	NYSE	US\$	13.48	3	RJ Ltd.
Detour Gold Corp.	DGC	TSX	C\$	10.59	3	RJ Ltd.
Endeavour Mining Corporation	EDV	TSX	C\$	21.61	2	RJ Ltd.
Franco-Nevada Corporation	FNV	NYSE	US\$	72.71	2	RJ Ltd.
IAMGOLD Corporation	IAG	NYSE	US\$	6.13	3	RJ Ltd.
Ivanhoe Mines Ltd.	IVN	TSX	C\$	3.36	2	RJ Ltd.
New Gold Inc.	NGD	NYSE MKT	US\$	2.37	3	RJ Ltd.
Royal Gold Inc.	RGLD	NASDAQ	US\$	89.02	2	RJ Ltd.
SEMAFO Inc.	SMF	TSX	C\$	3.72	3	RJ Ltd.
Yamana Gold Inc.	AUY	NYSE	US\$	2.92	3	RJ Ltd.

Notes: Prices are as of the most recent close on the indicated exchange and may not be in US\$. See Disclosure section for rating definitions. Stocks that do not trade on a U.S. national exchange may not be registered for sale in all U.S. states. NC=not covered.

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**High Risk/Growth (H/GRW)** Medium to higher risk equities of companies in fast growing and competitive industries, with less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial or legal issues, higher price volatility (beta), and potential risk of principal.

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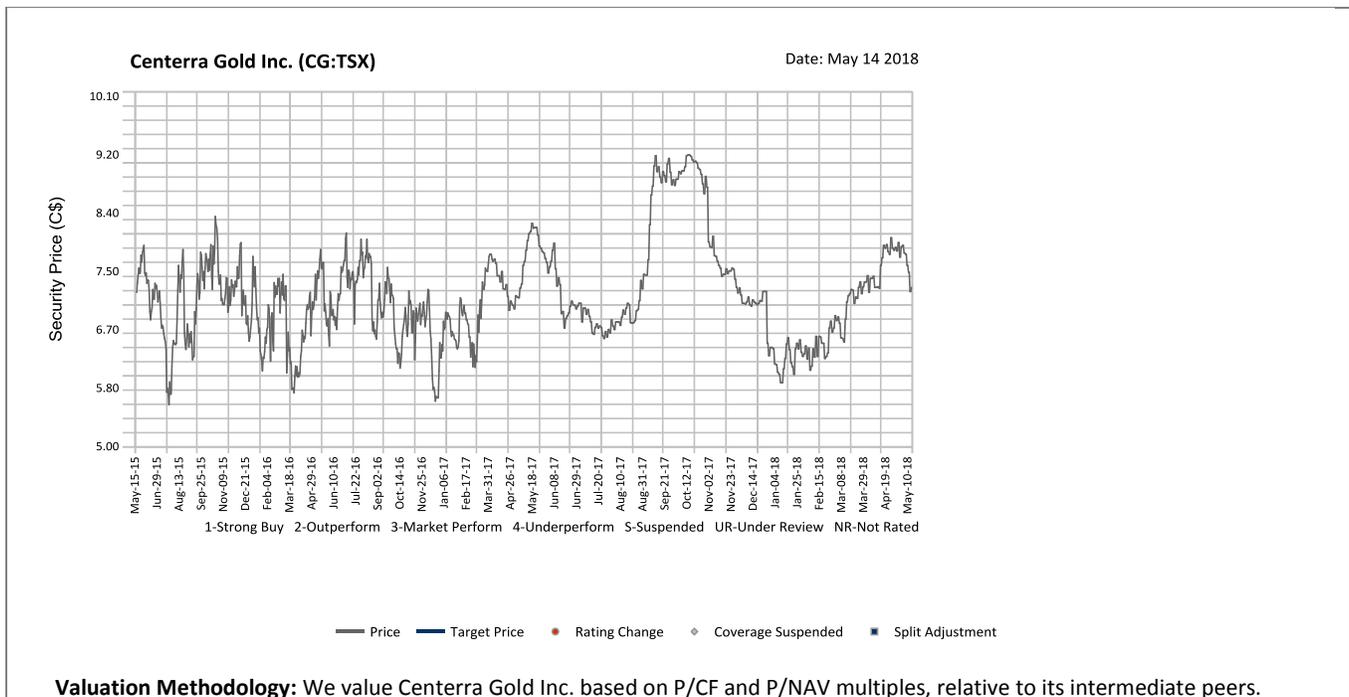
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Company Name	Disclosure
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1) Political risk - producing mines and exploration and development projects are in various countries/continents, companies are generally exposed to varying levels of political risk, including mine nationalization, higher royalties and taxes, and other regulatory challenges that may impact production levels and profitability. In addition, there is always a risk permits for continuing production or new development may not be attainable due to unforeseen circumstances. Furthermore, mining companies may be the subject of claims and litigation arising in the ordinary course and conduct of business, and thus may be forced to defend itself in court.

2) Development risk - in constructing, commissioning and expanding mining assets (potential for cost overruns)

3) FX risk - due to fluctuations in various currencies which may affect profitability of operations and/or capital costs estimates

4) Operating risk - of maintaining current production and cost profiles

5) Labour risk - Labour markets around the world as they relate to mining activities have been experiencing significant challenges hiring and retaining a sufficiently large workforce. In response to the labour tightness, compounded with high levels of inflation in many countries, there has been substantial upward pressure on wages. An inability to hire an adequate workforce and the rising wage demands continues to elevate the risk of labour disputes, which may result in strikes, and thereby impact future levels of production and sales.

6) Resource Risk - Although generally companies have NI43-101 compliant resources, there exists a risk that further work leads to a deterioration of the grade and/or size of the deposit.

7) Cost Inflation Risk - Our outlook assumes certain future capital and operating costs for operating mines and development projects. Although we apply conservative estimates to these assumptions, there is the risk that our assumptions versus actual incurred costs in the future may differ.

8) Commodity Price Risk - Our outlook assumes certain commodity price forecasts. Although we apply conservative estimates to these assumptions, there is the risk that our assumptions versus actual incurred commodity prices in the future may differ.

**Risks -- Centerra Gold Inc.**

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