

centerraGOLD



Centerra Gold (TSE:CG)

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Agenda

centerraGOLD



1 Company Overview

2 Industry Outlook

3 Investment Thesis

4 Valuation

5 Catalysts and Risks

6 Recommendation

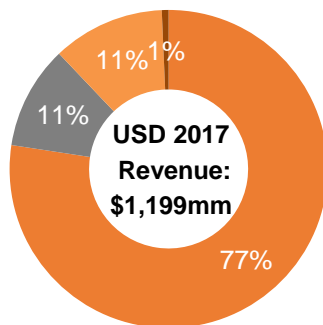
Centerra Gold (TSE:CG)

Business Description

- Centerra Gold is a mining company that produces predominantly gold, copper and molybdenum
- Two core, 100% owned low cost producing mines:
 - Kumtor: Primarily high grade gold production with a mine life to 2026, located in Kyrgyzstan
 - Mt. Milligan: Gold and copper production with a mine life to 2038, located in BC
- Owens a portfolio of 19 royalties, 14 producing

2017 Segmented Revenue

- Gold Sales
- Copper Sales
- Molybdenum Sales
- Tolling, Calcining & Other



Management Team

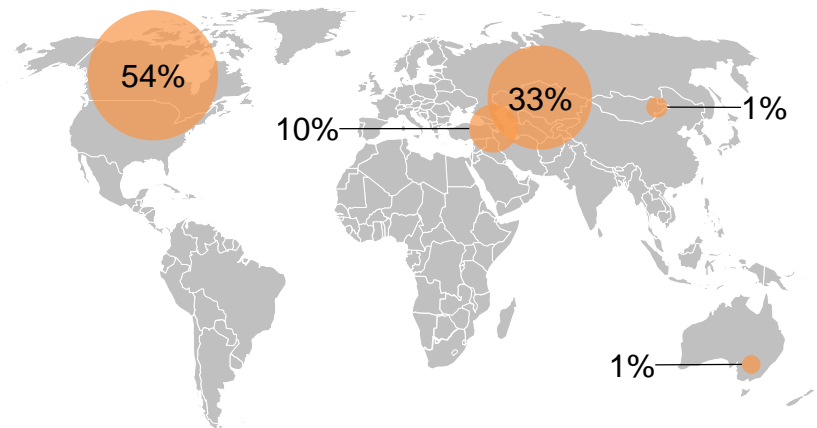


Name	Scott Perry	Darren Millman	Gordon Reid	Dennis Kwon
Position	CEO	CFO	COO	D&E VP
Years Exp.	20+	18+	30	17

Background	Scott Perry	Darren Millman	Gordon Reid	Dennis Kwon
	Former CEO of AuRico Gold, Senior Roles at Barrick Gold	Experience as a GM at Ivanhoe, Senior Manager at KPMG	Held roles at Placer Dome Inc. and TVX Gold before joining Centerra in 2004	Previously Director of Xstrata's Nickel Division

Areas of Operation

Operating NAV Projects as of May, 2018



Key Centerra Assets

All Projects

Project	Status	Ownership	Location	Producing
Kumtor	Producing	100%	Krygz Republic	Gold
Mt. Milligan	Producing	100%	Canada	Gold, Copper
Oksut	Development	100%	Turkey	Gold
Kemess	Development	100%	Canada	Gold, Silver, Copper
Gatsuurt	Development	100%	Mongolia	Gold
Hardrock	Advanced Exploration	50%	Canada	Gold
Thompson Creek	Maintenance	100%	United States	Molybdenum
Endako	Maintenance	75%	Canada	Molybdenum

Kumtor Mine

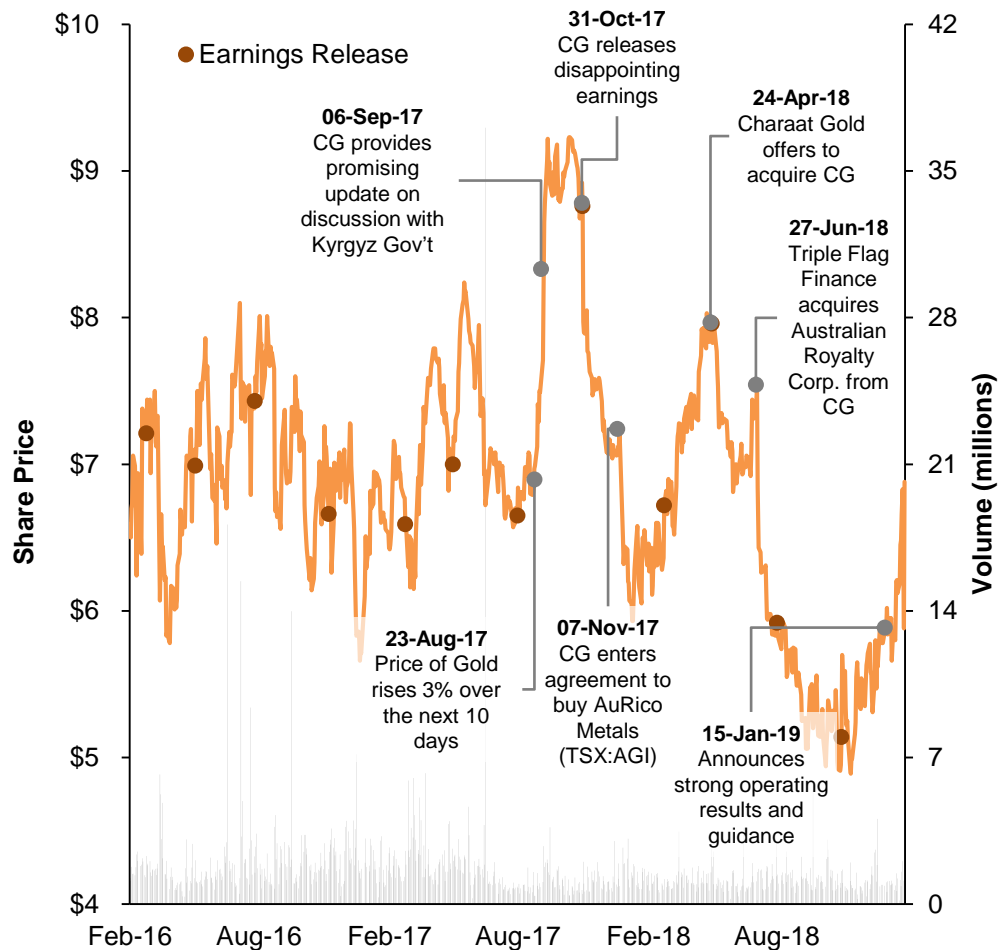
- Largest mine in Central Asia operated by a Western company, with a Central Deposit and two satellite deposits
- One of the largest private sector employers of local citizens and is the largest foreign investment in the country
- Centerra and the Government of Kyrgyz Republic are in a strategic agreement designed to protect the firms mines, alleviating historical jurisdictional uncertainty due to environmental concerns
- In 2018 Chaarat offered to acquired the Kumtor mine; Centerra expressed no interest in the offer but noted that both Centerra and the Government would have to agree to allow the transaction to complete

Mount Milligan

- Truck-shovel open pit mine located in British Columbia
- Locked into streaming agreement with Royal Gold that allows them to receive 35% of gold produced if necessary
- Suspended operations due to water concerns in 2017, but reopened in 2018 as a tailings storage facility began to collect sufficient water resources
 - Alternative water resources has been located in Philip Lake and Centerra has until February of 2019 to prove these resources are environmentally sustainable
 - Further alternatives in pumping groundwater sources are undergoing permit approval

PV Chart and Capitalization Table

Price-Volume Analysis



Market Data

(in CAD\$ millions)

Capitalization

Share Price (09-Feb-2019)	(C\$)	\$6.86
Basic Shares Outstanding	(mm)	292.0
Diluted Securities	(mm)	0.8
Market Capitalization	(C\$ mm)	2,009
(-) Cash & Equivalents	(C\$ mm)	(259)
(+) Short-Term Debt	(C\$ mm)	33
(+) Long-Term Debt	(C\$ mm)	296
(+) Minority Interest	(C\$ mm)	-
Enterprise Value	(C\$ mm)	2,079

Trading Multiples

EV / 2017A EBITDA	-	4.0x
EV / 2018E EBITDA	-	4.7x
EV / 2019E EBITDA	-	4.5x
P / 2017A EPS	-	9.6x
P / 2018E EPS	-	15.8x
P / 2019E EPS	-	13.5x

Market Data

52-Week High	(C\$)	\$8.21
% of 52-Week High	(%)	83.6%
52-Week Low	(C\$)	\$4.76
Beta	-	0.13

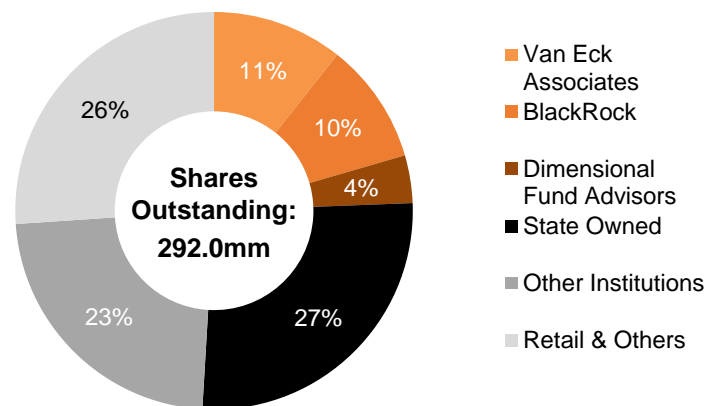
Shareholder Overview

Shareholder Summary

(in millions)

	# of Shares Held	% of Shares Outstanding
Insiders		
Perron, Jacques	0.1	0.0%
Lang, Stephen	0.1	0.0%
Perry, Scott	0.1	0.0%
Pressler, Sheryl	0.0	0.0%
Other Insiders	0.0	0.0%
Total Insiders	0.4	0.1%
Institutions		
Van Eck Associates Corporation	31.0	10.6%
BlackRock, Inc. (NYSE:BLK)	28.8	9.9%
Dimensional Fund Advisors L.P.	11.3	3.9%
Franklin Resources, Inc. (NYSE:BEN)	7.6	2.6%
Kopernik Global Investors, LLC	5.6	1.9%
The Vanguard Group, Inc.	5.4	1.8%
Ruffer LLP	4.2	1.4%
Heartland Advisors, Inc.	3.0	1.0%
Capital Research and Management Compa	2.9	1.0%
USAA Investment Management Company	2.7	0.9%
Heptagon Capital LLP	2.4	0.8%
Other Institutions	34.3	11.7%
Total Institutions	138.1	47.3%
State Owned Entity	77.4	26.5%
Retail & Other Investors	76.0	26.0%
Public Float	291.6	99.9%
Total Basic Shares Outstanding	292.0	100.0%

Ownership Structure

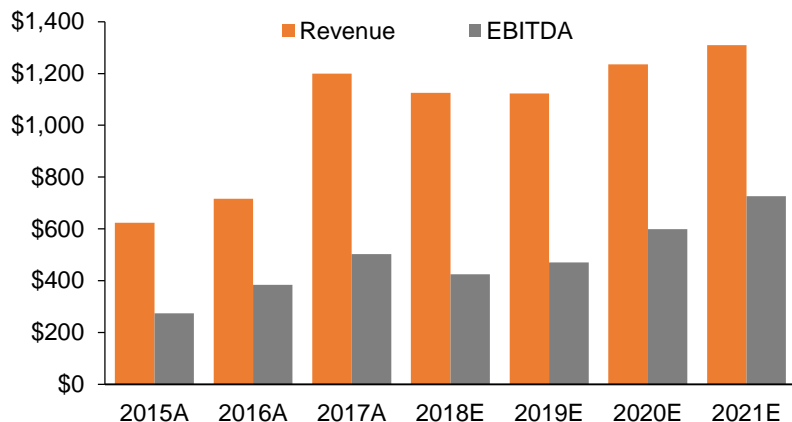


- Kyrgyzaltyn OJSC, a state-owned entity of the Kyrgyz government currently owns 26.51% of Centerra and is responsible for producing more than 97% of Kyrgyzstans gold
- No major institutional position changes in the last 2 years, the largest being a 5.67mm decrease share position by Blackrock
- Significant increase in most insider positions, notably a 2.4% and 3.39% increase in position from Jacques Perron and Sheryl K. in the last 2 months

Operating Metrics

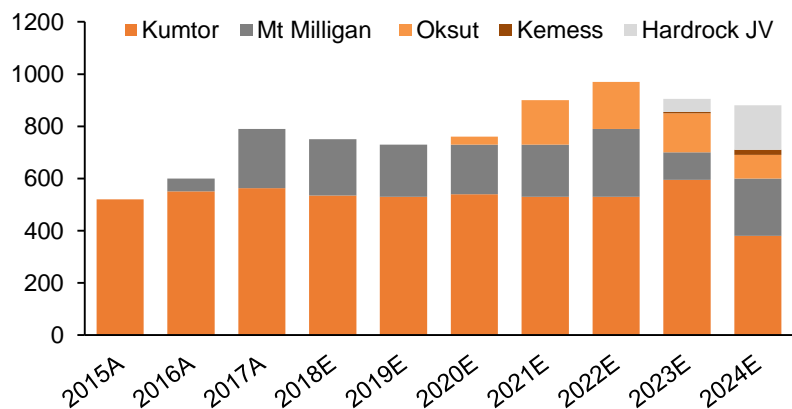
Financial Metrics

USD mm per Cap IQ



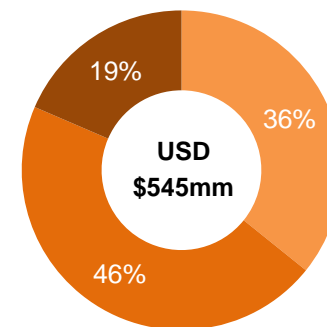
Gold Production Profile

In Thousands of Ounces



Liquidity Profile

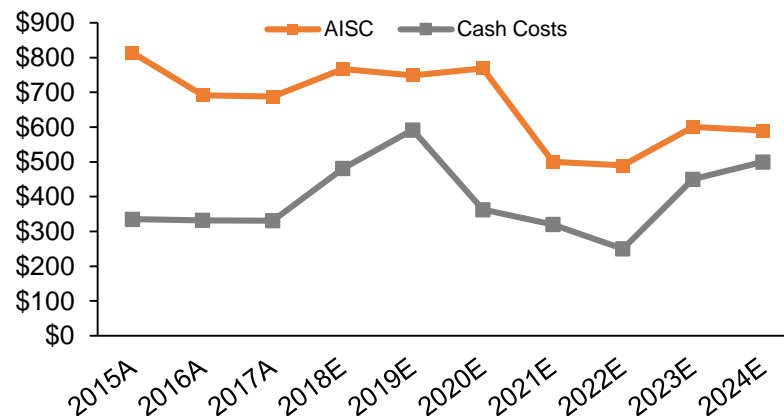
- Cash Reserves
- Revolver
- Oksut Credit Facility



Provides multiple sources of capital with a minimum 4 year revolver backed by The Bank of Nova Scotia and National Bank of Canada, as well as a 3 year OMAS facility for the Oksut mine

Cost Profile

US\$/oz



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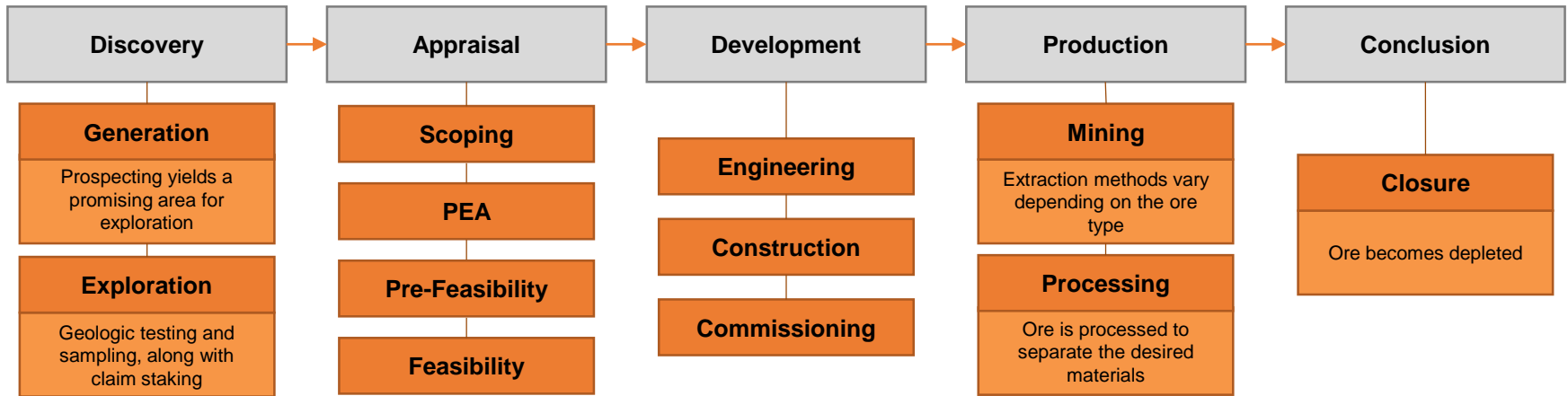
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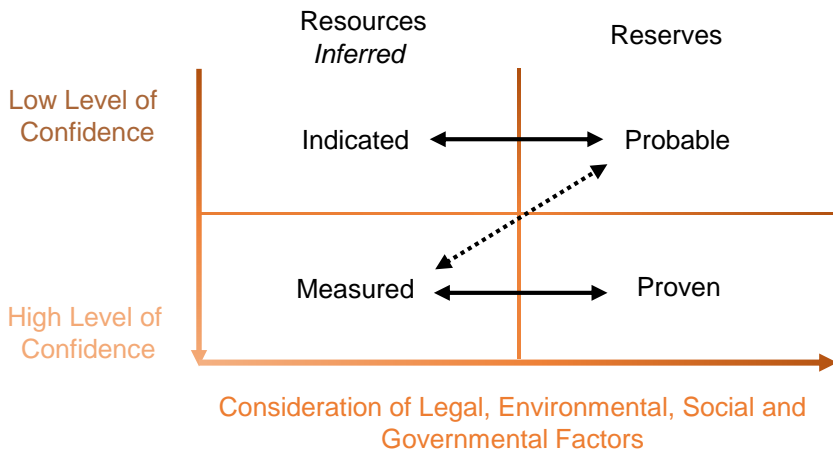
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Precious Metals Mining

The Mining Cycle



Mineral Reserves and Resource Evaluation



Extraction Methods

Mine Types:

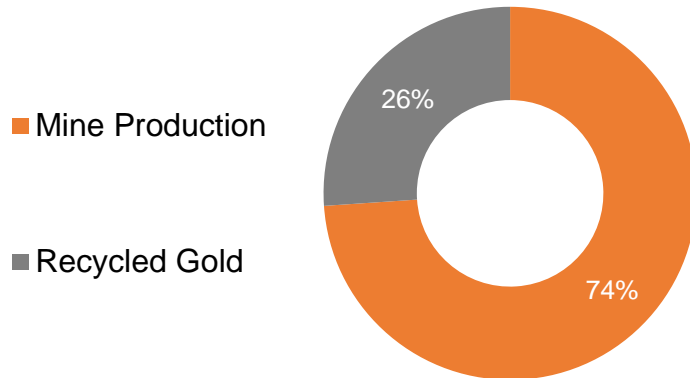
- **Surface:** Includes open-pit mining, the most popular way to extract ore
- **Sub-Surface:** Tunnels are dug and ore is brought to the surface through tunnels and shafts

Processing Techniques:

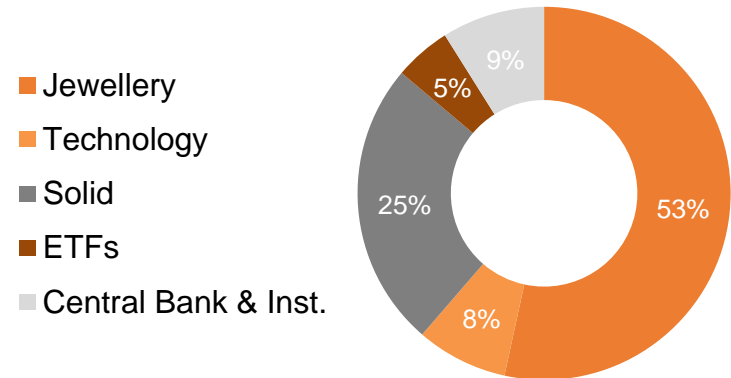
- The ore is then crushed, primarily before it leaves the mine and secondarily after
- The grinds move through a solution made from cyanide to dissolve the gold and then further processed, with either zinc or carbon to separate it from worthless material before refinement

Gold: Sources Supply and Demand

Sources of Supply in 2017

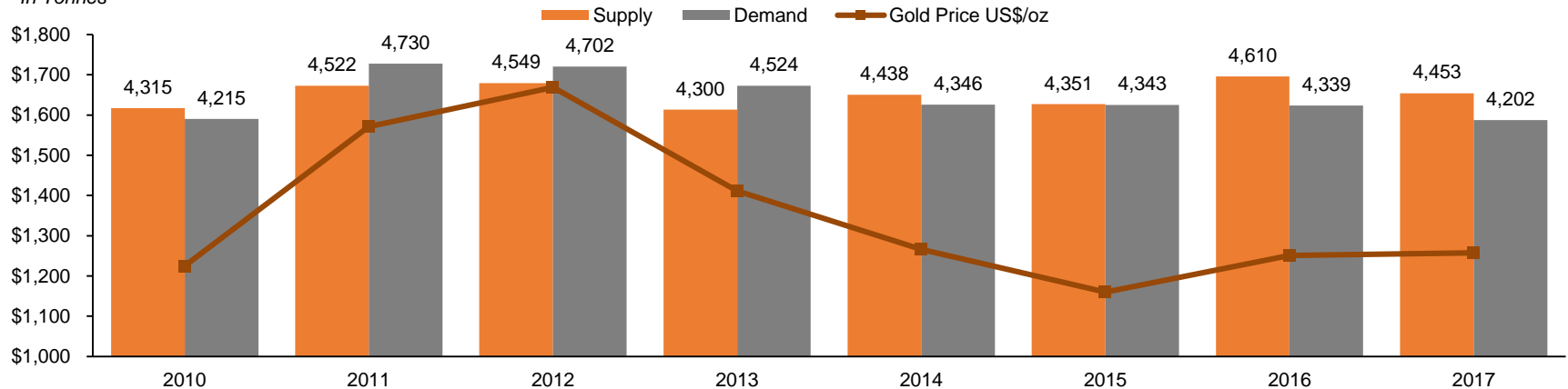


Sources of Demand in 2017



Global Gold Supply and Demand

In Tonnes



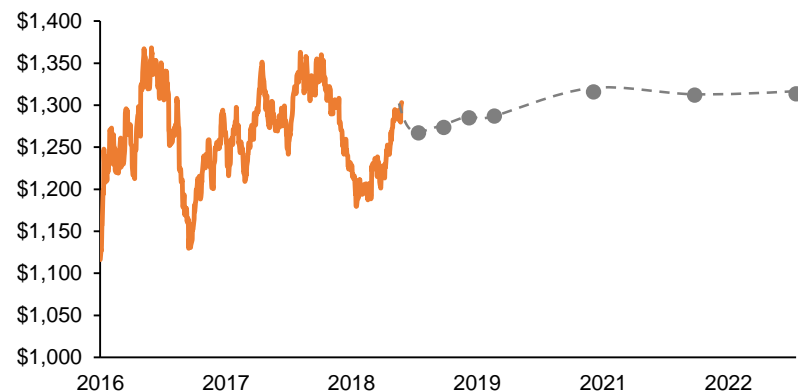
Gold: Medium Term Outlook

Multiple Price Drivers

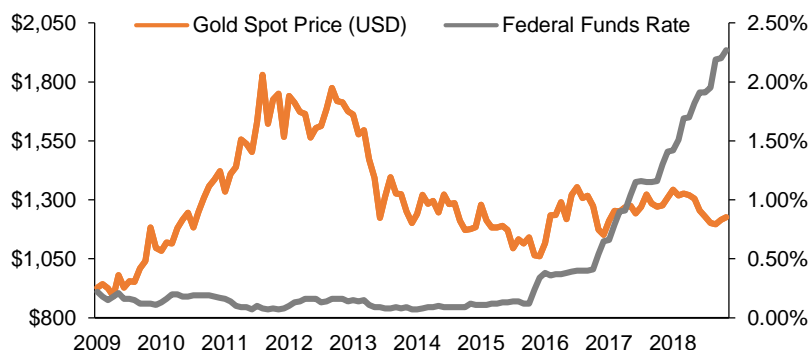
- **Economic Expansion:** Emerging markets are subject to 70% of the consumer demand for gold
 - Expect India and China to continue to drive long-term performance
- **Market Risk:** Gold is typically considered a safe-haven asset that investors flock too in times of economic instability
- **Opportunity Cost:** In the short term, the rates of other currencies and other opportunities could enhance or dampen it's performance

Gold Price Outlook

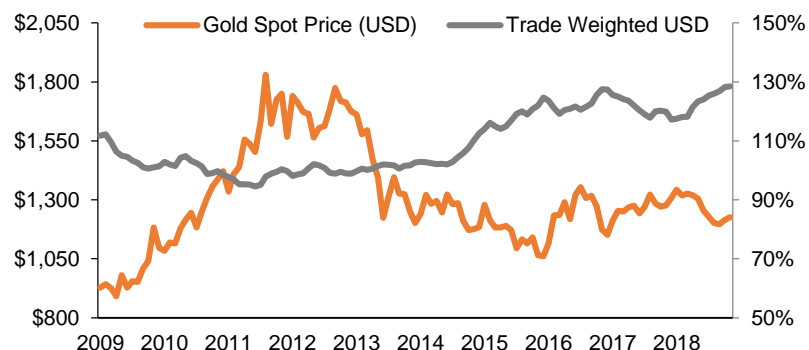
USD/oz, Consensus Forecast



Gold vs. Interest Rates



Gold vs. The US Dollar



Gold may face headwinds from higher interest rates and US dollar strength, but downside is limited as more neutral stances have been indicated by the Federal Reserve

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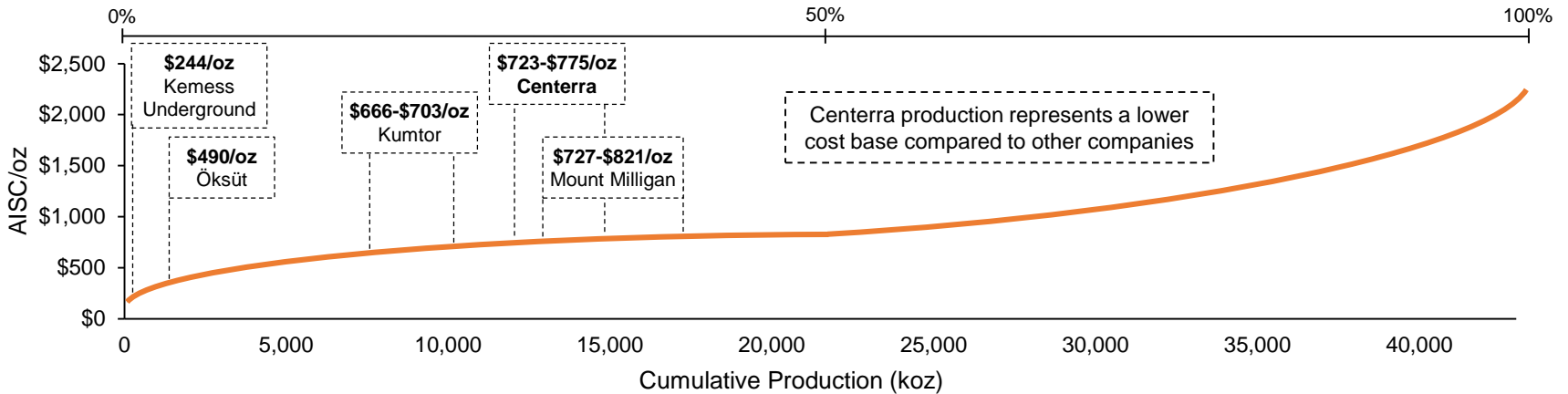
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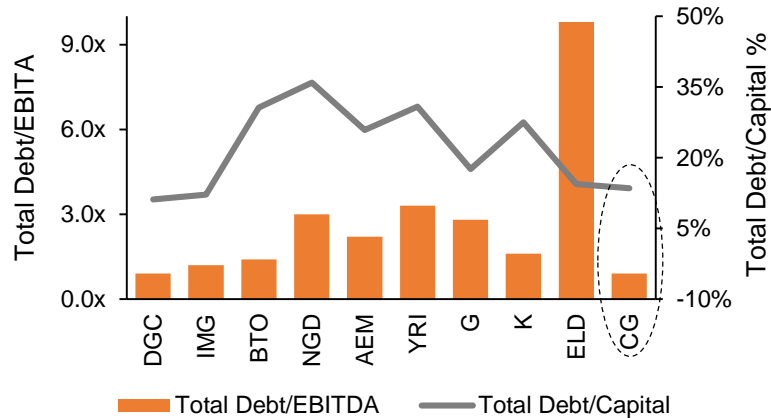
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Fundamental Strength That Will Sustain Future Cash Flow

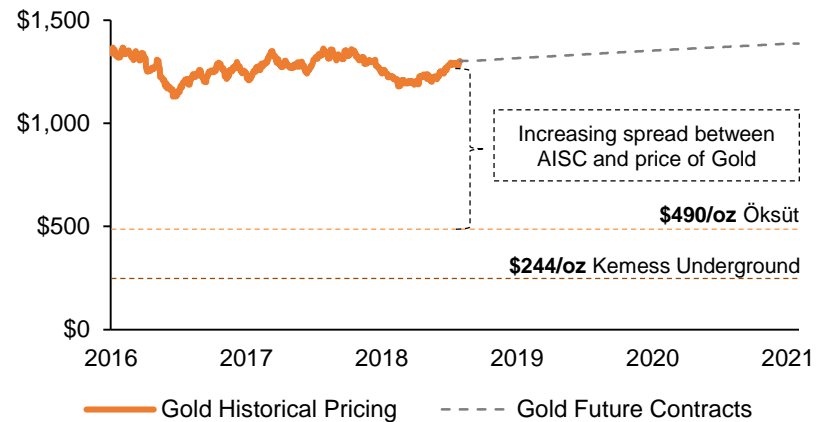
Centerra vs. Industry AISC Curve



Robust Balance Sheet to Sustain Growth



New Projects Shield Against Gold Volatility

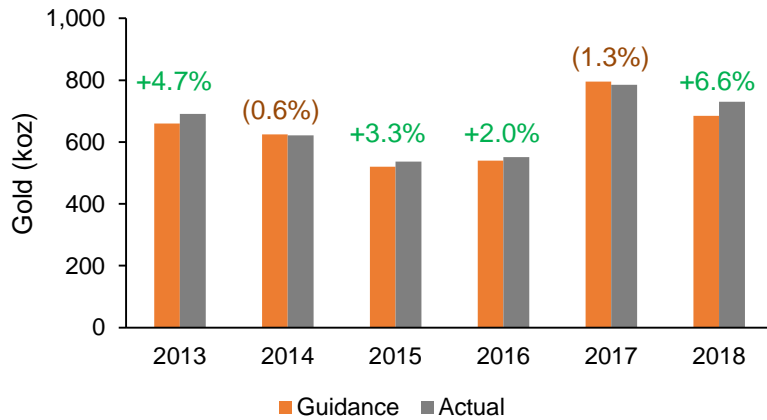


Irrational Negative Sentiment Towards Centerra

Worries of Political Instability

- Investors have traditionally been dissuaded from Centerra because of perceived political risks from operations in less stable countries
 - Specifically Kyrgyzstan and Turkey
- Centerra has had disputes with the Kyrgyzstan government for the past few years
 - Nothing material has ever emerged but there are concerns of potential environmental remediation payments
- This has led Centerra to trade at a steep discount to peers with regard to every metric

Consistently Outperforming in Production

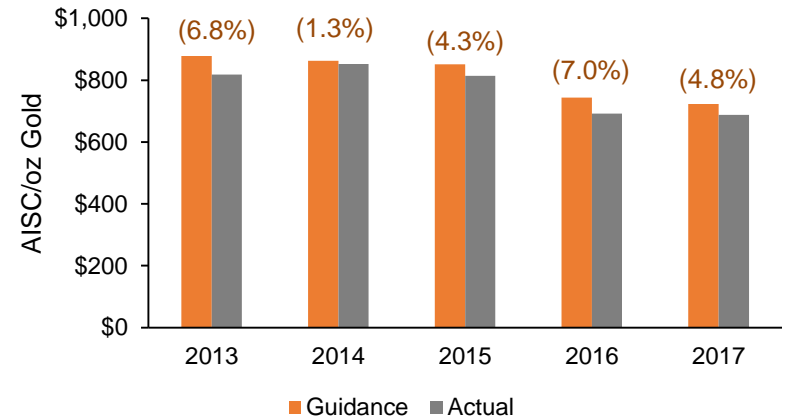


Investor Concerns Largely Baseless

- Investors have been proven wrong time and time again about this company's ability to produce
- All 32 insider transactions in the last 12 months have been purchases, indicating strong management sentiment in the company
- Backlash from Kyrgyz government is unlikely since a massive portion of its economy relies on Kumtor



Consistently Outperforming with Costs



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Comparable Companies Analysis

Comparables Output Table

(In CAD millions)	Equity Value	Enterprise Value	P/BV			EV/EBITDA			P/NAV	P/CF
			2017A	2018E	2019E	2017A	2018E	2019E	NTM	NTM
Intermediate Gold Producers										
B2Gold Corp.	\$3,964	\$4,390	1.1x	0.8x	0.8x	7.3x	7.3x	6.8x	0.7x	6.4x
Yamana Gold Inc.	\$3,433	\$5,162	1.0x	0.6x	0.6x	8.1x	6.7x	6.0x	0.5x	3.9x
OceanaGold Corporation	\$2,821	\$2,932	2.0x	1.7x	1.5x	7.9x	8.5x	7.8x	1.3x	6.7x
Alamos Gold Inc.	\$2,285	\$2,060	1.0x	0.6x	0.6x	10.0x	8.2x	6.9x	0.6x	6.6x
Detour Gold Corporation	\$2,279	\$2,372	0.6x	0.6x	0.6x	8.4x	9.6x	7.8x	0.9x	4.2x
IAMGOLD Corporation	\$2,220	\$1,958	0.9x	0.4x	0.4x	6.2x	5.7x	4.5x	0.7x	2.8x
New Gold Inc.	\$881	\$1,691	1.1x	1.4x	1.3x	5.9x	6.3x	5.0x	1.3x	7.1x
Median			1.0x	0.6x	0.6x	7.9x	7.3x	6.8x	0.7x	6.4x
Centerra Gold Inc.	\$2,188	\$2,361	0.7x	0.7x	0.6x	5.6x	5.0x	3.9x	0.6x	6.1x

Conclusions

- Centerra Gold is trading at a discount to its peer group across almost all metrics except for P/BV 2018E
- The peer group is made up of companies with a primary focus on gold mining
- Industry specific multiples include price to book value, price to NAV per share, and price to cash flow per share
- Metric for P/NAV multiples was derived from base case in NAV valuation
- Comparable companies analysis ultimately receives **25% weight** in the overall valuation

Net Asset Value Analysis

Valuation Summary

Net Asset Value	C\$MM	C\$/Share	%of NAV
Kumtor (100%)	\$1,128.90	\$3.87	36%
Milligan (100%)	\$1,069.62	\$3.66	34%
Oksut (100%)	\$521.22	\$1.79	17%
Kemess (100%)	\$275.42	\$0.94	9%
Greenstone (50%)	\$116.19	\$0.40	4%
Total Operating NAV	\$3,111.35	\$10.66	100%
Corporate Adj. / Other			
Corporate G&A	(\$123.93)	(\$0.42)	
Working Capital	\$844.55	\$2.89	
Long Term Debt	(\$408.71)	(\$1.40)	
Other	\$23.38	\$0.08	
Total Corporate Adj.	\$335.29	\$1.15	
Total NAV	\$3,446.65	\$11.80	
NAV Multiple 0.7x	\$2,412.65	\$8.26	
Current Price (CAD)		\$6.84	
Implied Return		21%	

Valuation Assumptions and Inputs

- Valuation outputs a 21% return using a 0.7x P/NAV multiple derived from comparable analysis
- The NAV model uses a discount rate of 10% for all mines, selected from an industry range of 5 – 12%
- Lifespan of mines was predicted from technical reports (NI 43-101) issued by company upon completion of Feasibility Studies
- Revenues are projected from production estimate
 - Cash flows are revenues are net of operating costs (including processing, refining, treatment, royalties) and capital costs (working capital, construction, closing)
- Bare, base, and bull cases take into consideration the USD/CAD exchange rate and fluctuating gold prices
- Greenstone project has not yet commenced

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Near-Term Tailwinds With Protected Downside

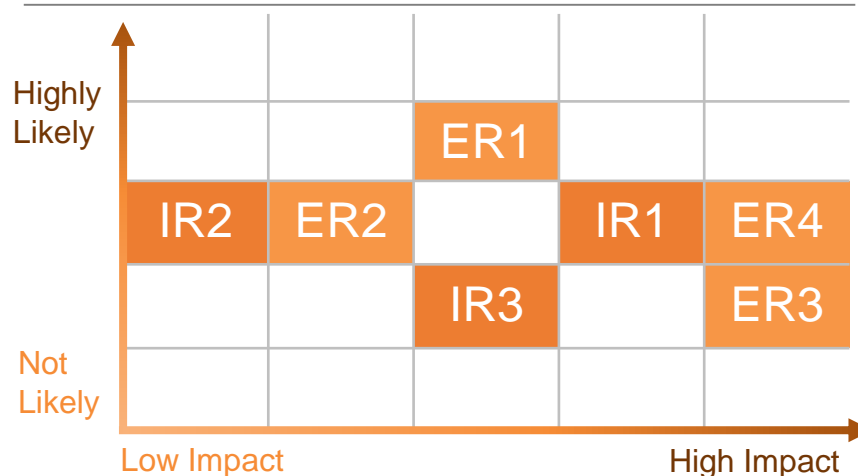
Near-Term Catalysts

- **LT Water Permits at Milligan** – Expected ability to draw water from alternate sources through 2021 (Expected Q1/19)
- **Resolution of Kyrgyzstan Settlement** – CG is nearing final talks with government over Strategic Agreement (Expected Q1/19)
- **Release of Fourth Quarter & FY Highlights** – guidance on company performance and updates on mine development projects

Long-Term Catalysts

- **Evaluation of New Exploration Sites** – Berg Property to be evaluated for bringing the project to commercial production
- **Commercial Production in Development Sites** – Oksut construction nearing completion and Kemess project development to start following positive indications from Feasibility Study
- **Access to New Mining Technology** – Incorporation of new equipment with higher efficiency to reduce cash costs of extracting ore

Risks



External Risks

- Sensitivity to the volatility of commodity prices (ER1)
- Operations subject to foreign currency exposure (ER2)
- Operations subject to political & regulatory risks (ER3)
- Sites & operations affected by natural disasters (ER4)

Internal Risks

- Failure or malfunction of key mining equipment (IR1)
- Health and safety risks for local labour force (IR2)
- Inaccurate estimates in reserves and resources (IR3)

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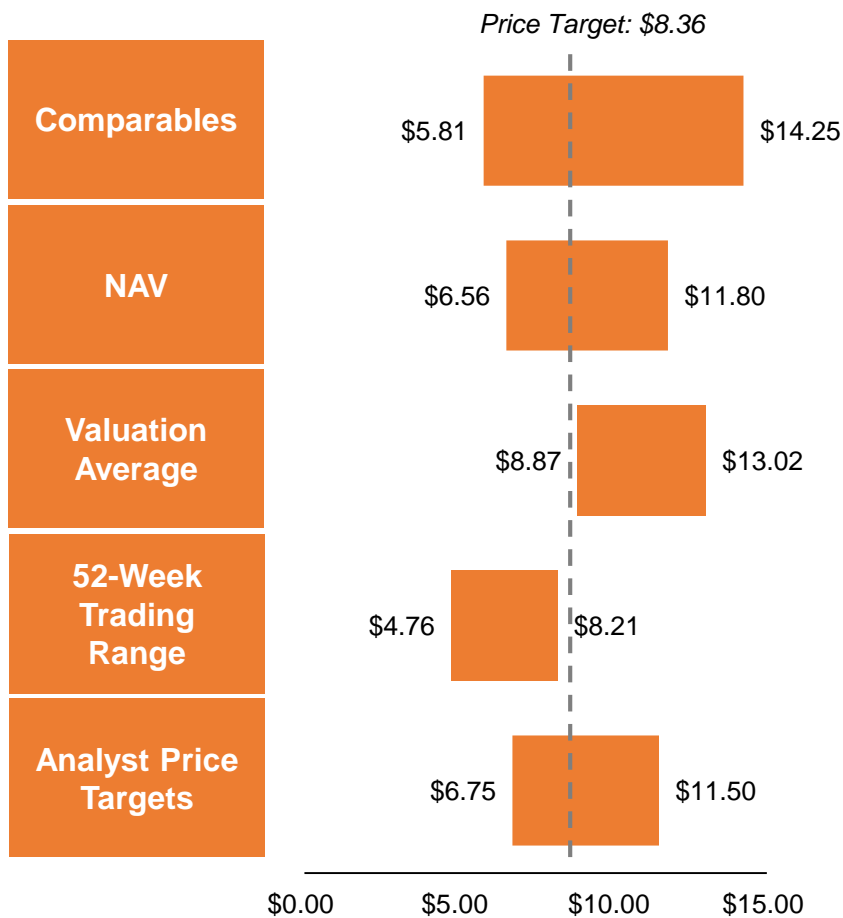
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RECOMMENDATION

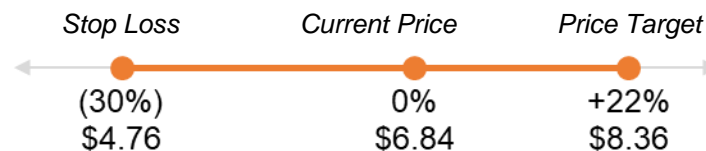
Buy With a Price Target of ~\$8.36 (+22%)

Indicative Valuation Range



Price Target

Valuation Summary		
Analysis	Price	Weight
Comparables	\$8.54	25%
NAV	\$8.26	50%
Street Consensus	\$8.39	25%
Average	\$8.36	100%



Analyst Recommendations Summary



NAV Model

Kumtor Cash Flow

	Total	2019	2020	2021	2022	2023	2024	2025	2026
Total Revenues	3,765,287	619,842	685,086	671,963	789,394	489,483	261,177	137,263	111,079
Operating Costs	1,211,205	269,204	142,402	246,851	167,381	148,002	97,775	87,560	48,968
Capital Costs	786,247	174,127	274,776	134,389	126,245	74,210	1,300	800	400
Closure Funding	22,362	3,037	3,465	3,578	4,434	3,032	1,887	1,300	1,587
14% Revenue Based Taxes	527,140	86,778	95,912	94,075	110,515	68,528	36,565	19,217	15,551
Total Cash Outflow	2,543,850	533,146	516,555	478,893	408,575	293,772	137,527	108,877	66,506
Net Cash Flow	1,221,437	86,696	168,531	193,070	380,819	195,711	123,650	28,386	44,573
Exchange Rate US_CAD		1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33
Net Cash Flow (CAD)	1,622,132	115,306	224,034	256,527	505,730	259,776	164,044	37,641	59,075
Cumulative Cashflow (US)		86,696	255,227	448,297	829,116	1,024,827	1,148,478	1,176,864	1,221,437

Milligan Cash Flow

	Total	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total Revenues	8,454,214	556,409	470,618	470,618	470,618	419,502	419,502	419,502	386,958	386,958
Revenue reduced by RG stream	(1,548,034)	(106,253)	(85,785)	(85,785)	(85,785)	(77,291)	(77,291)	(77,291)	(70,003)	(70,003)
Treatment and Refining Costs	(439,827)	(25,012)	(25,018)	(25,018)	(25,018)	(20,520)	(20,520)	(20,520)	(21,721)	(21,721)
Net Revenue	6,466,352	425,144	359,815	359,815	359,815	321,691	321,691	321,691	295,233	295,233
Operating Costs	4,054,149	213,541	204,692	204,692	204,692	215,565	215,565	215,565	218,369	218,369
Capital Costs	444,281	44,711	35,454	35,454	35,454	24,946	24,946	24,946	31,613	31,613
Taxes	154,421	5,740	4,253	4,253	4,253	1,977	1,977	1,977	1,402	1,402
Total Cash Outflow	4,652,850	263,991	244,399	244,399	244,399	242,487	242,487	242,487	251,383	251,383
Net Cash Flow	1,813,502	161,153	115,416	115,416	115,416	79,204	79,204	79,204	43,850	43,850
Exchange Rate US_CAD		1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.32
Net Cash Flow (CAD)	2,400,612	214,334	153,427	153,350	153,274	105,131	105,078	105,025	58,117	58,088
Cumulative Cashflow	19,152,492	161,153	276,570	391,986	507,402	586,606	665,810	745,014	788,864	832,714

NAV Model

Oskut Cash Flow

	Total	2019	2020	2021	2022	2023	2024	2025
Total Revenues	813,800	259,220	196,560	120,250	138,190	90,610	8,970	0
Operating Costs	(260,396)	(56,202)	(56,178)	(58,836)	(50,680)	(33,200)	(5,300)	0
Capital and Other Costs	(27,487)	(21,830)	(10,242)	3,508	(8,774)	1,479	8,372	0
Pre-Tax Cash Flow	525,917	181,188	130,140	64,922	78,736	58,889	12,042	0
Taxes	(43,341)	(3,263)	(13,300)	(7,009)	(11,320)	(8,449)	0	0
Gov Refunds	7,946	2,195	2,195	2,195	0	0	0	1,361
Free Cash Flow	490,522	180,120	119,035	60,108	67,416	50,440	12,042	1,361
Exchange Rate US_CAD		1.33	1.33	1.33	1.33	1.33	1.33	1.33
Net Cash Flow (CAD)	651,921	239,560	158,237	79,864	89,529	66,951	15,976	1,805
Cumulative Cashflow	651,921	239,560	397,797	477,661	567,190	634,141	650,117	651,921

Greenstone Cash Flow

	Total	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Revenues (CAD)	7,205,823	0	0	0	278,369	706,807	618,363	602,516	531,468	434,620	596,442	410,064
Operating Costs	(2,949,800)	0	0	0	(106,400)	(227,800)	(237,800)	(237,700)	(235,000)	(231,500)	(239,700)	(226,200)
Capital and Other Costs	(1,519,500)	(49,900)	(329,000)	(625,200)	(251,800)	(50,300)	(32,800)	(19,200)	(27,300)	(17,700)	(39,900)	(32,900)
Pre Tax Cash Flow (CAD)	2,736,523	(49,900)	(329,000)	(625,200)	(79,831)	428,707	347,763	345,616	269,168	185,420	316,842	150,964
Taxes	(689,400)	0	0	0	0	(28,900)	(31,100)	(40,500)	(35,900)	(18,100)	(68,400)	(26,000)
Free Cash Flow (CAD)	1,636,000	(49,900)	(329,000)	(625,200)	(96,400)	358,200	280,000	269,100	202,400	142,200	213,700	102,100
Exchange Rate US_CAD		1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.32	1.32	1.32
Cumulative Cashflow (CAD)	1,636,000	(49,900)	(378,900)	(1,004,100)	(1,100,500)	(742,300)	(462,300)	(193,200)	9,200	151,400	365,100	467,200

APPENDIX

NAV Model

Kemess Cash Flow

	Total	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Total Revenues	5,909,076	51,880	234,688	422,986	668,217	622,393	552,570	498,639	470,431	453,814	443,783	432,213	408,082	382,623	266,757
Freight Costs	(208,000)	(1,826)	(8,261)	(14,889)	(23,521)	(21,908)	(19,450)	(17,552)	(16,559)	(15,974)	(15,621)	(15,214)	(14,365)	(13,468)	(9,390)
% of Revenue	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Treatment and Refining Costs	(197,000)	(1,730)	(7,824)	(14,102)	(22,277)	(20,750)	(18,422)	(16,624)	(15,683)	(15,129)	(14,795)	(14,409)	(13,605)	(12,756)	(8,893)
% of Revenue	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Net Revenue	5,504,076	48,324	218,603	393,995	622,418	579,735	514,697	464,463	438,188	422,710	413,367	402,590	380,112	356,399	248,474
Operating Costs	3,896,110	34,207	154,740	278,893	440,584	410,371	364,333	328,775	310,176	299,219	292,606	284,977	269,066	252,280	175,884
% of Revenue	65.93%	65.9%	65.9%	65.9%	65.9%	65.9%	65.9%	65.9%	65.9%	65.9%	65.9%	65.9%	65.9%	65.9%	65.9%
Capital Costs	867,000	7,612	34,434	62,062	98,043	91,320	81,075	73,162	69,023	66,585	65,113	63,416	59,875	56,140	39,139
% of Revenue	14.67%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%
Taxes	334,000	2,932	13,265	23,909	37,770	35,180	31,233	28,185	26,590	25,651	25,084	24,430	23,066	21,627	15,078
% of Revenue	5.65%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
Total Cash Outflow	5,097,121	44,752	202,441	364,864	576,398	536,871	476,642	430,122	405,790	391,456	382,804	372,824	352,008	330,048	230,102
Net Cash Flow	406,955	3,572	16,162	29,131	46,200	42,864	38,055	34,341	32,398	31,254	30,563	29,766	28,104	26,351	18,371
Exchange Rate US_CAD		1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.33	1.32	1.32	1.32	1.32	1.32	1.32
Net Cash Flow (CAD)	539,461	4,751	21,485	38,705	61,115	56,895	50,487	45,537	42,939	41,402	40,466	39,392	37,174	34,837	24,275
Cumulative Cashflow	3,003,364	3,572	19,735	48,865	94,886	137,750	175,805	210,146	242,545	273,799	304,362	334,128	362,232	388,583	406,955