

centerragOLD



## Centerra Gold Inc.

News Release, MD&A, Statement and Notes  
For the first quarter ended March 31, 2006

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## NEWS RELEASE

(All figures are in United States dollars)

### **Centerra Gold Reports First Quarter Earnings per Share of \$ 0.25** *Significant Mineralized Intercept Extends the Kumtor System 440 Metres to the North*

**Toronto, Canada, April 30, 2006:** Centerra Gold Inc. (TSX: CG) today reported net earnings of \$18.2 million (\$0.25 per common share) in the first quarter of 2006, based on revenues of \$93 million. During the first quarter of 2006, cash provided by operations, net of working capital changes, was \$32 million. During the first quarter of 2006, gold production was 153,811 ounces and cash costs were \$337 per ounce. In the first quarter of 2005, Centerra reported net earnings of \$12 million (\$0.17 per common share), cash from operations of \$37 million and revenues of \$92 million. In the same period, gold production was 213,450 ounces at an average cash cost of \$211 per ounce.

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#### **First Quarter 2006 Highlights**

- Successful exploration activity completed in the quarter indicated:
  - At Kumtor, a significant mineralized intercept extends the known gold mineralization 440 metres northward along strike from the prior most northerly drill hole in the Kumtor structure.
  - At Kumtor, drilling has extended the SB Zone a further 40 metres along strike to the south and it remains open along the strike to the south and in the down dip direction.
  - At Gatsuert, first reserves were announced and,
  - At Boroo, production of Gatsuert and Boroo deposits will extend the use of the facility through 2016.
- Production in the quarter was lower than expected due to lower average grades at Kumtor.
- Strong cash flow provided from operations increased cash on hand to \$223 million.
- Centerra continues to be debt-free and has no gold hedges.

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#### **Commentary**

“We are particularly pleased with the continued success of our exploration activities that resulted in the announcement in the quarter of reserves at the Gatsuert project in Mongolia. We have seen exciting results from drilling at Kumtor with a significant extension of the mineralized system to the north and good drill results from the SB Zone”, said Len Homeniuk, President and CEO of Centerra Gold. “Our results in the quarter reflect production that was lower than expected as we continue to work through a transitional area at the Kumtor mine. Our exploration programs continue to show

good prospects for future high grade reserve expansions at Kumtor and our updated life of mine projections indicate production efficiency and cash cost trends beginning in the second half of 2007 that are significantly better than we expect to experience throughout the balance of this year.”

## **Financial summary**

Production at the Kumtor and Boroo mines was 153,811 ounces of gold for the first quarter of 2006. This compares with production of 166,704 ounces of gold in the fourth quarter of 2005 and 213,450 ounces of gold for the first quarter of 2005.

Revenues for the first quarter of 2006 were \$93 million compared to \$92 million during the same period one year ago. First quarter revenue reflected lower than expected ounces produced due to lower average grade at the Kumtor mine, offset by a higher average realized gold price (\$542 per ounce in the first quarter of 2006 versus \$427 per ounce in the first quarter of 2005).

Centerra’s total cash cost per ounce of gold was \$337 in the first quarter. Comparative cash cost in the first quarter of 2005 was \$211. The year-over-year increase in unit cash costs was due to lower ore grade and production volumes at Kumtor and higher costs of labour, taxes and consumables at both mines. (Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measure – Total Cash Cost” in the Management’s Discussion and Analysis for the three months ended March 31, 2006, issued in conjunction with this press release.)

Net earnings totaled \$18.2 million or \$0.25 per share in the first quarter of 2006. The comparative results in 2005 were \$12 million or \$0.17 per share for the first quarter.

In the first quarter of 2006, cash provided by operations was \$32 million. This compares with \$37 million generated in the first quarter of 2005. Cash provided by operations was lower during the first quarter of 2006 due to higher costs of operations, exploration and business development activities in the quarter partially offset by higher gold revenue and interest income.

Sustaining capital expenditures in the first quarter of 2006 amounted to \$3 million. Centerra’s cash position stood at \$223 million at the end of the first quarter of 2006. The Company has no long term debt or gold hedge positions.

## **Exploration Update**

In news releases dated January 23, 2006 and March 29, 2006, Centerra issued updates on its drilling activities at the Kumtor pit and the Gatsurt feasibility study together with an updated estimate of the resources and reserves at its operating mines and advanced projects. Complete listings of these results and relevant maps are available on the Company’s website at: [www.centerragold.com](http://www.centerragold.com)

At Kumtor drilling activities in the first quarter of 2006 were focused on the SB Zone and the central portion of the pit, with one new hole completed to the northeast of the pit.

Seven drill holes were completed during the first quarter of 2006 to test the **SB Zone** at the south end of the Kumtor pit. All of the holes intersected significant mineralization with the holes returning intercepts from 3.9 to 11.2 g/t gold over down hole core lengths ranging from 13.7 to 71.0 metres. True widths for the mineralized zones are typically from 70% to 95% of the stated intercepts. The recent drilling has extended the SB Zone a further 40 metres along the strike to the south. The SB Zone has now been delineated over a 320 metre strike length and down dip lengths ranging from 70 to 520 metres on various drill sections and remains open along strike to the south and in the down dip direction.

At the end of the quarter one hole was completed to test for the extension of the mineralization along strike to the north of the Kumtor pit. The hole intersected mineralization at the 3,740 metre elevation which returned assays of 3.3 g/t gold over 13.6 metres. This intercept extends the known gold mineralization 440 metres northward along strike from the prior most northerly drill hole in the Kumtor structure. The results are encouraging as they indicate that the mineralized system persists for some distance along strike to the north with good gold grades. Drill results and maps are posted on the company's website at [www.centerragold.com/exploration\\_update\\_apr\\_06](http://www.centerragold.com/exploration_update_apr_06).

At Gatsurt, an updated feasibility study was completed during the first quarter that added an economic open pit in the Main Zone in addition to the Central Zone open pit identified in Centerra's December 2005 feasibility study. Incorporating these results, the probable reserves at Gatsurt, for the Main and Central Zones combined, are estimated at 9 million tonnes at an average grade of 3.4 g/t gold for 986,000 ounces of contained gold. Measured and indicated resources are estimated at 5.6 million tonnes at an average grade of 3.1 g/t gold for 565,000 ounces of contained gold and inferred resources are estimated at 2.7 million tonnes at an average grade of 3.5 g/t gold for 305,000 ounces of contained gold. The estimated capital expenditures required to develop these reserves is about \$75 million.

Incorporating the results of the recent feasibility study:

As of December 31, 2005, on a 100% project basis, Centerra's proven and probable reserves totaled 7.2 million ounces of contained gold (Centerra's share is 7.1 million ounces).

As of December 31, 2005, on a 100% project basis, Centerra's measured and indicated resources totaled 5.0 million ounces of contained gold (Centerra's share is 4.5 million ounces). These resources are in addition to the mineral reserves.

The Gatsurt resource base has been significantly expanded by recent drilling programs. The preferred option, supported by the recently completed feasibility study, is to modify the existing Boroo facility by adding a bio-oxidation circuit and processing the refractory material from Gatsurt at the modified facility following depletion of the Boroo reserves. Mill production will be optimized by processing the higher grade oxide ore from Boroo and Gatsurt, followed by the Gatsurt sulphide ore and finally the lower grade Boroo oxide ore. This approach will significantly extend the life of the Boroo facility, which is expected to be until 2016.

The reserve and resource estimates found under the "Exploration Update" were prepared by or under the supervision of Centerra's geological and mining engineering staff. For Kumtor and Boroo they

were prepared under the supervision of Robert S. Chapman, M. Sc., P. Geo., Centerra's Director Mergers & Acquisitions, who is a Qualified Person for the purpose of National Instrument 43-101("NI 43-101"). The reserve and resource estimates for Gatsurt were prepared by Centerra and reviewed and approved by Dr. William Roscoe, P. Eng and James W. Hendry, P. Eng, of Roscoe Postle Associates Inc. ("RPA"), who are both independent of Centerra and are the Qualified Persons for the purpose of NI 43-101. The resource estimate for REN was prepared by RPA in collaboration with and under the supervision of Robert S. Chapman.

## Political Environment

In the **Kyrgyz Republic**, opposition parties continue to demand constitutional reform and government administration changes. Peaceful demonstrations took place on April 29, 2006. Reports suggest that the opposition parties will organize further demonstrations if opposition demands are not met by May 27, 2006. Centerra continues to operate in the normal course in the country and did not incur any interruption as a result of these demonstrations. We continue to closely monitor the situation.

Critics of the government in **Mongolia** have held peaceful demonstrations and set up camp in the central square of the capital city since April 5, 2006 with the opening of the parliament's spring session. They are calling for the resignation of the government and greater transparency in policy and lawmaking especially as it relates to mining policy. Centerra continues to operate in the normal course of business and continues to monitor the situation closely.

Discussions continue regarding potential amendments to certain mineral laws and taxation with respect to foreign investment, which could negatively affect the investment climate in the mining industry in Mongolia. The duration and conclusion of these discussions may influence the timing of any approvals or agreements that Centerra is seeking related to its business in Mongolia.

## Outlook

Centerra has revised its production outlook for the year to reflect the current mining plan at Kumtor. To address the slope design change associated with the previously announced movement of the SE wall, the pushback has been modified. This will result in a deferral of production of approximately 40,000 ounces of gold from this year's mine plan into next year. In addition, work continues in the low-grade transition area between the stockwork zone and the SB zone and variability in ore tonnes, ore grade and mill recovery is continuing to occur. As a result of both of these factors, production is expected to be lower. The reduction will be partially offset by higher mill recovery.

The Company now expects production at Kumtor in 2006 to be 410,000 to 420,000 ounces compared to 461,000 ounces previously forecast. Average cash cost is now expected to be \$370 to \$380 per ounce compared to \$347 per ounce previously forecast.

At Boroo, the Company expects, on a 100% basis, production in 2006 of 270,000 to 275,000 ounces of gold in 2006, consistent with the 268,000 ounces previously forecast. Total cash cost is expected to be \$210 to \$215 per ounce in 2006 compared to \$203 per ounce previously forecast.

Overall, Centerra now expects production in 2006 of 680,000 to 695,000 ounces compared to the 729,000 ounces previously forecast. Cash costs are now expected to be \$305 to \$315 per ounce in 2006 compared to \$294 per ounce previously forecast.

Centerra anticipates capital spending of \$103 million for 2006. This includes \$87 million of growth capital related to the addition of larger, more productive haulage trucks and shovels as well as other support and auxiliary equipment and infrastructure in support of the increase of mine life at Kumtor. The delivery of the new fleet will be largely completed by year-end 2006. The remaining \$16 million of capital spending primarily pertains to maintenance capital at both mine sites.

The financial outlook noted above for the Company is based on the following key assumptions:

- no significant changes in our estimates of future production or costs
- no delays in or interruption of production from our mines or in our exploration or development activities

Life-of-mine information is forward-looking information that involves risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking information. See below under “About Centerra” for a further discussion of the factors that could cause actual results to differ materially.

Life of mine data and associated Technical Reports are filed on SEDAR and are available on the Company’s website at [www.centerragold.com](http://www.centerragold.com).

## About Centerra

Centerra is a growth-oriented gold company focused on acquiring, exploring, developing and operating gold properties primarily in Central Asia, the former Soviet Union and other emerging markets. Centerra is a leading North American gold producer and the largest Western-based gold producer in Central Asia and the former Soviet Union. Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is based in Toronto, Canada.

*Statements contained in this news release, including those under the heading “Outlook”, which are not historical facts are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; procurement of required capital equipment; equipment failure; unexpected geological or hydrological conditions; political risks arising from operating in certain developing countries; imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; environmental and safety risks including increased regulatory burdens; seismic activity,*

*weather and other natural phenomena; failure to obtain necessary permits and approvals from government authorities; changes in government regulations and policies, including tax and trade laws and policies; ability to maintain and further improve positive labour relations; and other development and operating risks.*

*Reserve and resource figures included are estimates and no assurances can be given that the indicated levels of gold will be produced or that Centerra will receive the gold price assumed in determining its reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While Centerra believes that the reserve and resource estimates included are well established and the best estimates of Centerra's management, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Furthermore, market price fluctuations in gold, as well as increased capital or production costs or reduced recovery rates may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time.*

*Resources figures included herein have not been adjusted in consideration of these risks and, therefore, no assurances can be given that any resource estimate will ultimately be reclassified as proven or probable reserves.*

*If Centerra's reserve or resource estimates for its gold properties are inaccurate or are reduced in the future, this could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.*

*Centerra estimates the future mine life of its operations. No assurance can be given that mine life estimates will be achieved. Failure to achieve these estimates could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.*

*Although Centerra believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this report. Centerra disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

*Mineral resources are not mineral reserves, and do not have demonstrated economic viability. Measured and indicated resources have reasonable prospects for economic extraction. They are sufficiently well defined to allow geological and grade continuity to be reasonably assumed and permit the application of technical and economic parameters in assessing the economic viability of the resource. Inferred resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred resources are too speculative geologically to have economic considerations applied to them*

*to enable them to be categorized as mineral reserves. There is no certainty that mineral resources can be upgraded to mineral reserves of any category through continued exploration.*

## **Conference Call**

Centerra invites you to join its first-quarter conference call on May 1, 2006 at 10:00 a.m. Eastern time. The call is open to all investors and the media. To join the call, please dial (416) 641-6702 or (1-800) 440-1782 (Canada and U.S.). Alternatively, an audio feed will be available on [www.centerragold.com](http://www.centerragold.com). A recorded version of the call will be available on [www.centerragold.com](http://www.centerragold.com) shortly after the call and via telephone until midnight on Monday, May 8, 2006 by calling (416) 626-4100 or (1-800) 558-5253 and using pass code 21289670.

## **For more information:**

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**Additional information on Centerra is available on the Company's web site at:**  
[www.centerragold.com](http://www.centerragold.com) and at SEDAR at [www.sedar.com](http://www.sedar.com).



## Management's Discussion and Analysis

The following discussion of the financial condition and results of operations of Centerra Gold Inc. ("Centerra" or the "Company") for the three months ended March 31, 2006 should be read in conjunction with the unaudited consolidated financial statements and the notes of the Company for the period ended March 31, 2006, as well as the audited consolidated financial statements for the company for the year ended December 31, 2005 and management's discussion and analysis of the audited statements, both of which are included in the 2005 Annual Report. The financial statements of Centerra are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and, unless otherwise specified, all figures are in United States dollars. The company's 2005 Annual Report and the Annual Information Form are available at [www.centerragold.com](http://www.centerragold.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Toronto, Ontario, Canada, April 30, 2006

### Caution Regarding Forward-Looking Statements

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

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

Furthermore, market price fluctuations in gold, as well as increased capital or production costs or reduced recovery rates may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time.

Resources figures included herein have not been adjusted in consideration of these risks and, therefore, no assurances can be given that any resource estimate will ultimately be reclassified as proven or probable reserves.

If Centerra's reserve or resource estimates for its gold properties are inaccurate or are reduced in the future, this could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Centerra estimates the future mine life of its operations. No assurance can be given that mine life estimates will be achieved. Failure to achieve these estimates could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Although Centerra believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this report. Centerra disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Mineral resources are not mineral reserves, and do not have demonstrated economic viability, but do have reasonable prospects for economic extraction. Measured and indicated resources are sufficiently well defined to allow geological and grade continuity to be reasonably assumed and permit the application of technical and economic parameters in assessing the economic viability of the resource. Inferred resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that mineral resources of any category can be upgraded to mineral reserves through continued exploration.

## Consolidated Financial Results

For accounting purposes, Centerra's consolidated financial results for the three months ended March 31, 2006 reflect fully consolidated interests in the Kumtor and Boroo mines, a 62% interest in REN and 100% interest in Gatsuurt.

### Highlights – Centerra

Financial Highlights	Three months ended March 31	
	2006	2005
Revenue - \$ millions <sup>(2)</sup>	93.0	91.7
Gross profit - \$ millions <sup>(1)</sup>	30.4	23.4
Net earnings - \$ millions	18.2	12.2
Cash provided from operations - \$ millions	32.1	36.8
Sales volume - ounces of gold	171,553	219,970
Ounces of gold poured	153,811	213,450
Average realized price - \$/oz <sup>(2)</sup>	542	417
Gold spot market price - \$/oz - average for period	554	427
Total cash cost - \$/oz <sup>(3)</sup>	337	206
Earnings per common share - \$ - basic and diluted	0.25	0.17
Weighted average shares outstanding - basic - (thousands)	72,080	72,080

(1) Gross profit is defined as total revenues less cost of sales and depreciation, depletion and reclamation and accretion.

(2) Net of the effect of gold hedges, closed in 2004.

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

## First Quarter Results

### Gold Production and Revenue

First quarter revenue in 2006 was \$93.0 million compared to \$91.7 million in the same quarter last year reflecting a 30% higher realized gold price partially offset by a 22% lower sales volume in the quarter. Production decreased to 153,811 ounces in the first quarter of 2006 from 213,450 ounces reported in the first quarter of 2005 mainly as a result of lower ore grade at Kumtor.

Centerra realized an average gold price of \$542 per ounce for the first quarter of 2006 (including the amortization of \$1.9 million of deferred charges), a significant increase over the \$417 per ounce realized in the same quarter in 2005. This increase was due to higher spot gold prices that averaged \$554 per ounce in the first quarter of 2006, compared to \$427 per ounce in the prior year quarter.

Centerra's gold production is unhedged. The impact of prior closure of gold hedges is discussed below under "Gold Hedges".

## **Cost of Sales**

Cost of sales in the quarter was \$54.5 million compared with \$51.7 million in the first quarter of 2005 primarily reflecting higher mining costs associated with higher throughput at Boroo, and higher cost of labour (including stock-based compensation) and consumables at both Kumtor and Boroo. On a unit basis, the total cash cost per ounce was \$337, up from \$206 in the first quarter of 2005, primarily due to lower gold production at Kumtor related to the lower ore grade in the quarter. Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measure – Total Cash Cost”.

## **Depreciation, Depletion and Amortization**

Depreciation, depletion and amortization decreased to \$10.2 million in the first quarter of 2006 from \$16.4 million in the prior year’s first quarter mainly due to the lower production at Kumtor and lower unit rates. On a per unit basis, depreciation and amortization for the first quarter of 2006 was \$59 per ounce sold compared to \$74 per ounce sold in the first quarter of 2005, reflecting the addition of reserves announced in January 2006.

## **Accretion and Reclamation**

Reserve additions at Kumtor have extended the life of the mine resulting in a reduction of the fair value of the asset retirement obligation. During the first quarter of 2006 the Company recorded a gain of \$2.6 million in earnings as a result of this reduction. Accretion expense for the first quarter of 2006 was \$0.4 million compared to \$0.3 million for the first quarter of 2005.

## **Exploration & Business Development**

Exploration and business development costs of \$7.0 million in the first quarter of 2006 increased from \$5.2 million in the prior year’s first quarter and reflected the continuation of an enhanced drilling program in support of the Company’s growth objective to increase reserves at and around its existing mines as well as investment in growth initiatives mainly at Gatsuurt and other target areas.

## **Interest and Other**

Interest and other expenses resulted in a net recovery of \$2.0 million in the first quarter of 2006 which reflected interest earned on the Company’s cash and short-term investments. The comparable amount in the first quarter of 2005 was a net recovery of \$0.4 million. The Company has no outstanding interest-bearing debt.

## **Administration**

Administration costs for the first quarter of 2006 were \$6.4 million compared to \$3.7 million in the same period last year which was primarily due to higher stock-based compensation resulting from a 37% appreciation in the stock price during Q1 2006 compared to a 13.5% decline in Q1 2005.

## **Income Tax**

The Company recorded a \$0.1 million income tax recovery during the first quarter of 2006 compared to an income tax expense of \$2.1 million in the prior year. During the quarter the profit tax rate at Kumtor decreased from 20% to 10% due to changes in tax rates in the Kyrgyz Republic. This decrease resulted in a reduction in future tax liabilities on the balance sheet and the recording of a one-time credit to income tax expense of \$0.7 million. Going forward Kumtor's profit tax rate will reflect the favourable decrease to 10%. Boroo is exempt from all income taxes until 2007.

The first quarter of 2006 also includes a \$0.4 million reduction in the Canadian capital taxes relating to the 2005 fiscal year provision.

## **Net Earnings**

Net earnings for the first quarter of 2006 were \$18.2 million or \$0.25 per share compared to \$12.2 million or \$0.17 per share for the same period in 2005. This increase reflects a 53% increase in gross margin per ounce primarily due to higher gold prices and lower income tax expense, partially offset by lower production volume. Included is a \$2.6 million benefit for the adjustment of the fair value of the asset retirement obligation for Kumtor, resulting from the increased reserves announced in January 2006.

## **Liquidity and Capital Resources**

Cash provided by operations was \$32.1 million for the first quarter of 2006 compared to \$36.8 million for the prior year first quarter. The decrease was mainly due to higher cost of operations and exploration costs, which were more than offset by higher gold revenue and interest income in the first quarter of 2006.

Cash used in investing activities in the first quarter of 2006 was \$11.2 million for capital spending, compared to a total \$4.5 million in the same quarter of 2005. The \$3.1 million that was spent on sustaining capital is consistent with the prior year, while \$8.1 million was spent on growth projects including \$7.9 million on the expansion of Kumtor.

Cash on hand was \$223 million at the end of the first quarter of 2006, including \$40 million denominated in Canadian dollars for anticipated Canadian dollar expenditures.

Centerra has sufficient cash to carry out its business plan in 2006.

## **Share Capital**

As of April 30, 2006, Centerra had 72,079,605 shares outstanding and 293,107 share options outstanding under its stock option plans.

## Gold Hedges

The deferred charges, net of deferred revenue, related to the closing of the gold hedges in 2004, will be recognized in future periods. During the first quarter of 2006, \$1.9 million of these deferred charges were recorded in the income statement.

<i>\$ millions</i>	
Balance as at December 31, 2005	2.8
Amortized in Q1 2006	1.9
Balance as at March 31, 2006	0.9

At March 31, 2006, deferred charges on the balance sheet totaled \$0.9 million and are expected to be amortized as follows:

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

<i>\$ millions</i>	Q1	Q2	Q3	Q4	Total
2006	--	(0.6)	0.4	0.6	0.4
2007	0.5	--	--	--	0.5
Total					0.9

## Market Update

During the first quarter of 2006, the spot market gold price reached a high of \$584 per ounce and closed the period at \$582 per ounce. For the three months ended March 31, 2006, the spot market gold price averaged \$554.

## Mine Operations

Operating and financial results of the Kumtor and Boroo mines are shown on a 100% basis. Centerra continues to own 100% of Kumtor and 95% of Boroo.

### Kumtor – 100% Basis

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based producer. It has been operating since 1997 and has produced more than 5.5 million ounces.

During the first quarter of 2006, Kumtor experienced one lost-time accident and had no reportable environmental spills during the first quarter of 2006. Subsequent to the quarter, in late April, an avalanche accident resulted in a fatality at Kumtor. During routine servicing of a radio repeater station on Kumtor's technical road at a high elevation, approximately 40 km from the mine, an instrumentation engineer was caught in an avalanche and found dead by the Company's Emergency Response Alpine Rescue team. Internal and external investigations are underway with the Company's full cooperation.

<b>Kumtor Operating Results</b>	<b>Three months ended March 31</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
Sales volume - ounces	107,855	151,105
Revenue - \$ millions <sup>(3)</sup>	59.2	64.3
Average realized price - \$/oz <sup>(3)</sup>	548	425
Tonnes mined - 000s	20,200	19,348
Tonnes ore mined – 000s	1,349	1,170
Tonnes milled - 000s	1,504	1,435
Average mill head grade - g/t <sup>(1)</sup>	2.36	3.68
Recovery - %	78.1%	81.4%
Ounces recovered	89,073	138,283
Ounces poured	88,848	141,558
Total cash costs - \$/oz <sup>(2)</sup>	427	235
Capital expenditures - \$ millions	8.8	2.2

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

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

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

## Revenue

Revenue in the first quarter of 2006 decreased to \$59.2 million from \$64.3 million in the first quarter of 2005 as higher gold prices were more than offset by lower sales volume. Kumtor produced 88,848 ounces in the first quarter of 2006, 37% less than the same quarter in 2005, due to lower ore grades (an average of 2.36 g/t in the first quarter of 2006 compared to 3.68 g/t in the first quarter of 2005). Realized gold price in the first quarter of 2006 was \$548 per ounce compared to \$425 per ounce in the same period in 2005.

## Cost of Sales

The cost of sales in the first quarter of 2006 was \$40.7 million compared to \$39.8 million in the first quarter of 2005 reflecting higher mining costs due to higher prices for consumables, additional maintenance costs associated with a larger fleet of trucks and equipment, and higher labour costs (stock-based compensation was higher as a result of the share price appreciation).

Cash costs per ounce increased to \$427 in the first quarter of 2006 from \$235 in the first quarter of 2005. These increases are primarily a result of a lower average grade fed to the mill resulting in lower production.

## Exploration

Exploration expenditures totaled \$3.1 million for the first quarter of 2006, an increase of \$0.5 million from first quarter 2005. The expenditures relate primarily to ongoing drilling to test the SB Zone at the south end of the Kumtor pit. See also the Company's news release dated March 29, 2006.

## Boroo - 100% Basis

The Boroo open pit gold mine in Mongolia began commercial production on March 1, 2004. During the first quarter of 2006 the mine had no lost-time accidents and had no reportable environmental spills.

<b>Boroo Operating Results</b>	<b>Three months ended March 31</b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
Sales volume - ounces of gold	63,698	68,865
Revenue - \$ millions <sup>(3)</sup>	33.8	27.4
Average realized price - \$/oz <sup>(3)</sup>	531	399
Tonnes mined - 000s	4,004	4,297
Tonnes ore mined - 000s	728	466
Tonnes milled - 000s	571	472
Average mill head grade (g/t) <sup>(1)</sup>	3.87	4.98
Recovery - %	91.7	93.8
Ounces of gold recovered	65,133	70,879
Ounces of gold poured	64,963	71,892
Total cash cost - \$/oz <sup>(2)</sup>	215	149
Capital expenditures - \$ millions	1.8	2.3

(1) g/t means grams per tonne

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

(3) Net of the effect of gold hedges, closed out in 2004.

## Revenue

Revenue in the first quarter of 2006 increased to \$33.8 million from \$27.4 million in the same period a year ago primarily as a result of a higher realized gold price partially offset by lower sales volume. Production was 64,963 ounces in the first quarter of 2006, down approximately 10% from the first quarter of 2005 due to lower ore grades (3.87 g/t in Q1 2006 versus 4.98 g/t in Q1 2005) and lower recovery, partially offset by higher throughput resulting from productivity improvements. The average realized gold price in the first quarter of 2006 was \$531 per ounce compared to \$399 per ounce in the same period in 2005.



## **Cost of Sales**

The cost of sales for the first quarter of 2006 was \$13.8 million compared to \$11.8 million in the first quarter of 2005. The increase resulted from the scheduled maintenance of the mining fleet (including a change of front tires for the whole mining fleet), the higher cost of labour (stock-based compensation), higher revenue-based taxes and higher cost of consumables.

Total cash costs per ounce increased to \$215 in the first quarter of 2006 compared to \$149 in the same period in 2005, reflecting higher costs and lower production.

## **Exploration**

Exploration expenditures in Mongolia totaled \$1.6 million in the first quarter of 2006 compared with \$1.8 million in 2005. The expenditures relate primarily to ongoing drilling in the immediate vicinity of the open pit at Boroo and at Gatsuurt.

At Gatsuurt, based on the positive results of Centerra's feasibility study on the Gatsuurt Central Zone completed in December 2005, work continued to optimize the project. An updated feasibility study was completed for Gatsuurt which added an economic open pit in the Main Zone in addition to the Central Zone open pit identified in the December 2005 study. Probable reserves for the Central and Main Zones combined, estimated at 9 million tonnes at an average grade of 3.4 g/t for 986,000 ounces of contained gold was announced on March 29, 2006.

Incorporating these results, the probable reserves at Gatsuurt, for the Main and Central Zones combined, are estimated at 9 million tonnes at an average grade of 3.4 g/t gold for 986,000 ounces of contained gold. Measured and indicated resources are estimated at 5.6 million tonnes at an average grade of 3.1 g/t gold for 565,000 ounces of contained gold and inferred resources are estimated at 2.7 million tonnes at an average grade of 3.5 g/t gold for 305,000 ounces of contained gold. The estimated capital expenditures required to develop these reserves is about \$75 million.

## **Other Financial Information – Related Party Transactions**

### **Cameco Corporation**

Centerra and its subsidiaries maintain inter-company advances to and from Cameco Corporation ("Cameco") and several of its subsidiaries to fund operations. These advances, which are non-interest bearing and payable on demand, will be repaid in the ordinary course of business.

Effective April 1, 2004, Centerra entered into an administrative services agreement with Cameco whereby Cameco agreed to provide services and expertise to Centerra in return for reimbursement of all of its direct and indirect costs relating to these services.

Costs associated with the enhancement of internal controls at Centerra (as prescribed by the Sarbanes-Oxley Act) are shared with Cameco for 2006 to an agreed amount.

As a result of the above items, the balance owing to Cameco at March 31, 2006 was \$0.8 million.

## Kyrgyzaltyn and the Government of the Kyrgyz Republic

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

The table below summarizes 100% of the management fees, royalties and concession payments paid by the Kumtor Gold Company (“KGC”) to Kyrgyzaltyn JSC (“Kyrgyzaltyn”) or the Government of the Kyrgyz Republic and the amounts paid by Kyrgyzaltyn to KGC according to the terms of the Gold and Silver Sales Agreement between Kumtor Operating Company, Kyrgyzaltyn and the Government of the Kyrgyz Republic.

<i>\$ thousands</i>	<b>Three months ended</b>	
	<b>March 31</b>	
<b>Related Parties in the Kyrgyz Republic</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Management fees to Kyrgyzaltyn	162	227
Concession payments to Kyrgyz Republic	431	604
Total	593	831
Gross gold and silver sales to Kyrgyzaltyn	59,934	65,136
Deduct: refinery and financing charges	(483)	(705)
Net sales revenue received from Kyrgyzaltyn	59,451	64,431

Kyrgyzaltyn and KGC have agreed, pursuant to a Gold Payment Agreement effective December 22, 2005 as amended (the “GPA”), that until the earlier of (i) June 30, 2006 and (ii) the date on which at least \$12 million of proceeds from the sale of shares of Centerra owned by Kyrgyzaltyn have been deposited into a special purpose gold payment account of Kyrgyzaltyn, Kyrgyzaltyn will have 12 days to pay for gold shipped from the Kumtor mine. Kyrgyzaltyn shall pay interest on unpaid amounts equal to LIBOR plus 0.25%. Prior to the effective date of the GPA, KGC shipped gold to Kyrgyzaltyn on a pre-paid basis. Under the GPA Kyrgyzaltyn has agreed to sell, before June 30, 2006, a sufficient number of Centerra shares to yield \$12 million of proceeds. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility, which will be used by Kyrgyzaltyn to resume the prior practice of pre-paying for gold. While the GPA is in effect the obligations of Kyrgyzaltyn to KGC are secured by a pledge of Centerra shares owned by Kyrgyzaltyn.

### Other

The Company paid approximately \$131,900 Cdn in the first quarter of 2006 (\$61,800 Cdn during the first quarter of 2005) to Ms. Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr. Homeniuk. Ms. Stephens provides legal and business advisory services related to international operations.

As at March 31, 2006, a relocation loan in the amount of \$250,000 Cdn was outstanding with Centerra's President and Chief Executive Officer, Mr. Homeniuk. The loan principal is payable in June 2010, while interest is treated as a taxable benefit to Mr. Homeniuk.

## Quarterly Results – Last Eight Quarters

Over the last eight quarters, Centerra's results reflect the positive impact of rising gold prices, the increased ownership in both Kumtor and Boroo in June 2004, partially offset by rising cash costs and reduced production due to lower grades at Kumtor beginning in the second half of 2005.

<i>\$ millions, except per share data</i>	2006	2005				2004		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	93	75	77	95	92	88	86	47
Net earnings/(loss)	18	6	9	15	12	15	29	(1)
Earnings/(loss) per share (basic & diluted)	0.25	0.09	0.12	0.21	0.17	0.21	0.40	(0.02)

## Other Corporate Developments

In the **Kyrgyz Republic**, opposition parties continue to demand constitutional reform and government administration changes. Peaceful demonstrations took place on April 29, 2006. Reports suggest that the opposition parties will organize further demonstrations if opposition demands are not met by May 27, 2006. Centerra continues to operate in the normal course in the country and did not incur any interruption as a result of these demonstrations. We continue to closely monitor the situation.

Critics of the government in **Mongolia** have held peaceful demonstrations and set up camp in the central square of the capital city since April 5, 2006 with the opening of the parliament's spring session. They are calling for the resignation of the government and greater transparency in policy and lawmaking especially as it relates to mining policies. Centerra continues to operate in the normal course of business and continues to monitor the situation closely.

Discussions continue regarding potential amendments to certain mineral laws and taxation with respect to foreign investment, which could negatively affect the investment climate in the mining industry in Mongolia. The duration and conclusion of these discussions may influence the timing of any approvals or agreements that Centerra is seeking related to its business in Mongolia.

## **Critical Accounting Estimates**

Centerra prepares its consolidated financial statements in accordance with Canadian GAAP. In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented and in the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and various other factors believed to be reasonable under the circumstances. Management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements.

Depreciation and depletion of property, plant and equipment directly involved in the mining and milling operations is primarily calculated using the unit of production method. This method allocates the cost of an asset to each period based on current period production as a portion of total lifetime production or a portion of estimated recoverable ore reserves. Estimates of lifetime production and amounts of recoverable reserves are subject to judgment and could change significantly over time. If actual reserves prove to be significantly different than the estimates, there would be a material impact on the amounts of depreciation and depletion charged to earnings.

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

Significant decommissioning and reclamation activities are often not undertaken until substantial completion of the useful lives of the productive assets. Regulatory requirements and alternatives with respect to these activities are subject to change over time. A significant change to either the estimated costs or recoverable reserves would result in a material change in the amount charged to earnings. If it is determined that carrying values of property, plant and equipment cannot be recovered, then the asset is written down to fair value. Similarly, goodwill is tested for impairment annually to ensure that the fair value remains greater than or equal to book value. Any excess of book value over fair value is charged to income in the period in which the impairment is determined. Recoverability and fair value assessments are dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and economically recoverable ore reserves and resources. A material change in assumptions may significantly impact the potential impairment of these assets.

## **Outlook**

Centerra has revised its production outlook for the year to reflect the current mining plan at Kumtor. To address the slope design change associated with the previously announced movement of the SE wall, the pushback has been modified. This will result in the deferral of production of approximately 40,000 ounces of gold from this year's mine plan into next year. In addition, work continues in the transition area and variability in ore tonnes, ore grade and mill recovery is continuing to occur. As a result of both of these factors production is expected to be lower. The reduction will be partially offset by higher mill recovery.

The Company now expects production at Kumtor in 2006 to be 410,000 to 420,000 ounces compared to 461,000 ounces previously forecast. Average cash cost is now expected to be \$370 to \$380 per ounce compared to \$347 per ounce previously forecast.

At Boroo, the Company expects, on a 100% basis, production of 270,000 to 275,000 ounces of gold in 2006 consistent with the 268,000 ounces previously forecast. Total cash cost is expected to be \$210 to \$215 per ounce in 2006 compared to \$203 per ounce previously forecast.

Overall, Centerra now expects production in 2006 of 680,000 to 695,000 ounces compared to the 729,000 ounces previously forecast. Cash costs are now expected to be \$305 to \$315 per ounce in 2006 compared to \$294 per ounce previously forecast.

In aggregate for the second, third and fourth quarters of 2006, a \$25 per ounce change in the gold spot price is anticipated to affect revenues, net earnings and cash from operations by approximately \$13.5 million, \$12.0 million and \$12.8 million respectively.

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

<b>Production</b> <i>Ounces of gold except where noted</i>	<b>Q1 2006 Actual</b>		<b>2006 Forecast</b>	<b>2005 Actual</b>
Kumtor production (Centerra share – 100%)	88,848		410,000 – 420,000	501,487
Boroo's production (Centerra share – 95%)	61,715		256,000 – 261,000	271,497
Total production (Centerra share)	150,563		666,000 – 681,000	772,984

<b>Total Cash Cost</b> <sup>(1)</sup> <i>\$ per ounce</i>	<b>Q1 2006 Actual</b>		<b>2006 Forecast</b>	<b>2005 Actual</b>
Kumtor	427		370 - 380	274
Boroo	215		210 - 215	183
Consolidated	337		305 - 315	241

(1) Total cash cost is a non-GAAP measure. See "Non-GAAP Measure - Total Cash Cost below.

## **Exploration and Business Development**

One of Centerra's priorities in 2006 is to continue to add to its reserves and resources base through its exploration program. The Company expects to spend \$21 million for exploration plus \$6 million for growth-related activities and the development of the Gatsurt deposit.

Activities at Kumtor, Boroo, Gatsuurt and REN are planned as follows:

### **Kumtor**

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

### **Boroo**

- At Boroo, drill programs will focus on testing for additional mineralization around the peripheries of the pits and also geophysical targets in the area of the pits.

### **Gatsuurt**

- Exploration work will continue to evaluate other targets in close proximity to the Gatsuurt deposit.
- Exploration programs will continue to evaluate Centerra's significant land position elsewhere in Mongolia.

### **REN**

- Drilling programs will focus on testing under-explored areas of favorable alteration and mineralization along two main control structures, the Corona Dyke and East Fault.

## **Administration**

Annual administration expenses are expected to amount to approximately \$23 million in 2006. The forecast includes the ongoing costs of maintaining the corporate office in Toronto, Canada and the continued implementation costs of regulatory standards.

## **Corporate Income Taxes**

Corporate income taxes in the Kyrgyz Republic will be calculated and provisioned at 10% of taxable income in 2006 compared to 20% in 2005. In 2006, the Boroo project will be in its third year of a three-year 100% income tax relief period, and for the subsequent three years will be entitled to 50% tax relief.

## **Capital Expenditures**

The capital requirement in 2006 is estimated at \$103 million. This includes \$87 million in growth capital spending primarily attributable to the addition of larger, more productive haulage trucks and shovels as well as other support and auxiliary equipment and infrastructure in support of the increase of mine life at Kumtor. The delivery of the new fleet will be largely completed by year-end 2006. The remaining \$16 million of capital spending primarily pertains to maintenance capital at both mine sites.

## Non-GAAP Measure - Total Cash Cost

This MD&A presents information about total cash cost of production of an ounce of gold for the operating properties of Centerra. Except as otherwise noted, total cash cost per ounce is calculated by dividing total cash costs, as determined using the industry standard published by the Gold Institute, by gold ounces produced for the relevant period.

Total cash costs, as defined in the Gold Institute standard, include mine operating costs such as mining, processing, administration, royalties and production taxes, but exclude amortization, reclamation costs, financing costs and capital, development and exploration. Certain amounts of stock-based compensation have been excluded as well.

Total cash cost per ounce has been included because certain investors use this information to assess performance and also to determine the ability of Centerra to generate cash flow for use in investing and other activities. The inclusion of total cash cost per ounce enables investors to better understand year-on-year changes in production costs, which in turn affect profitability and cash flow.

### Total Cash Cost per Ounce can be Reconciled as follows:

#### First Quarter 2006

\$ millions, unless otherwise specified	<b>Kyrgyz Republic (Kumtor)</b>	<b>Mongolia (Boroo)</b>	<b>Total</b>
Cost of sales, as reported	40.7	13.8	54.5
Adjust for:			
Refining fees & by-product credits	-	0.1	0.1
Non-operating costs	(1.4)	(0.2)	(1.6)
Inventory movement	(1.4)	0.2	(1.2)
<b>Total cash cost – 100%</b>	<b>37.9</b>	<b>13.9</b>	<b>51.8</b>
<b>Ounces poured – 100% (000s)</b>	<b>88.8</b>	<b>65.0</b>	<b>153.8</b>
<b>Total cash cost per ounce</b>	<b>426.6</b>	<b>215.0</b>	<b>337.2</b>

## First Quarter 2005

\$ millions, unless otherwise specified	<b>Kyrgyz Republic (Kumtor)</b>	<b>Mongolia (Boroo)</b>	<b>Total</b>
Cost of sales, as reported	39.8	11.8	51.6
Adjust for:			
Refining fees & by-product credits	0.2	(0.1)	0.1
Non-operating costs	(1.3)	(1.1)	(2.4)
Inventory movement	(5.4)	0.1	(5.3)
Total cash cost – 100%	33.3	10.7	44.0
Ounces poured – 100% (000s)	141.6	71.9	213.5
Total cash cost per ounce	235.2	148.6	206.1

- End -



**Centerra Gold Inc.**  
**Consolidated Financial Statements**  
**For the Quarter Ended March 31, 2006**  
**(Unaudited)**  
**(\$US)**

**Centerra Gold Inc.**  
**Consolidated Balance Sheets**  
(Unaudited)  
(In Thousands of US\$)

	As at	
	Mar 31/06	Dec 31/05
<b>Assets</b>		
Current assets		
Cash	\$ 223,355	\$ 202,417
Accounts receivable	7,957	8,951
Inventories	74,642	76,721
Prepaid expenses	16,561	17,151
	<u>322,515</u>	<u>305,240</u>
Property, plant and equipment	235,234	232,114
Goodwill	154,586	154,586
Long-term receivables, investments and other	5,865	7,357
Future income tax asset	250	-
	<u>395,935</u>	<u>394,057</u>
<b>Total assets</b>	<u>\$ 718,450</u>	<u>\$ 699,297</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 33,954	\$ 32,129
Provision for reclamation	16,040	17,897
Future income taxes	-	29
	<u>16,040</u>	<u>17,926</u>
Non-controlling interest	5,710	4,821
<b>Shareholders' equity</b>		
Share capital (note 3)	522,383	522,383
Contributed surplus	29,818	29,739
Retained earnings	110,545	92,299
	<u>662,746</u>	<u>644,421</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 718,450</u>	<u>\$ 699,297</u>

See accompanying notes to the consolidated financial statements.

**Centerra Gold Inc.**  
**Consolidated Statements of Earnings and Retained Earnings**  
(Unaudited)  
(In Thousands of US\$)

	Three Months Ended	
	Mar 31/06	Mar 31/05
<b>Revenue from</b>		
Gold sales	\$ 92,967	\$ 91,730
	<u>\$ 92,967</u>	<u>\$ 91,730</u>
<b>Expenses</b>		
Cost of sales	54,482	51,650
Depreciation, depletion and amortization	10,199	16,345
Accretion and reclamation expense (note 2)	(2,140)	328
Exploration and business development (note 5)	6,969	5,161
Interest and other	(1,976)	(428)
Administration	6,425	3,711
	<u>73,959</u>	<u>76,767</u>
<b>Earnings before income taxes and Non-controlling interest</b>	<b>19,008</b>	<b>14,963</b>
Income tax expense (recovery)	(127)	2,071
Non-controlling interest	889	683
	<u>18,246</u>	<u>12,209</u>
<b>Net earnings</b>	<b>18,246</b>	<b>12,209</b>
Retained earnings, beginning of period	92,299	49,865
	<u>\$ 110,545</u>	<u>\$ 62,074</u>
<b>Retained earnings, end of period</b>	<b>\$ 110,545</b>	<b>\$ 62,074</b>
<b>Basic and diluted earnings per common share [note 4]</b>	<b>\$ 0.25</b>	<b>\$ 0.17</b>

**Centerra Gold Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)  
(In Thousands of US\$)

	<b>Three Months Ended</b>	
	<b>Mar 31/06</b>	<b>Mar 31/05</b>
<b>Operating activities</b>		
Net earnings	\$18,246	\$12,209
Items not requiring (providing) cash:		
Depreciation, depletion and amortization	10,199	16,345
Accretion and reclamation expense	(2,140)	328
Deferred charges recognized	1,868	2,224
Future income tax expense	(279)	1,775
Non-controlling interest	889	683
Other Expense	(980)	(738)
	<u>27,803</u>	<u>32,826</u>
Change in working capital	4,300	3,970
<b>Cash provided by operations</b>	<u>32,103</u>	<u>36,796</u>
<b>Investing activities</b>		
Additions to property, plant and equipment	(11,165)	(4,485)
<b>Cash provided by (used in) investing</b>	<u>(11,165)</u>	<u>(4,485)</u>
<b>Financing activities</b>		
<b>Cash provided by (used in) financing</b>	<u>-</u>	<u>-</u>
Increase in cash during the period	20,938	32,311
Cash at beginning of the period	202,417	152,591
<b>Cash at end of the period</b>	<u>\$ 223,355</u>	<u>\$ 184,902</u>

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**1. Basis of Presentation**

The consolidated financial statements of Centerra Gold Inc. (“Centerra”) have been prepared by management in accordance with Canadian generally accepted accounting principles and follow the same accounting principles and methods of application as the most recent annual consolidated financial statements. The financial statements should be read in conjunction with Centerra's annual consolidated financial statements included in the 2005 annual report.

Centerra’s ownership interests consist of a 100% interest in the Kumtor mine, a 95% interest in the Boroo mine, a 100% interest in the Gatsuurt property and a 62% interest in the REN deposit.

**2. Asset Retirement Obligations**

During the first quarter of 2006, significant new reserves were announced at the Kumtor mine site. The resulting delay in reclamation spending at Kumtor has reduced the present value of the obligation by \$2,588, which has been recorded in earnings in the first quarter of 2006. Net of accretion expense for the quarter, the asset retirement obligation at Kumtor now totals \$13,446 at the end of March 2006 (reduced from \$15,633 at December 31, 2005).

Following is a reconciliation of the total consolidated liability for asset retirement obligations:

	<b>Mar 31/06</b>	<b>Mar 31/05</b>
	(Thousands of US\$)	
Balance, beginning of period	\$ 17,897	\$ 18,868
Liabilities incurred / (settled)	282	-
Revisions in estimated timing of cash flows	(2,588)	-
Accretion expense	449	328
Balance, end of period	<b>\$ 16,040</b>	\$ 19,196

**3. Shareholders’ Equity**

**a) Share capital**

Centerra is authorised to issue an unlimited number of common shares, class A non-voting shares and preference shares with no par value. At March 31, 2006, only common shares had been issued as follows:

<b>Number Issued</b>	<b>2006</b>	<b>2006</b>
	(Number of Shares)	(Thousands of \$US)
Beginning and end of period	<b>72,079,605</b>	<b>\$ 522,383</b>

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**b) Stock-based compensation**

**Stock options**

At the start of 2006, a total of 200,183 stock options with a weighted-average strike price of Cdn \$17.64 per share were outstanding.

In February 2006, Centerra granted an additional 92,924 stock options at a strike price of Cdn \$38.33 per share. The compensation expense associated with this stock option series was calculated using the Black-Scholes valuation model, assuming a 6-year term, 32% volatility and a risk-free rate of return of 4.5%, and is being charged against net income over its vesting period.

A total of 293,107 stock options were outstanding at March 31, 2006 with strike prices as indicated above.

**Performance share units**

At March 31 2006, a total of 324,908 performance share units for employees and officers of the Company were outstanding.

**Deferred share units**

At March 31 2006, a total of 33,691 deferred share units for directors of the Company were outstanding.

**4. Earnings Per Share Amounts**

Basic and diluted earnings per share is determined by dividing net earnings by the basic and diluted weighted-average number of common shares outstanding respectively during the quarter and year.

	<b>Three Months Ended</b>	
	<b>Mar 31/06</b>	<b>Mar 31/05</b>
	(Thousands)	
Basic weighted average number of common shares outstanding	<b>72,080</b>	72,080
Diluted weighted average number of common shares outstanding	<b>72,182</b>	72,105
<b>Basic and diluted earnings per common share</b>	<b>\$0.25</b>	\$0.17

**5. Exploration and Business Development**

	<b>Three months ended</b>	
	<b>Mar 31/06</b>	<b>Mar 31/05</b>
	(Thousands)	
Exploration costs	<b>\$ 5,652</b>	\$ 5,161
Business development and feasibility costs	<b>1,317</b>	-
	<b>\$ 6,969</b>	\$ 5,161

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**6. Related Party Transactions**

**Cameco Corporation**

Centerra and its subsidiaries maintain inter-company advances to and from Cameco and several of its subsidiaries to fund operations. These advances, which are non-interest bearing and payable on demand, will be repaid in the ordinary course of business.

Effective April 1, 2004 Centerra entered into an administrative services agreement with Cameco whereby Cameco agreed to provide services and expertise to Centerra in return for reimbursement for all its direct and indirect costs relating to those services. Minimal services were provided by Cameco under the services agreement during the first quarter of 2006 (\$218,000 during first quarter of 2005).

Costs associated with the enhancement of internal controls at Centerra (as prescribed by the Sarbanes-Oxley act) are shared with Cameco for 2006 to a prescribed amount. During the first quarter of 2006, approximately \$145,000 Cdn was allocated to Cameco.

As a result of the above items, the balance owing to Cameco at March 31, 2006 was \$0.8 million (\$4.5 million at March 31, 2005).

**Other**

The Company paid approximately \$131,900 Cdn in the first quarter of 2006 (approximately \$61,800 Cdn during the first quarter of 2005) to Ms Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr Homeniuk. Ms Stephens provides certain designated legal and business advisory services related to international operations.

**Kyrgyzaltyn and the Government of the Kyrgyz Republic**

The table below summarizes 100% of the management fees, royalties and concession payments paid by Kumtor to Kyrgyzaltyn or the Government of the Kyrgyz Republic and the amounts paid by Kyrgyzaltyn to Kumtor according to the terms of a Gold and Silver Sales Agreement between Kumtor Operating Company (“KOC”), Kyrgyzaltyn and the Government of the Kyrgyz Republic.

	<b>Three Months Ended</b>	
	<b>Mar 31/06</b>	<b>Mar 31/05</b>
Management fees to Kyrgyzaltyn	\$ 162	\$ 227
Concession payments to the Kyrgyz Republic	431	604
	<b>\$ 593</b>	<b>\$ 831</b>
Gross gold and silver sales to Kyrgyzaltyn	\$ 59,934	\$ 65,136
Deduct: refinery and financing charges	(483)	(705)
Net sales revenue received from Kyrgyzaltyn	<b>\$ 59,451</b>	<b>\$ 64,431</b>

Kyrgyzaltyn and KGC have agreed, pursuant to a Gold Payment Agreement effective

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

December 22, 2005 as amended (the "GPA"), that until the earlier of (i) June 30, 2006 and (ii) the date on which at least \$12 million of proceeds from the sale of shares of Centerra owned by Kyrgyzaltyn have been deposited into a special purpose gold payment account of Kyrgyzaltyn, Kyrgyzaltyn will have 12 days to pay for gold shipped from the Kumtor mine. Kyrgyzaltyn shall pay interest on unpaid amounts equal to LIBOR plus 0.25%. Prior to the effective date of the GPA, KGC shipped gold to Kyrgyzaltyn on a pre-paid basis. Under the GPA Kyrgyzaltyn has agreed to sell before June 30, 2006, a sufficient number of Centerra shares to yield \$12 million of proceeds. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility, which facility will be used by Kyrgyzaltyn to resume the prior practice of pre-paying for gold. While the GPA is in effect the obligations of Kyrgyzaltyn to KGC are secured by a pledge of Centerra shares owned by Kyrgyzaltyn.

**7. Segmented Information**

Centerra has three reportable segments. The Kyrgyz Republic segment involves the operations of the Kumtor Gold Project and local exploration activities, and the Mongolian segment involves the operations of the Boroo Gold Project and local exploration activities. The North American segment involves the head office located in Toronto, loans to each of the mine operations, as well as exploration activities on North American projects.

**Geographic Segmentation of Revenue**

All production from the Kumtor Gold Project was sold to the Kyrgyzaltyn refinery in the Kyrgyz Republic while production from the Boroo Gold Project was sold to a refinery that is located in Ontario, Canada.



**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Three months ended March 31, 2006**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 59.2	\$ 33.8	\$ -	\$ 93.0
Expenses				
Cost of sales	40.7	13.8	-	54.5
Depreciation, depletion and amortization	5.7	4.3	0.2	10.2
Accretion and reclamation expense	(2.2)	0.1	-	(2.1)
Exploration and business development	3.1	2.7	1.2	7.0
Interest and other	0.4	0.1	(2.5)	(2.0)
Administration	0.6	0.4	5.4	6.4
<b>Earnings (loss) before income taxes and Non-controlling interest</b>	<b>10.9</b>	<b>12.4</b>	<b>(4.3)</b>	<b>19.0</b>
Income tax expense (recovery)	(0.2)	-	0.1	(0.1)
Non-controlling interest		0.9		0.9
<b>Net earnings (loss)</b>	<b>\$ 11.1</b>	<b>\$ 11.5</b>	<b>\$ (4.4)</b>	<b>18.2</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 8.8</b>	<b>\$ 1.8</b>	<b>\$ 0.6</b>	<b>\$ 11.2</b>

**Three months ended March 31, 2005**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 64.3	\$ 27.4	\$ -	\$ 91.7
Expenses				
Cost of sales	39.8	11.8	-	51.6
Depreciation, depletion and amortization	10.5	5.8	0.1	16.4
Accretion and reclamation expense	0.3	-	-	0.3
Exploration and business development	2.6	1.8	0.7	5.1
Interest and other	0.9	-	(1.3)	(0.4)
Administration	0.8	0.5	2.4	3.7
<b>Earnings (loss) before income taxes and Non-controlling interest</b>	<b>9.4</b>	<b>7.5</b>	<b>(1.9)</b>	<b>15.0</b>
Income tax expense	2.1	-	-	2.1
Non-controlling interest	-	0.7	-	0.7
<b>Net earnings</b>	<b>\$ 7.3</b>	<b>\$ 6.8</b>	<b>\$ (1.9)</b>	<b>\$ 12.2</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 2.2</b>	<b>\$ 2.3</b>	<b>\$ -</b>	<b>\$ 4.5</b>

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**8. Comparative Information**

Certain prior year balances have been reclassified to conform to the current presentation, including a reduction of \$6.9 million for each of property, plant and equipment and future income tax liabilities for temporary differences related to property, plant and equipment.