Centerra Gold Inc.

Management's Discussion and Analysis ("MD&A")

For the period ended March 31, 2011

The following discussion has been prepared as of April 29, 2011, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. ("Centerra" or the "Company") for the three-month period ended March 31, 2011 in comparison with those as at March 31, 2010. This discussion should be read in conjunction with the unaudited interim consolidated financial statements and the notes of the Company for the three month period ended March 31, 2011. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the three years ended December 31, 2010, the related MD&A and the Annual Information Form for the year ended December 31, 2010. The annual financial statements of Centerra for the year ended December 31, 2010 are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and, unless otherwise specified, all dollar amounts are in United States dollars. The interim financial statements for the quarter ended March 31, 2011 are prepared in accordance with IAS 34 under the International Financial Reporting Standards. In addition, this discussion contains forward-looking information regarding Centerra's business and operations. See "Risk Factors" in the Company's 2010 Annual Information Form and "Caution Regarding Forward-Looking Information" in this discussion. The Company's 2010 Annual Information Form is available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Conversion to IFRS

As prescribed by the CICA Accounting Standards Board, the Company adopted the requirements of the International Financial Reporting Standards ("IFRS") in its statements of account as of January 1, 2011, including the restatement of its opening balance sheet of January 1, 2010 and its first quarter 2010 comparatives. The restatement of the Company's comparative balances from those previously reported under Canadian GAAP standards to those converted IFRS standards is fully explained and reconciled in note 20 of the Company's March 31, 2011 condensed consolidated interim financial statements as filed on SEDAR.

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Consolidated Financial Results

Centerra's consolidated financial results for the three month period ended March 31, 2011 reflect 100% interests in the Kumtor and Boroo mines, and the Gatsuurt project.

Highlights

	Three Months Ended March 31		
Financial and Operating Summary	**2011**	**2010**	**% Change**
Revenue - $ millions	**250.2**	**255.5**	(2%)
Cost of sales - $ millions [(1)]	**61.8**	**78.4**	(21%)
Net earnings - $ millions	**136.6**	**123.9**	10%
Earnings per common share - $ basic and diluted	**0.58**	**0.53**	9%
Cash provided by operations - $ millions	**142.6**	**82.4**	73%
Capital expenditures - $ millions	**72.1**	**29.2**	147%
Weighted average common shares outstanding - basic (thousands)	**235,880**	**234,857**	0%
Weighted average common shares outstanding - diluted (thousands)	**236,314**	**235,587**	0%
Average gold spot price - $/oz	**1,386**	**1,109**	25%
Average realized gold price - $/oz	**1,385**	**1,112**	25%
Gold sold – ounces	**180,628**	**229,839**	(21%)
Cost of sales - $/oz sold [(1)]	**342**	**341**	0%
Gold produced – ounces	**180,716**	**211,039**	(14%)
Total cash cost - $/oz produced[(2) (3)]	**370**	**340**	9%
Total production cost - $/oz produced[(2) (3)]	**468**	**442**	6%

(1) As a result of the IFRS conversion, cost of sales for 2011 and its comparative year now include depreciation, depletion and amortization related to operations.

(2) Total cash cost and total production cost are non-GAAP measures and are discussed under "Non-GAAP Measures".

(3) As a result of Kumtor's Restated Investment Agreement signed in 2009, total cash cost and total production cost per ounce measures for both 2011 and 2010 exclude operating and revenue-based taxes.

Three Month Period Ended March 31, 2011 compared with the Three Month Period Ended March 31, 2010

Revenue and Gold Production

Revenue in the first quarter of 2011 was $250.2 million compared to $255.5 million in the same quarter last year. This reflects lower ounces produced and sold, and is consistent with the Company's mine plan and the sequencing of ore processing at Kumtor in the current year. Gold sold for the period totalled 180,628 ounces compared to 229,839 ounces in the first quarter of 2010. The impact on revenue of the 21% reduction in ounces sold was mostly offset by higher realized gold prices in the period. Gold production for the quarter was 180,716 ounces compared to 211,039 ounces reported in the first quarter of 2010. At Kumtor, the processing of lower grade ore from existing stockpiles and the lower throughput as a result of lower operating hours due to the planned mill shutdown in March 2011 resulted in lower production in the current year. Production at Boroo was 46% lower in the first quarter 2011, processing lower grade stockpiled material with lower recoveries, following the completion of mining operations and the continued idling of the heap leach operation during the quarter. See “Mine Operations – Kumtor” and “Mine Operations – Boroo”.

Centerra realized an average gold price of $1,385 per ounce for the first quarter of 2011 compared to $1,112 per ounce realized in the same quarter in 2010. The Company’s gold production is not hedged and gold is sold at the prevailing spot price. The average realized gold price in the quarter reflects the continued strength of the spot gold price, which averaged $1,386 per ounce for the first quarter of 2011 ($1,109 per ounce for the same period in 2010).

Cost of Sales

As a result of the IFRS conversion, cost of sales now includes depreciation, depletion and amortization in addition to operating cash costs related to the product sold in the period. In the first quarter of 2011 cost of sales was $61.8 million, a decrease of $16.6 million or 21% compared to the same quarter of 2010 resulting from a year over year reduction mainly at Kumtor. Kumtor benefited from the significant tonnes and higher grades of ore mined in the fourth quarter of 2010. This resulted in the build-up of lower cost inventories which were processed and sold in the first quarter of this year. In addition, operating costs were lower compared to the first quarter of 2010.

Depreciation, depletion and amortization from mine operations for the first quarter of 2011 decreased to $14.8 million from $21.3 million in the first quarter of the prior year. The lower depreciation results from the lower ounces sold and produced in the first quarter of 2011 as well as the impact of the additional reserves announced at the end of 2010 at Kumtor, which reduced the charge in the first quarter 2011 from the assets depreciated on a unit of production basis. Depreciation, depletion and amortization for the first quarter of 2011 was $83 per ounce sold compared to $93 per ounce sold in the same quarter of 2010, reflecting the impact in the first quarter 2011 from the new reserve announcement, the increased depreciation in 2010 from the pre-stripping of pit 3 at Boroo and the higher sales volume in 2010.

Cost of sales per ounce sold, which now includes the impact of depreciation, depletion and amortization, increased slightly to $342 compared to $341 for the same period in 2010.

Overall, operating cash costs for the first quarter of 2011 compared to 2010 are lower due to reduced costs at Boroo as a result of the completion of mining and continued idling of heap leach activities and the higher capitalization of mining costs for pre-stripping activities at Kumtor. This was partially offset by higher labour costs and diesel costs at Kumtor.

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the build-up or drawdown of inventories during the periods presented.

The Company’s total cash cost per ounce produced increased to $370 from $340 in the first quarter of 2010. This increase is primarily due to lower production at both Kumtor and Boroo. Total cash cost per ounce produced is a non-GAAP measure and is discussed under “Non-GAAP Measures”. See “Mine Operations – Kumtor” and “Mine Operations – Boroo”.

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Accretion and Reclamation Expense

Accretion and reclamation expense of $0.3 million remained unchanged in the first quarter of 2011 and 2010.

Exploration

Exploration costs in the first quarter of 2011 increased to $7.4 million from $5.1 million in the same quarter of 2010 mainly reflecting higher drilling activity at Kumtor.

Capital Expenditures

Capital expenditures spent and accrued of $72.1 million in the first quarter of 2011 comprised of $6.8 million of sustaining capital and $65.3 million invested in growth capital at Kumtor related mainly for the purchase of haul trucks, shovels and drills ($30.4 million), the capitalization of pre-stripping activities ($21.1 million) and the SB Zone underground development ($10.8 million).

Corporate Administration

Corporate administration costs for the first quarter of 2011 were $7.8 million compared to $11.1 million in the same quarter of 2010. The decrease is primarily due to the impact of a 12% decrease in the share price in the first quarter 2011 on share-based compensation. The share price increased by 23% in the same period of 2010.

Revenue-based Tax - Kumtor

Under the Restated Investment Agreement, taxes on revenue at Kumtor are charged at a rate of 13% of gross revenue, with an additional contribution of 1% of gross revenue to the Issyk-Kul Oblast Development Fund. Revenue-based tax totaled $32.2 million for the first quarter of 2011 compared to $31.3 million for the comparative quarter of 2010.

Income Tax Expense

The Company recorded income tax expense for the three month period ended March 31, 2011 in the amount of $0.1 million, compared to a recovery of $0.4 million for the three month period ended March 31, 2010. The income tax expense in the current quarter, and in the comparable period in 2010, was recorded by Boroo. The income tax rate for Boroo is 25% of taxable income in excess of 3 billion Tugriks (about $2.5 million as at the balance sheet date), and 10% for income up to that amount.

Effective April 30, 2009 Kumtor became subject to a new tax regime pursuant to which income taxes and other taxes were replaced by taxes computed by reference to Kumtor’s revenue. As a result of the Restated Investment Agreement, income taxes are no longer applicable to Kumtor.

Net Earnings

Net earnings for the first quarter of 2011 were $136.6 million, or $0.58 per share, compared to $123.9 million or $0.53 per share for the same period in 2010, reflecting higher realized gold prices,

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lower cost of sales and the impact of higher reserves on depreciation, partially offset by reduced gold production at both sites.

Cash Flow

Cash provided by operations was $142.6 million for the first quarter of 2011 compared to $82.4 million for the same quarter of 2010, primarily reflecting increased earnings and improved changes in working capital in 2011 as compared to the prior year.

Cash used in investing activities in the first quarter of 2011 was $130.7 million reflecting the purchase of $69.0 million of short-term investments and capital additions of $61.7 million. Capital additions include $6.8 million spent on sustaining capital projects and $54.9 million invested in growth projects. Expenditures in growth projects were mainly for Kumtor's capital equipment purchases, pre-stripping activities and underground development project, while sustaining capital was $6.7 million at Kumtor and $0.1 million at corporate.

As at March 31, 2011, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $146.9 million (Kumtor $146.7 million, Boroo $0.2 million). These contracts are expected to be settled over the next twelve months.

Cash and cash equivalents and short-term investments were $494.8 million at the end of the first quarter of 2011, compared to cash and cash equivalents and short-term investments of $413.8 million at December 31, 2010. The Company believes it has sufficient cash to carry out its capital and operational business plan for 2011.

Credit and Liquidity

As at March 31, 2011, the Company had an undrawn revolving credit facility available of $150.0 million. As of March 31, 2011, availability under the facility was subject to certain conditions precedent, which were satisfied on April 15, 2011.

A significant factor in determining profitability and cash flow from the Company's operations is the price of gold. The spot market gold price based on the London PM fix was $1,439 per ounce on March 31, 2011. For the first quarter of 2011, the gold price averaged $1,386 per ounce compared to $1,109 per ounce for the same period in 2010.

The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic and Mongolia, and its corporate head office is in Toronto, Canada. During the three-month period ending March 31, 2011, approximately $81.5 million of operating and capital costs were incurred by Centerra in currencies other than U.S. dollars out of a total of $211.7 million in cash outlays. For the three-month period, the percentage of Centerra's non-U.S. dollar costs, by currency, was on average, as follows: 38% in Kyrgyz soms, 28% in Canadian dollars, 18% in Euro, 15% in Mongolian tugriks and 1% in other currencies. On average, from the December 31, 2010 currency rate, the Kyrgyz som depreciated by 0.6% against the U.S. dollar, the Canadian dollar appreciated by 1.2%, the Euro appreciated by 2.2% and the Mongolian tugrik appreciated by 1.2% over the U.S. dollar. The estimated impact of these movements over the three-month period to March 31, 2011 has been to increase costs by approximately $0.3 million, after accounting for the Kyrgyz som, Mongolian tugrik and Canadian dollars held at the beginning of the year.

Asset Retirement Obligations

The total future asset retirement obligations were estimated by management based on the Company's ownership interest in all mines and facilities, estimated costs to reclaim the mine sites and facilities, and the estimated timing of the costs to be incurred in future periods.

The Company has estimated the net present value of the total asset retirement obligations to be $40.0 million as at March 31, 2011 (December 31, 2010 - $40.4 million). These payments are expected to be made over the 2011 to 2022 period. The Company used risk-free discount rates of 3.18% at Kumtor and 2% at Boroo to calculate the present value of the asset retirement obligations.

Share capital and share options

As of April 28, 2011, Centerra had 235,903,895 shares issued and outstanding. In addition, at the same date, the Company had 1,178,488 share options outstanding under its share option plan with exercise prices between Cdn$4.68 and Cdn$18.31 per share, and with expiry dates between 2014 and 2019.

Gold hedges

The Company had no gold hedges in place in the first quarter of 2011 and no deferred charges were recognized.

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Mine Operations

Centerra owns 100% of the Kumtor and Boroo mines and therefore all operating and financial results are on a 100% basis.

	Three Months Ended March 31		
Kumtor Operating Results	**2011**	**2010**	**% Change**
Gold sold – ounces	**166,145**	**200,767**	(17%)
Revenue - $ millions	**229.9**	**223.3**	3%
Average realized gold price – $/oz	**1,384**	**1,112**	24%
Cost of sales - $ millions (1)	**48.3**	**63.9**	(24%)
Cost of sales - $/oz sold (1)	**291**	**318**	(8%)
Tonnes mined - 000s	**36,508**	**27,538**	33%
Tonnes ore mined – 000s	**588**	**1,387**	(58%)
Average mining grade - g/t (2)	**7.14**	**4.89**	46%
Tonnes milled - 000s	**1,391**	**1,466**	(5%)
Average mill head grade - g/t (2)	**4.12**	**4.90**	(16%)
Recovery - %	**82.6**	**76.7**	8%
Gold produced – ounces	**164,167**	**180,562**	(9%)
Total cash cost - $/oz produced (3) (4)	**342**	**305**	12%
Total production cost - $/oz produced (3) (4)	**434**	**391**	11%
Capital expenditures - $ millions	**71.9**	**23.4**	207%
Boroo Operating Results			
Gold sold – ounces	**14,484**	**29,072**	(50%)
Revenue - $ millions	**20.3**	**32.2**	(37%)
Average realized gold price - $/oz	**1,399**	**1,106**	26%
Cost of sales - $ millions (1)	**13.5**	**14.5**	(7%)
Cost of sales - $/oz sold (1)	**933**	**497**	88%
Total Tonnes mined - 000s	**-**	**3,094**	(100%)
Average mining grade (non heap leach material) - g/t (2)	**-**	**1.81**	(100%)
Tonnes mined heap leach – 000s	**-**	**778**	(100%)
Tonnes ore mined direct mill feed -000s	**-**	**1,137**	(100%)
Tonnes ore milled - 000s	**596**	**624**	(4%)
Average mill head grade - g/t (2)	**1.35**	**1.90**	(29%)
Recovery - %	**61.3**	**72.8**	(16%)
Gold produced – ounces	**16,549**	**30,477**	(46%)
Total cash cost - $/oz produced (3)	**645**	**551**	17%
Total production cost - $/oz produced (3)	**805**	**739**	9%
Capital expenditures - $ millions (Boroo)	**0.0**	**0.2**	(92%)
Capital expenditures - $ millions (Gatsuurt)	**0.1**	**5.5**	(98%)

(1) As a result of the IFRS conversion, cost of sales for 2011 and its comparative year now include depreciation, depletion and amortization related to operations.

(2) g/t means grams of gold per tonne.

(3) Total cash cost and total production cost are non-GAAP Measures and are discussed under "Non-GAAP Measures".

(4) As a result of Kumtor's Restated Investment Agreement signed in 2009, total cash cost and total production cost per ounce measures for both 2011 and 2010 are shown excluding operating and revenue-based taxes.

Kumtor

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 about 8.0 million ounces of gold. During the first quarter of 2011, Kumtor experienced two lost-time injuries and six level I (non-reportable) and no level II environmental incidents.

According to the mine plan, the focus at Kumtor for the first quarter 2011 was the removal of ice and waste material from the SB Zone. As a result during the first quarter 2011, Kumtor milled a combination of higher grade material mined in the quarter and stockpiled material which was built-up during the fourth quarter 2010.

The planned removal of ice and waste from the SB Zone continued. The rate of movement of waste and ice from this area reduced during the first quarter of 2011 as a result of the continued offloading, as well as cold weather causing the material to freeze and slow its progress. Mine operations received the new trucks and shovels during the quarter as planned and the production increased accordingly to record levels

The SB Zone underground decline (Decline #1) has now advanced a total of 1,280 metres, advancing approximately 200 metres in the quarter. Geotechnical drilling continued in the first quarter of 2011. Exploration drilling is planned to resume later this year and delineation drilling of the SB Zone is planned for 2012.

The Stockwork Zone underground decline (Decline #2) has advanced a total of 928 metres (including the second heading, the Stockwork Decline), advancing 194 metres in the quarter. Decline #2 will facilitate the access to the Stockwork Zone and the SB Zone from the north for further exploration and delineation drilling. The Stockwork Decline established for the exploration and delineation drilling program for the Stockwork Zone has advanced a total of 270 meters toward the north (95 meters in the first quarter). Exploration drilling continued in the first quarter of 2011 and delineation drilling of the Stockwork Zone resource will continue through the rest of 2011.

Revenue and Gold Production

Revenue in the first quarter of 2011 increased to $229.9 million compared to $223.3 million from the comparative quarter of 2010, primarily as a result of the higher average realized price of $1,384 per ounce compared to $1,112 per ounce. The majority of this gain was offset by lower sales of 166,144 ounces in the first quarter of 2011 compared to 200,767 ounces in the same period of 2010 due to fewer ounces produced.

Total tonnes mined in the first quarter of 2011 were 36.51 million compared to 27.54 million tonnes in the comparative quarter of 2010. The amount of waste material moved increased by 9.8 million tonnes (37%), while ore mined decreased by 0.8 million tonnes (58%) as the operation was pre-stripping for the majority of the quarter. The major factor contributing to the increase in total tonnes mined in the first quarter 2011 was the larger mine fleet and bigger haul trucks which increased by 29 CAT 789 trucks and 3 Liebherr shovels. At the end of the first quarter 2011, daily tonnages out of the pit continued to increase.

Kumtor produced 164,167 ounces of gold in the first quarter of 2011 compared to 180,562 ounces of gold in the comparative quarter of 2010. The decrease in production resulted from a lower head grade and lower tonnes processed, partially offset by higher recoveries. Tonnes processed were 1,390,845 versus 1,466,263 or 5.1% lower than the same period of 2010. The lower tonnes are due to lower operating hours as a result of the mill shutdown in March 2011, one month earlier than in the comparative period. The mill feed processed in the first quarter 2011 was sourced from both pit material mined in the first quarter 2011 and stockpiled material available at the beginning of the period, as compared to the comparative 2010 quarter where only half of the mill processing was sourced fromopening stockpiles. Mill head grades for the first quarter averaged slightly higher than plan and recovery was consistently higher for the period.

Compared to the same period in 2010, mill head grade for the first quarter of 2011 was 4.12 g/t with a recovery of 82.6%, compared to 4.90 g/t with a recovery of 76.7%.

Cost of Sales

As a result of the IFRS conversion, cost of sales now includes depreciation, depletion and amortization in addition to operating cash costs related to the product sold in the period. In the first quarter 2011, costs of sales at Kumtor were $48.3million. This is a decrease of $15.6 million (24%) compared to the same quarter in 2010, reflecting in 2011 the lower ounces sold and the processing of lower cost ounces from stockpiles which were built-up from the mining of significant tonnage and higher grade ores during the fourth quarter of 2010.

Depreciation, depletion, and amortization from operations decreased by $5.2 million over the same period in 2010. This reduction is mainly due to the increase in the proven and probable reserves at the end of 2010 which led to an extension of the mine's life by a further two years (to 2021) and the capitalization of depreciation related to pre-strip mining ($5.4 million) which lead to a slower amortization of assets. This was partially offset by increased depreciation as a result of the expanded mining fleet.

Operating cash costs at Kumtor increased by $2.3 million in the first quarter of 2011 compared to the same quarter of 2010. The main cost elements are as follows:

Mining costs for the first quarter of 2011 were $28.4 million. This represents a reduction of $1.7 million (6%) compared to the same quarter in 2010. This reduction is mainly due to the capitalization of mining costs used in pre-stripping activities ($15.6 million, cash component), partially offset by increased costs from the expanded fleet to achieve additional tonnes. Increased costs include diesel of $8.1 million, of which $6.1 million is due to an average price per liter increase from US$0.51 to US$0.82. Other areas where costs increased included national labour resulting from the new collective agreement signed in October 2010 ($3.3million), explosives ($1.7 million), higher maintenance costs resulting from an increase in the numbers of shovels, drills and trucks ($1.2 million), and other increases of ($0.7 million). Savings were realized with a new program to extend tire life ($0.8 million).

Milling costs for the first quarter of 2011 were $14.6 million. This is an increase of $1.1 million (8%) when compared to the same quarter of 2010. This was primarily due to an increase in national labour costs ($0.5 million), and costs related to the replacement of the SAG Mill liners in March 2011 compared to the second quarter in 2010 ($0.7 million).

Site administration costs for the first quarter of 2011 were $10.6 million. This is an increase of $2.9 million (37%) compared to the same quarter in 2010. The unfavorable variances include increases in national labour ($1.6 million), insurance ($0.3 million), diesel costs ($0.3 million) and food and camp supplies ($0.3 million).

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the build-up or drawdown of inventories during the periods presented.

Total cash cost per ounce produced in the first quarter of 2011 was $342 per ounce compared to $305 per ounce for the same period in 2010, as a result of 9% lower production and 2% higher cash costs. The total cash costs were $56.1 million in the first quarter of 2011 compared to $55.0 million in the same period of 2010. This reflects higher operating costs of $2.3 million, partially offset by higher by-product revenue from silver sales of $1.1 million.. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Cost of sales per ounce sold, which now includes the impact of depreciation, depletion and amortization, decreased to $291 per ounce for the first quarter of 2011 compared to $318 per ounce for the same period in 2010. The majority of the ounce production during the first quarter of 2011 came from processing lower cost opening stockpiles that were built-up from the mining of significant high grade material during the fourth quarter 2010. This compares to the first quarter 2010 where approximately only half of the production was a result of processing the stockpiles available at the beginning of the period, which carried a slightly higher cost from the fourth quarter 2009 production. As the stockpile material was processed and sold in the first quarter 2011, the low costs associated with the opening stockpiles flowed to the cost of goods sold. There was a similar effect in the comparative period of 2010, however, due to fewer ounces in the opening stockpiles and a lower proportion of these lower cost ounces to the total production, the impact from processing the stockpiles was less pronounced in the comparative year. Depreciation contained in costs of sales was also lower in the first quarter 2011 as a result of the added reserves at the beginning of the year and the capitalization of depreciation related to pre-strip mining.

Kumtor Regional Administration

Kumtor regional administration costs for the first quarter of 2011 were $3.3 million. The costs are comparable to the same quarter of 2010.

Exploration

Exploration costs for the first quarter of 2011 were $4.1 million at the Kumtor site, representing an increase of $2.3 million (122%) compared to the same period of 2010. Additional drilling in the 2011 quarter led to higher national, contractor and expatriate labour costs ($1.0 million), drilling consumables ($0.8 million), dozer usage for constructing access roads ($0.3 million) and higher diesel costs ($0.2 million).

Capital Expenditures

Capital expenditures in the first quarter of 2011 were $71.9 million compared to $23.4 million in the same quarter of 2010. First quarter 2011 expenditures consisted of $6.7 million of sustaining capital, predominantly spent on the major overhaul program for heavy duty equipment ($5.6 million). Growth capital investment of $65.2 million was spent on the purchase of CAT 789 haul trucks ($24.0 million), pre-stripping capitalization ($21.1 million), underground development phase I and II ($10.8 million), the purchase of Liebherr shovels ($5.9 million), work on the waste rock dump buttress ($1.8 million), the purchase of a new Drilltech D45 Drill ($0.5 million) and numerous other projects totaling ($0.9 million).

Boroo and Gatsuurt

The Boroo open pit mine, located in Mongolia, was the first hard rock gold mine in Mongolia. To date it has produced approximately 1.5 million ounces of gold since beginning of operation in 2004. During the first quarter of 2011, there were no lost-time injuries and one level I environmental incident (non-reportable).

Boroo completed its mining activities at the end of November 2010. The completion of mining at Boroo and the delays experienced with the commissioning of the Gatsuurt project resulted in the layoff of approximately 250 mining employees who were initially scheduled for transfer to the Gatsuurt mine. It is expected that the remaining refractory in situ ore at Boroo will be processed through a bio-oxidation facility which is to be developed for processing of Gatsuurt sulphide ore at the Boroo site. Further spending and development of the bio-oxidation facility is subject to receiving all required approvals and regulatory commissioning from the Mongolian Government allowing the Gatsuurt project to move forward.

Heap leach operations at Boroo remain under care and maintenance. The Company continues to work with the Mongolian authorities to obtain the final heap leach operating permit.

The Company continued to process stockpiled ore at Boroo grading 1.35 g/t during the quarter.

Revenue and Gold Production

Revenue in the first quarter of 2011 decreased to $20.3 million from $32.2 million in the first quarter of 2010 primarily as a result of 50% lower ounces sold (14,484 in the first quarter of 2011, compared to 29,072 ounces sold in the same period of 2010), partially offset by increased gold prices. Boroo produced 16,549 ounces of gold in the first quarter of 2011 compared to 30,477 ounces of gold in the first quarter of 2010, mainly as a result of the lower grades of ore in the stockpiles being processed and lower recovery. The heap leach operation remained idle during the first quarter 2011, pending issuance of the final permitting by the Mongolian government authorities (see "Other Corporate Developments - Mongolia"). The ore grade averaged 1.35 g/t with a recovery of 61.3% in the first quarter of 2011, compared to 1.90 g/t with a recovery of 72.8% in the same quarter of 2010.

The average realized gold price per ounce in the first quarter of 2011 was $1,399 compared to $1,107 in the same period in 2010.

Cost of Sales

Cost of sales, which now includes depreciation, depletion and amortization associated to the ounces sold, decreased by $0.9 million in the first quarter of 2011 to $13.5 million compared to the same period of 2010.

Depreciation, depletion and amortization from operations in the first quarter 2011 totaled $3.2 million, a decrease of $1.2 million or 28% lower than the same period in 2010. The reduction results mainly from the lower sales and production volumes in the first quarter 2011. In addition Pit 3 pre-stripping was being depreciated in the first quarter of 2010: this pre-stripping was fully depreciated in the third quarter of 2010.

Operating cash costs at Boroo decreased by $5.3 million compared to the same period in 2010. This variance is explained as follows:

Mining costs for the first quarter 2011 were $0.6 million, $5.2 million or 90% lower than the same quarter in 2010, as mining operations ceased at the end of November 2010.

Milling costs for the first quarter 2011 were $5.6 million, $0.5 million or 10% higher than the same quarter in 2010 primarily due to higher reagent, electricity and other consumable costs.

Costs for heap leaching activities were $0.2 million or 76% lower than the same period in 2010, as stacking and crushing activities have come to a virtual stop after the idling of the operation awaiting issuance of the operating permit.

Site administration costs remained constant at approximately $1.8 million for the first quarter in both years.

Royalties decreased in the first quarter 2011 by $0.6 million or 38% to $1.0 million due to lower sales versus the same quarter of 2010.

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented.

Total cash cost per ounce produced in the first quarter 2011 was $645 compared to $551 per ounce for the same period in 2010. The increase is a result of lower gold production partially offset by lower operating cash costs. Total cash cost per ounce produced is a non-GAAP measure and is discussed under “Non-GAAP Measures”.

On a unit cost basis, cost of sales per ounce sold, which now includes the impact of depreciation, depletion and amortization, increased to $933 in the first quarter of 2011 compared to $497 in the same quarter of 2010 reflecting the lower ounces sold and the completion of pre-strip capitalization in the third quarter 2010.

Boroo Regional Administration

Boroo regional administration costs for the first quarter 2011 were $1.5 million, $0.1 million or 6% lower than the same quarter in 2010 primarily due to lower payroll costs incurred.

Exploration

Exploration expenditures in Mongolia decreased to $0.9 million in the first quarter of 2011 from $1.2 million in the same period of 2010. This is primarily due to lower drilling activities performed on the Gatsuurt and Ulaan Bulag mining licenses.

Capital Expenditures

There were virtually no capital expenditures at Boroo in the first quarter of 2011 compared to $0.2 million spent mainly on component change-outs in the same period of 2010. At Gatsuurt, $0.1 million was spent in the first quarter 2011 compared to $5.5 million spent and accrued on road building and mine development in the first quarter of 2010. Development of the Gatsuurt site was substantially completed in the second half of 2010.

Other Financial Information – Related Party Transactions

Kyrgyzaltyn JSC and the Government of the Kyrgyz Republic

Revenues from the Kumtor gold mine are subject to a management fee of $1.00 per ounce based on sales volumes, payable to Kyrgyzaltyn JSC ("Kyrgyzaltyn"), a shareholder of the Company and a state-owned entity of the Kyrgyz Republic.

The table below summarizes 100% of the management fees and concession payments paid and accrued by Kumtor Gold Company ("KGC"), a subsidiary of the Company, to Kyrgyzaltyn or the Government of the Kyrgyz Republic, and the amounts paid and accrued by Kyrgyzaltyn to KGC according to the terms of a Restated Gold and Silver Sale Agreement between Kumtor Operating Company ("KOC", a subsidiary of the Company), Kyrgyzaltyn and the Government of the Kyrgyz Republic entered into in June 2009 as part of the transactions contemplated by the Agreement on New Terms.

($ thousands)	**Three months ended March 31**	
	2011	**2010**
Management fees paid by KGC to Kyrgyzaltyn	**166**	201
Gross gold and silver sales from KGC to Kyrgyzaltyn	**230,747**	224,212
Deduct: refinery and financing charges	**(835)**	(881)
Net sales revenue received by KGC from Kyrgyzaltyn	**229,912**	223,331

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Restated Gold and Silver Sale Agreement (the "Sales Agreement"). Under the Sales Agreement, Kyrgyzaltyn is required to pay for gold within 12 calendar days of shipment from the Kumtor mill at a price that is fixed based on the London PM fixed price of gold on the London Bullion Market. The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn, the value of which fluctuates with the market price of Centerra's shares.

As at March 31, 2011, the Company had an amount of $42.0 million receivable from Kyrgyzaltyn (December 31, 2010 - $89 million). Subsequent to March 31, 2011, the balance receivable from Kyrgyzaltyn was paid in full.

Quarterly Results – Last Eight Quarters

Over the last eight quarters, Centerra's results reflect the positive impact of rising gold prices and increased gold production at Kumtor but offset by rising cash costs. The results for the third quarter of 2010 include the gain on sale of the REN exploration property of $34.9 million, while the results for the second quarter of 2009 reflect the impact from unusual items of $49.3 million of charges. The quarterly financial results for the last eight quarters are shown below:

$ millions, except per share data	**2011**	**2010 (1)**				**2009 (2)**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue	250	323	115	152	255	324	159	104
Net earnings (loss)	137	151	17	31	124	140	20	(80)
Earnings (loss) per share (basic and diluted)	0.58	0.64	0.07	0.13	0.53	0.60	0.09	(0.36)

(1) revised under IFRS
(2) as reported under Canadian GAAP

Other Corporate Developments

The following is a summary of current matters affecting the Company and its subsidiaries in the Kyrgyz Republic and Mongolia. No material changes have occurred on these matters since the Company's annual disclosure documents published on February 24, 2011.

Kyrgyz Republic

At the Kumtor project, the Company's Kyrgyz Republic operating subsidiary pays Kyrgyz Republic Social Fund ("Social Fund") contributions in respect of the base wages of its national employees. In late 2010, the Social Fund notified the Company of its position that the Company should pay contributions to the Social Fund not only in respect of base wages but also in respect of the premium compensation that the Company is required to pay employees for work at high-altitude. A potential adjustment to the Social Fund contribution for the 2010 year as a result of this matter could require an additional payment ranging from zero to $7.4 million. The position of the Social Fund is inconsistent with its past practices and with prior audits of the Company's Kyrgyz Republic operating subsidiary, completed as recently as 2009. The Company continues to vigorously dispute the Social Fund's position. At this time, the liability is unlikely and as a result, no amounts have been accrued in the Company's financial statements in respect of this matter.

Mongolia

In Mongolia, the Company continued to work with the Minerals Resource Authority of Mongolia ("MRAM") and the Mongolian General Department of Specialized Inspection ("SSIA") with respect to several outstanding issues arising from the inspections at the Boroo mine carried out by the SSIA in mid-2009. During the quarter, the Company also worked with the SSIA in relation to the very significant claim for compensation that the Company received from the SSIA in October 2009 regarding state alluvial reserves covered by the Boroo mine licenses. While Centerra cannot give assurances, it believes that settlement of the outstanding matters and the alluvial claim (which the Company disputes) will be concluded through negotiations and will not result in a material impact.

In March 2010, the Company received a letter from MRAM stating that certain of its mining and exploration licenses, including the Gatsuurt mining licenses, could be revoked under the water basin and forestry law which was enacted by the Mongolian Parliament in July 2009 (the "Water and Forest Law"). Under the Water and Forest Law, mineral prospecting, exploration and mining in water basins and forestry areas in Mongolia would be prohibited, and the affected licenses would be revoked. The legislation provides a specific exemption for "mineral deposits of strategic importance", which would exempt the Boroo mining licenses from the application of the legislation. Centerra's Gatsuurt licenses and its other exploration license holdings in Mongolia however, are currently not exempt. Under the Minerals Law of Mongolia, Parliament on its own initiative or, on the recommendation of the Government, may designate a mineral deposit as strategic. Such designation could result in Mongolia receiving up to a 34% interest in the deposit. The March 2010 letter requested that the Company provide a preliminary estimate of expenses incurred in relation to each license that could be revoked and the compensation that the Company would expect to receive if such licenses were to be revoked. The Company submitted a detailed estimate to MRAM in March 2010.

In April 2010, the Company received a letter from the Ministry of Mineral Resources and Energy ("MMRE") indicating that the Gatsuurt licenses were within the area designated, on a preliminary basis, as land where mineral mining is prohibited under the Water and Forest Law, and that the MMRE would communicate with the Company further on negotiations with respect to an investment agreement for the Gatsuurt project once the MMRE received additional clarity on the impact of the Water and Forest Law on the Gatsuurt project.

In November 2010, Mongolia's cabinet announced its intention to initiate the revocation of 1,782 mineral licenses under the Water and Forest Law on a staged basis, beginning with the revocation of 254 alluvial gold mining licenses. The Company has four licenses (subsequently clarified to be only three licenses) on the list of alluvial gold mining licenses that may be revoked. None of these licenses are material to the Company. In particular, Centerra's principal Gatsuurt hardrock mining licenses are not on the list of alluvial licenses to be revoked. In accordance with the Water and Forest Law, the Company submitted in February 2011 a formal request for compensation for the three licenses slated to be revoked. The Company has not yet received any further update from the Mongolian regulatory authorities on this matter.

In late 2010, the Mongolian Government announced that it was considering taking the following actions as the next stages of its implementation of the Water and Forest Law:

- preparing and submitting to the cabinet a proposal to designate as "strategic" those deposits, development of which would contribute to regional social and economic development and, at the same time, require significant amounts of compensation;
- revoking all licenses for non-gold mining operations which utilize surface water;
- revoking all 460 gold exploration licenses and providing compensation ;
- revoking all 931 non-gold exploration licenses and providing compensation;
- revoking and providing compensation to all remaining affected mining licenses.

Of the Company's 55 mineral licenses, 36 licenses (including the Gatsuurt hard rock licenses) are included in the 1,782 licenses referred to in the cabinet announcement as subject to staged revocation.

The Company understands that Mongolia's cabinet expects that the Water and Forest Law will take until approximately November 2012 to fully implement. According to statements by officials, the Government estimates that the total compensation due to mining companies for the revocation of their licenses will amount to approximately US$4 billion, which is about equal to Mongolia's annual gross domestic product for 2009.

The Water and Forest Law has attracted opposition from Mongolia's alluvial miners, the Mongolian National Mining Association and other groups. The Company also understands that a group of parliamentarians has proposed amendments to the Water and Forest Law to reduce its impact on environmentally-sound mining operations. The amendments are expected to be discussed in the spring 2011 session of the Mongolian Parliament.

While the Company has continued to receive permits and approvals in connection with the road construction to Gatsuurt and for construction of surface facilities at the project, in November 2010, the Company received a letter from the MMRE indicating that operations at the Gatsuurt project cannot be commenced while the implementation of the Water and Forest Law is being resolved. Accordingly, it is anticipated that further approvals and regulatory commissioning of Gatsuurt will be delayed as a result of the Water and Forest Law.

Centerra is reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the Water and Forest Law having a limited impact on the Company's Mongolian activities. There can be no assurance, however, that this will be the case. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the project or Gatsuurt is designated as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources or eliminated entirely. A revocation of the Company's mineral licenses, including the Gatsuurt mineral license, could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition. See "Risk Factors" in the Company's most recently filed AIF.

New Graduated Royalty Fee

In November 2010, the Mongolian Parliament enacted a graduated royalty tax that applies to all mining projects as of January 1, 2011, including the Gatsuurt project when commissioned and the Ulaan Bulag Prospect. This graduated royalty replaces the previous flat 5% royalty fee on gold. Pursuant to the graduated royalty fee, the royalty rate is tied to the price of gold such that there is a 1% increase in the royalty fee for every $100 increase in the price of gold per ounce above a certain price. In the case of gold, there is a basic 5% royalty fee that applies while gold is less than $900 per ounce. At $900 per ounce the royalty fee increases to 6%, at $1,000 per ounce the royalty is 7%, at $1,100 the royalty is 8%, and at $1,200 the royalty is 9%. The highest royalty fee rate is reached at 10% at $1,300 per ounce and above. For example an ounce of gold sold at $1,000 per ounce would be subject to a royalty of 7% or $70.

The graduated royalty became effective as of January 1, 2011 for all mining projects in Mongolia. On January 19, 2011, the Standing Committee of the State Great Hural of Mongolia issued a resolution to the Government which, among other things, resolved to direct the Government to enter into negotiations to have the graduated royalty structure apply to business entities that have already entered into a stability and/or an investment agreement. This would include the Company's Boroo mine which is currently operating pursuant to a stability agreement entered with the Mongolian government. To date, the Company has not received any further word regarding this resolution and whether the Government will act on it. In any event, the Company is of the opinion that the Boroo stability agreement provides, among other things, legislative stabilization for its Boroo operations and accordingly the graduated royalty fee is not applicable to Boroo's remaining operations. However, the Company cannot provide any guarantees that Boroo will not be made subject to the graduated royalty fee. If the graduated royalty fee does apply, it may have an adverse impact on Centerra's future cash flows, earnings, results of operations or financial condition. Regardless of whether the graduated royalty fee applies to the Boroo operation, it will apply to gold produced from the Gatsuurt mine, when developed. See "Risk Factors" in the Company's most recently filed AIF.

Critical Accounting Estimates

Centerra prepares its consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB"). 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. In reference to the Company's significant accounting policies as described in note 3 to the March 31, 2011 Consolidated Financial Statements management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements.

Inventories of broken ore, heap leach ore, in-circuit gold and gold doré are valued at the lower of average production cost and net realizable value, while consumable supplies and spares are valued at the lower of weighted-average cost and replacement cost. Determination of realizable value or replacement costs requires estimates to be made for costs to complete and sell inventory. Management periodically makes estimates regarding whether an allowance is necessary for slow moving or obsolete consumable supplies and spares inventories.

Depreciation and depletion of property, plant and equipment directly involved in 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 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, Centerra tests goodwill at least annually for impairment 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.

The Company uses the asset and liability method of accounting for deferred income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, calculated using the currently enacted or substantively enacted tax rates anticipated to apply in the period that the temporary differences are expected to reverse. Deferred income tax inflows and outflows are subject to estimation in terms of both timing and amount of future taxable earnings. Should these estimates change, the carrying value of income tax assets or liabilities may change.

Grants under Centerra's stock-based compensation plans are accounted for in accordance with the fair-value-based method of accounting. For stock-based compensation plans that will settle through the issuance of equity such as stock options, the fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model, while for the cash-settled stock-based compensation where performance is compared to a market indicator such as the Gold Index, fair value is determined using the Monte Carlo valuation. These valuation models require the input of certain assumptions including expected share price volatility.

Outlook for 2011

Centerra's 2011 consolidated gold production is forecast to be 600,000 to 650,000 ounces. Total cash cost in 2011 is expected to be $460 to $495 per ounce produced. Both production and cash cost guidance are unchanged from the prior guidance disclosed in the Company's news release of February 24, 2011. Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures".

The Kumtor mine is expected to produce 550,000 to 600,000 ounces in 2011. Kumtor's total cash cost for 2011 is expected to be $430 to $460 per ounce produced. Both production and cash cost guidance are unchanged from the prior guidance. It is expected that the higher than anticipated production realized in the first quarter will not continue in future quarters this year. The increased production, resulted from processing the higher than anticipated inventory that had accumulated at the end of the fourth quarter of 2010 along with the higher grades and the associated recovery of gold processed. The Kumtor mill is expected to have a scheduled replacement of the SAG mill feed end liners and the discharge trunnion liners at the beginning of the third quarter which will require the shutdown of the mill for approximately 3 days.

At the Boroo mine, gold production is forecast to be 50,000 ounces and assumes no mining activities at Boroo in 2011. Boroo total cash cost is expected to be $865 per ounce produced in 2011. Both production and cash cost guidance are unchanged from the prior guidance. The 2011 forecast also assumes no production from the Gatsuurt project due to uncertainties with permitting final approvals and regulatory commissioning. The Boroo mill is expected to process the bulk of the remaining direct mill feed stockpiled ore at Boroo until the end of May 2011 with an average grade of approximately 1.44 g/t. For the balance of the year, the Boroo mill is expected to process mostly stockpiled material with grades between 0.76 – 0.87 g/t. At the current reserve gold price assumption of $1,000 per ounce, the Boroo operation could potentially continue to feed the mill for at least a further two years utilizing existing low-grade stockpiles.

Receipt of the final heap leach operating permit would add approximately 3,500 to 4,000 ounces of gold a month. At Gatsuurt, the project is ready to begin production of the oxide ore on receipt of the final approvals and regulatory commissioning. See also "Other Corporate Developments – Mongolia" and other material assumptions set out below.

Centerra's Production and Unit Cost –2011 Forecast as follows:

	Production *Ounces of gold*	**Total Cash Cost** (1) *$ per ounce*
Kumtor	550,000 – 600,000	430 – 460
Boroo	50,000	865
Total Consolidated	600,000 – 650,000	460 – 495

(1) Total cash cost is a non-GAAP measure. See "Non-GAAP Measures".

2011 Exploration Expenditures

Exploration expenditures of $34 million are planned for 2011; the exploration plan is unchanged from the prior guidance. The 2011 program will continue the aggressive exploration work at the Kumtor mine together with an increase in the exploration in the Kumtor district with target definition and drilling programs on the properties acquired in 2010. Planned exploration expenditures in the Kyrgyz Republic are approximately $13 million. In Mongolia $5 million is allocated for target definition and drill programs on the Company's land holdings along the Yeroogol trend and in eastern Mongolia.

In 2011, drilling programs will continue on the Kara Beldyr project in Russia to determine the resource potential of the property. The Kara Beldyr project is a joint venture in which Centerra currently holds an indirect 50% interest. Drilling programs will also continue in Turkey and Nevada. In addition, generative programs will continue in Russia, China, Turkey and the U.S. to increase the pipeline of projects that the Company is developing to meet the longer term growth targets of Centerra.

2011 Capital Expenditures

The capital expenditures for 2011 are estimated to be $213 million, including $38 million of sustaining capital and $175 million of growth capital, which is unchanged from the prior guidance.

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Capital expenditures include:

Projects	2011 Growth Capital ($ millions)	2011 Sustaining Capital ($ millions)
Kumtor mine	170	36
Mongolia	5	1
Corporate	-	1
Consolidated Total	175	38

Kumtor

At Kumtor, during 2011 total capital expenditures are forecast to be $206 million which includes $36 million of sustaining capital. The largest sustaining capital spending will be on the major overhaul maintenance of the heavy duty mine equipment ($19 million), expenditures for the shear key, buttress and tailings dam construction works ($5 million) and for equipment replacement and other items ($12 million).

Growth capital investment at Kumtor for 2011 is forecast to be $170 million primarily for the purchase of seven CAT 789 haul trucks ($21 million), purchase of remaining equipment for the North Wall expansion project ($28 million), pre-strip costs related to the development of the open pit ($63 million) and a waste dump expansion project ($3 million). Also, $52 million is included in growth capital investment for the underground growth capital, of which $40 million has been allocated to advance the two underground declines to continue to develop the SB Zone and Stockwork Zone, as well as, $5 million for delineation drilling and $6 million for capital purchases and other costs in 2011.

Boroo & Gatsuurt (Mongolia)

At Boroo, 2011 sustaining capital expenditures are expected to be $1 million and growth capital is forecast at $5 million primarily for the tailings dam construction to expand the capacity of the Boroo tailings facility to allow treatment of waste.

No capital for the development of the deeper sulphide ores at Gatsuurt has been forecast and will only be invested following successful regulatory commissioning of the Gatsuurt project. The engineering and construction of a bio-oxidation facility to be located at the Boroo mill, which is needed to treat Gatsuurt sulphide ores, will be restarted only after the approval to begin mining at Gatsuurt has been received from the Government of Mongolia.

Corporate Administration

Corporate and administration expenses for 2011 are forecast at $45 million, which is $1 million higher than the prior guidance in the fourth quarter 2010 mainly due to the strengthening of the Canadian dollar against the U.S. dollar.

Taxes

Pursuant to the Restated Investment Agreement, Kumtor's operations are not subject to corporate income taxes. The agreement replaced the prior tax regime applicable to the Kumtor project with a simplified regime effective January 1, 2008. This simplified regime, which assesses tax at 13% on gross revenue (plus 1% for the Issyk-Kul Oblast Development Fund effective January 2009), was approved and enacted by the Parliament of the Kyrgyz Republic on April 30, 2009.

The corporate income tax rate for Centerra's Mongolian subsidiary, Boroo Gold Company is 25% for taxable income over 3 billion Mongolian tugriks (approximately $2.4 million at the 2010 year-end foreign exchange rate) with a tax rate of 10% for taxable income up to that amount.

Production, cost and capital forecasts for 2011 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings "Material Assumptions" and "Caution Regarding Forward-Looking Information" and under the heading "Risk Factors" in the Company's most recently filed AIF.

Sensitivities

Centerra's revenues, earnings and cash flows for the remaining three quarters of 2011 are sensitive to changes in certain variables and the Company has estimated their impact on revenues, net earnings and cash from operations.

	Change	**Impact on** *($ millions)*			
		Costs	**Revenues**	**Cash flow**	**Earnings before income tax**
Gold Price	**$50/oz**	3.1	23.2	20.1	19.6
Diesel Fuel [1]	**10%**	6.2	-	6.2	6.2
Kyrgyz som	**1 som**	1.7	-	1.7	1.7
Mongolian tugrik	**25 tugrik**	0.4	-	0.4	0.4
Canadian dollar	**10 cents**	3.2	-	3.2	3.2

(1) a 10% change in diesel fuel price equals $10/oz produced

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Material Assumptions

Material assumptions or factors used to forecast production and costs for the remaining three quarters of 2011 include the following:

- a gold price of $1,350 per ounce,
- exchange rates:
    - $1USD:$0.99 CAD
    - $1USD:48.50 Kyrgyz som
    - $1USD:1,210 Mongolian tugriks
    - $1USD:0.75 Euro
- diesel fuel price assumption:
    - $0.80/litre at Kumtor
    - $1.05/litre at Boroo

The assumed average diesel price of $0.78/litre at Kumtor does not include a customs export duty imposed by the Russian authorities on the diesel fuel exported to the Kyrgyz Republic in 2010. Russia imposed a customs duty of approximately $194 per tonne on gasoline and diesel fuel exports to the Kyrgyz Republic that went into effect on April 1, 2010. The customs export duty amounted to approximately $0.18/litre or $212.77 per tonne of diesel fuel. While there were public statements that the export duty had been revoked retroactive to January 1, 2011, Kumtor had to pay the customs export duty on some of its purchases of diesel fuel from Russia during the first quarter of 2011. However, towards the end of the quarter, the cost of purchases of diesel fuel did not include the export duty. Based on that, Kumtor's forecast for cash costs has been adjusted to exclude the export duty. Nevertheless, any potential savings from the removal of the customs duty are expected to be fully offset by the increased cost of the diesel fuel as a result of the increase in the price of oil. Should the Russian authorities re-introduce the customs export duty (discussed above) on the diesel fuel exported to the Kyrgyz Republic, the cash costs at Kumtor would be expected to increase by approximately $13 million on forecasted diesel purchases until the end of 2011.

Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was approximately $115 per barrel.

Other important assumptions include the following:

- any recurrence of political and civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine,
- grades and recoveries at Kumtor will remain consistent with the life-of-mine plan to achieve the forecast gold production,
- the dewatering program at Kumtor continues to produce the expected results and the water management system works as planned,

- the remedial plan to deal with the Kumtor waste and ice movement continues to be successful (see "Kumtor Mine – Geotechnical Issues Affecting the Kumtor Open Pit" in the Company's AIF for the year ended December 31, 2010),
- no unplanned delays in or interruption of scheduled production from our mines, including due to civil unrest, natural phenomena, labour, regulatory or political disputes, equipment breakdown or other developmental and operational risks,
- certain issues at Boroo raised by the General Department of Specialized Inspection ("SSIA") concerning state alluvial reserves, the production and sale of gold from the Boroo heap leach facility and other matters will be resolved through negotiation without material adverse impact on the Company, see "Other Corporate Developments - Mongolia",
- no further suspension of Boroo's operating licenses, and
- all necessary permits, licences and approvals are received in a timely manner.

Production and cost forecasts and capital estimates are forward-looking information and are based on key assumptions and subject to material risk factors. If any event arising from these risks occurs, the Company's business, prospects, financial condition, results of operations or cash flows could be adversely affected. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect the Company's business operations, prospects, financial condition, and results of operations or cash flows. See the sections entitled and "Risk Factors" in the Company's most recently filed AIF, available on SEDAR at www.sedar.com and see also the discussion below under the heading "Cautionary Note Regarding Forward-looking Information".

Non-GAAP Measures

This MD&A presents information about total cash cost of production of an ounce of gold and total production cost per ounce of gold for the operating properties of Centerra. Except as otherwise noted, total cash cost per ounce produced is calculated by dividing total cash costs by gold ounces produced for the relevant period. Total production cost per ounce produced includes total cash cost plus depreciation, depletion and amortization divided by gold ounces produced for the relevant period. Total cash cost and total production cost per ounce produced are non-GAAP measures.

Total cash costs include mine operating costs such as mining, processing, administration, royalties and production taxes (except at Kumtor where revenue-based taxes and production taxes are excluded), but exclude amortization, reclamation costs, financing costs, capital development and exploration. Certain amounts of stock-based compensation have been excluded as well. Total production costs includes total cash cost plus depreciation, depletion and amortization. Total cash cost per ounce produced and total production cost per ounce produced have 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 produced and total production cost per ounce produced may enable investors to better understand year-over-year changes in production costs, which in turn affect profitability and cash flow.

TOTAL CASH COST & TOTAL PRODUCTION COST RECONCILIATION (unaudited) ($ millions, unless otherwise specified)		Three months ended March 31, 2011		2010
Centerra:				
Cost of sales, as reported	**$**	**61.8**	$	78.3
Less: Non-cash component		**14.8**		21.3
Cost of sales - Cash component	**$**	**47.0**	$	57.0
Adjust for: Refining fees & by-product credits		**(0.9)**		0.2
Regional Office administration		**4.8**		4.9
Non-operating costs		**-**		0.1
Inventory movement		**16.0**		9.5
Total cash cost - 100%	**$**	**66.9**	$	71.7
Depreciation, Depletion, Amortization and Accretion		**14.8**		21.3
Inventory movement - non-cash		**2.9**		-
Total production cost - 100%	**$**	**84.6**	$	93.0
Ounces poured - 100% (000)		**180.7**		211.1
Total cash cost per ounce	**$**	**370**	$	340
Total production cost per ounce	**$**	**468**	$	441
Kumtor:				
Cost of sales, as reported	**$**	**48.3**	$	63.9
Less: Non-cash component		**11.7**		16.9
Cost of sales - Cash component	**$**	**36.6**	$	47.0
Adjust for: Refining fees & by-product credits		**(0.9)**		0.2
Regional Office administration		**3.3**		3.3
Non-operating costs		**-**		-
Inventory movement		**17.2**		4.4
Total cash cost - 100%	**$**	**56.2**	$	54.9
Depreciation, Depletion, Amortization and Accretion	**$**	**11.7**	$	16.9
Inventory movement - non-cash	**$**	**3.4**	$	(1.3)
Total production cost - 100%	**$**	**71.3**	$	70.5
Ounces poured - 100% (000)		**164.2**		180.6
Total cash cost per ounce	**$**	**342**	$	305
Total production cost per ounce	**$**	**434**	$	391
Boroo:				
Cost of sales (cash), as reported	**$**	**13.5**	$	14.4
Less: Non-cash component		**3.1**		4.4
Cost of sales - Cash component	**$**	**10.4**	$	10.0
Adjust for: Refining fees & by-product credits		**-**		-
Regional Office administration		**1.5**		1.6
Non-operating costs		**-**		0.1
Inventory movement		**(1.2)**		5.1
Total cash cost - 100%	**$**	**10.7**	$	16.8
Depreciation, Depletion, Amortization and Accretion		**3.1**		4.4
Inventory movement - non-cash		**(0.5)**		1.3
Total production cost - 100%	**$**	**13.3**	$	22.5
Ounces poured - 100% (000)		**16.5**		30.5
Total cash cost per ounce	**$**	**645**	$	551
Total production cost per ounce	**$**	**805**	$	739

Qualified Person

The scientific and technical information in this document was prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and was reviewed, verified and compiled by Centerra's geological and mining staff under the supervision of Ian Atkinson, Certified Professional Geologist, Centerra's Senior Vice-President, Global Exploration, who is the qualified person for the purpose of NI 43-101.

Cautionary Note Regarding Forward-Looking Information

This MD&A and the documents referred to herein contain statements which are not statements of current or historical facts and are "forward-looking information" within the meaning of applicable Canadian securities laws. Such forward-looking information involves 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 information. Wherever possible, words such as "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "forecast", "projections", "estimate", "may", "will", "schedule", "potential", "strategy" and other similar expressions have been used to identify forward-looking information. These forward-looking statements relate to, among other things, Centerra's expectations regarding processing the remaining refractory in-situ ore at Boroo through a bio-oxidation facility, the impact of the Water and Forest Law on the Company's Mongolian operations, the timing of the discussion of the Water and Forest Law amendment in the Mongolian Parliament, the application of the Graduated Royalty Fee on the Company's Boroo operations, future growth, results of operations (including, without limitation, future production and sales, and operating and capital expenditures), performance (both operational and financial), business and political environment and business prospects (including the timing and development of new deposits and the success of exploration activities), and opportunities and the discussion under the heading "Outlook for 2011", including the forecasted gold production and cash costs, exploration expenditures and exploration plans.

Although the forward-looking information in this news release reflects Centerra's current beliefs as of the date of this MD&A based on information currently available to management and based upon what management believes to be reasonable assumptions, Centerra cannot be certain that actual results, performance, achievements, prospects and opportunities, either expressed or implied will be consistent with such forward-looking information. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking information.

Material assumptions used to forecast production and costs include those described under the heading Outlook for 2011. Other factors that could cause actual results or events to differ materially from current expectations include, among other things: the sensitivity of the Company's business to the volatility of gold prices; the political risks associated with the Company's operations in the Kyrgyz Republic and Mongolia; the impact of changes in, or more oppressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates; the effect of the November 2010 amendments to the 2006 Mongolian Minerals Law on the royalty payments payable in connection with the Company's Mongolian operations; the effect of the Water and Forest

Law on the Company's operations in Mongolia; the impact of continued scrutiny from Mongolian regulatory authorities; in the Kyrgyz Republic the impact of changes to, or the increased enforcement of, environmental laws and regulations relating to the Company's operations; the Company's ability to replace its reserves; ground movements at the Kumtor Mine; waste and ice movement at the Kumtor Mine; litigation; the accuracy of the Company's reserves and resources estimate; the accuracy of the Company's production and cost estimates; the success of the Company's future exploration and development activities; competition for mineral acquisition opportunities; the adequacy of the Company's insurance; environmental, health and safety risks; defects in title in connection with the Company's properties; the impact of restrictive covenants in the Company's revolving credit facility; the Company's ability to successfully negotiate an investment agreement for the Gatsuurt development property to complete the development of the mine and the Company's ability to obtain all necessary permits and commissions needed to commence mining activity at the Gatsuurt development property; seismic activity in the vicinity of the Company's operations in the Kyrgyz Republic and Mongolia; long lead times required for equipment and supplies given the remote location of the Company's properties; illegal mining on the Company's Mongolian properties; the Company's ability to enforce its legal rights; the Company's ability to accurately predict decommissioning and reclamation costs; the Company's ability to obtain future financing; the impact of current global financial conditions; the impact of currency fluctuations; the effect of recent market conditions on the Company's short-term investments; the Company's ability to attract and retain qualified personnel; the Company's ability to make payments including payments of principal and interest on the Company's debt facilities; risks associated with the conduct of joint ventures; risks associated with the Company's largest shareholder, the Kyrgyz government; and possible director conflicts of interest. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See "Risk Factors" in the Company's most recently filed AIF available on SEDAR at www.sedar.com.

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. Economic and technological factors which may change over time always influence the evaluation of reserves or resources. Centerra has not adjusted mineral resource figures in consideration of these risks and, therefore, Centerra can give no assurances that any mineral resource estimate will ultimately be reclassified as proven and probable reserves.

Centerra's mineral reserve and mineral resource figures are estimates and Centerra can provide no assurances that the indicated levels of gold will be produced or that Centerra will receive the gold price assumed in determining its mineral 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 these mineral reserve and mineral resource estimates are well established and the best estimates of Centerra's management, by their nature mineral reserve and mineral resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences which may ultimately prove unreliable. If Centerra's reserve or reserve estimates for its properties are inaccurate or are reduced in the future, this could have an adverse impact on Centerra's future cash flows, earnings, results or operations and financial condition.

Centerra estimates the future mine life of its operations. Centerra can give no assurance 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.

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this MD&A. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward-looking information. Forward-looking information is as of April 29, 2011. Centerra assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.