Centerra Gold Inc.
Management's Discussion and Analysis ("MD&A")
For the period ended September 30, 2011

The following discussion has been prepared as of November 3, 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 and nine month periods ended September 30, 2011 in comparison with the corresponding periods ended September 30, 2010. This discussion should be read in conjunction with the unaudited interim consolidated financial statements and the notes of the Company for the three and nine month periods ended September 30, 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 included in the 2010 Annual Report, the 2010 Annual Information Form and the condensed consolidated interim financial statements issued for the quarter ended March 31, 2011, which includes the Company's disclosures for its conversion to IFRS. The condensed interim financial statements of Centerra are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. 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 "Cautionary Note Regarding Forward-Looking Information" in this discussion. The Company's 2010 Annual Report and 2010 Annual Information Form are 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 third 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 18 of the Company's September 30, 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 and nine month periods ended September 30, 2011 reflect the Company's 100% interests in the Kumtor and Boroo mines, and the Gatsuurt project.

Highlights

	Three Months Ended Sept 30			Nine Months Ended Sept 30		
Financial and Operating Summary	**2011**	2010	**% Change**	**2011**	2010	**% Change**
Revenue - $ millions	**278.4**	119.9	132%	**772.4**	527.5	46%
Cost of sales - $ millions (1)	**110.5**	94.4	17%	**278.2**	252.6	10%
Net earnings - $ millions	**83.8**	16.9	396%	**291.5**	171.5	70%
Earnings per common share - $ basic and diluted	**0.35**	0.07	400%	**1.23**	0.73	68%
Cash provided by operations - $ millions	**106.1**	(19.2)	653%	**367.2**	139.6	163%
Capital expenditures - $ millions	**37.2**	72.8	(49%)	**158.0**	156.6	1%
Weighted average common shares outstanding - basic (thousands)	**236,126**	235,406	0%	**236,009**	235,088	0%
Weighted average common shares outstanding - diluted (thousands)	**236,413**	235,793	0%	**236,263**	235,431	0%
Average gold spot price - $/oz	**1,702**	1,227	39%	**1,535**	1,178	30%
Average realized gold price - $/oz	**1,705**	1,237	38%	**1,534**	1,163	32%
Gold sold – ounces	**163,283**	96,922	68%	**503,554**	453,558	11%
Cost of sales - $/oz sold (1)	**677**	974	(31%)	**552**	557	(1%)
Gold produced – ounces	**154,936**	96,308	61%	**490,818**	429,075	14%
Total cash cost - $/oz produced(2) (3)	**556**	798	(30%)	**474**	521	(9%)
Total production cost - $/oz produced(2) (3)	**857**	964	(11%)	**649**	648	0%

(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 years exclude production-based and revenue-based taxes.

Three-Month Period Ended September 30, 2011 Compared with the Three-Month Period Ended September 30, 2010

Gold Production and Revenue

Revenue in the third quarter of 2011 increased to $278.4 million from $119.9 million in the same period last year reflecting higher realized gold prices and more ounces sold. Ounces sold for the period totaled 163,283 compared to 96,922 in the third quarter of 2010 while gold production for the quarter was 154,936 ounces compared to 96,308 ounces. The overall increase in gold production in the current quarter of 2011 reflects significant increase in production at Kumtor resulting from increased throughput, lower waste movement, higher ore grades and higher associated recoveries.

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Mining operations at Boroo ceased at the end of November 2010 resulting in lower production in the third quarter of 2011 compared to the same period last year as the mill processed lower grade stockpiled pit and heap leach material. Heap leach operations at Boroo remained idle during the third quarter of 2011 pending issuance of a final operating permit by the government authorities. See “Mine Operations – Kumtor” and “Mine Operations – Boroo and Gatsuurt”.

Centerra realized an average gold price of $1,705 per ounce for the third quarter of 2011, an increase from the $1,234 per ounce realized in the same quarter of 2010. Since Centerra’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 $1,702 per ounce for the third quarter of 2011 ($1,227 per ounce for the same period in 2010).

Cost of Sales

In the third quarter of 2011 consolidated cost of sales was $110.5 million, an increase of $16.1 million or 17% compared to the same quarter of 2010. Cost of sales at Kumtor was $94.9 million, 24% higher than the comparative quarter of 2010 due to increased sales and higher costs for labour, diesel and other consumables. This was partially offset by reduced cost of sales at Boroo due to lower ounces sold and the reduction of costs mainly due to the cessation of mining activities.

Cost of sales for the third quarter of 2011 was also increased by $8.3 million to reflect the settlement reached in the quarter between Kumtor and the Kyrgyz government relating to the Kyrgyz Social Fund as a result of an audit completed during the second quarter of 2011 by the Social Fund as well as employer and employee amounts to September 30, 2011. An amount of $5.8 million was accrued during the second quarter of 2011 bringing the total agreed compensation to be paid to $14.1 million, against which a payment of $1.7 million was made at the end of September 2011. The balance of $12.4 million (which includes amounts for both 2010 and 2011) is expected to be paid by the end of December 2011. See “Other Corporate Developments – Kyrgyz Republic” for further details.

As a result of the IFRS conversion, cost of sales now includes non-cash depreciation, depletion and amortization in addition to operating cash costs related to the product sold in the period. The comparative quarter also reflects this change in treatment. Depreciation, depletion and amortization from mine operations for the third quarter of 2011 increased to $28.0 million from $17.7 million in the third quarter of the prior year. The higher depreciation results from the increased ounces sold and produced in the third quarter of 2011, the expansion of the mining fleet at Kumtor, the depreciation of pre-stripping costs capitalized in 2010 and 2011 from cut-back 12B at Kumtor, partially offset by the impact on depreciation calculated using the units of production method of the additional reserves announced at the end of 2010 at Kumtor. Depreciation, depletion and amortization from mine operations for the third quarter of 2011 was $171 per ounce sold compared to $183 per ounce sold in the same quarter of 2010.

Cost of sales per ounce sold decreased to $677 in the third quarter of 2011 from $974 for the same period in 2010, reflecting the significantly higher sales and production volumes at Kumtor, partially offset by higher operating costs at Kumtor for labour, diesel other consumables and the social fund settlement. Cost of sales per ounce sold is a non-GAAP measure and is discussed under “Non-GAAP Measures”.

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The Company's total cash cost per ounce produced was $556, down from $798 in the third quarter of 2010. This decrease is primarily due to 105% higher production at Kumtor from moving higher grade material and less waste as well as achieving higher recovery of the processed ores, partially offset by higher operating costs at Kumtor and reduced operating levels at Boroo. The settlement with the Kyrgyz Social Fund is not included in the cash cost per ounce calculation for the current quarter of 2011, however the revised basis for the social fund calculation will increase the regular payments going forward which are part of operating costs and the cash cost per ounce calculation. 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 and Gatsuurt".

Exploration

Exploration costs in the third quarter of 2011 increased to $9.1 million from $8.0 million in the same quarter of 2010 mainly reflecting increased drilling activity in Mongolia at the Altan Tsagaan Ovoo (ATO) property and at the Company's other advanced projects. Refer to the Company's July 11, 2011 news release for further details on the Company's drilling activity and results at the ATO property.

Other operating expenses

Other operating expenses for the third quarter of 2011 of $10.0 million represent a contribution by Kumtor for the construction and repair of twenty seven schools throughout the Kyrgyz Republic. There were no other operating expenses reported in the comparative quarter of 2010.

Corporate Administration

Corporate administration costs for the third quarter of 2011 were $14.4 million compared to $16.4 million in the same quarter of 2010. The decrease is primarily due to the impact on share-based compensation from the significant increase in the share price of 42% in the comparative third quarter of 2010 as compared to an increase by half this amount in the current quarter of 2011.

Taxes

Revenue-based Tax Expense

Under the Restated Investment Agreement, Kumtor pays taxes on revenue, at a rate of 13% of gross revenue, with an additional contribution of 1% of gross revenue to the Issyk-Kul Oblast Development Fund. These revenue-based taxes totaled $35.0 million for the third quarter of 2011 compared to $11.5 million for the comparative quarter of 2010, reflecting the increase in revenue from gold sales in the Kyrgyz Republic, as a result of higher ounces sold and higher average realized price in the third quarter of 2011 as compared to the same quarter in 2010.

Income Tax Expense

Income tax expense for the three-month period ended September 30, 2011 totaled $2.5 million compared to $2.6 million for the same period in 2010. These taxes were recorded in the Mongolian

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segment, primarily by Boroo. Boroo's income tax expense in the third quarter of 2011 includes a charge of $0.6 million, resulting from a combination of the movement in the Mongolian Tugrik versus the US dollar and the increase in the underlying future tax liability related to Boroo's monetary and non-monetary items. The income tax rate for Boroo is 25% of taxable income in excess of 3 billion tugriks (about $2.3 million as at the balance sheet date), and 10% for income up to that amount.

Other Item

On July 2, 2010, the Company completed the sale of its interest in the REN project to Homestake Mining Company of California, a subsidiary of Barrick Gold Corporation, for gross proceeds of $35.2 million resulting in a net gain of $34.9 million recorded in the third quarter of 2010.

Net Earnings

Net earnings for the third quarter of 2011 was $83.8 million, or $0.35 per share, compared to $16.9 million or $0.07 per share for the same period in 2010 (after the impact of the other gain of $34.9 million described above), reflecting higher realized gold prices and higher ounces sold and produced at Kumtor, partially offset by an unusual charge of $10 million for special funding of a school improvement program in the Kyrgyz Republic, a settlement with the Kyrgyz Social Fund of $8.3 million and by lower volumes at Boroo.

Capital Expenditures

Capital expenditures spent and accrued of $37.2 million in the third quarter of 2011 included $9.9 million of sustaining capital and $27.3 million invested in growth capital. Growth capital at Kumtor totaled $25.1 million including spending on the SB Zone underground development ($11.4 million), the capitalization of pre-stripping activities ($9.0 million), the commissioning of haul trucks ($1.5 million) and the purchase of drilling equipment and light vehicles ($1.3 million), while at Boroo $2.1 million was spent on raising the tailings dam. Capital expenditures in the comparative quarter of 2010 totaled $34.3 million, consisting of $9.3 million of sustaining capital and $25.0 million of growth capital.

Cash Flow

Cash provided by operations was $106.1 million for the third quarter of 2011 compared to a use of cash from operations of $19.2 million in the same quarter of 2010, primarily reflecting increased earnings as a result of higher gold prices and higher volumes.

Cash used in investing activities in the third quarter of 2011 was $92.5 million reflecting the purchase of $57.4 million of short-term investments and capital additions of $35.1 million. Capital additions include $7.8 million spent on sustaining capital projects and $27.3 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 $7.3 million at Kumtor and $0.6 million at Boroo.

Cash provided by financing activities in the third quarter of 2011 was $1.7 million, representing the proceeds received from the issuance of common shares for the exercise of stock options, whereas $9.9 million was used in financing activities in the comparative quarter of 2010 resulting from the payment of dividends of $13.6 million, partially offset by $3.8 million of proceeds received from the exercise of stock options. In the third quarter of 2010, the Company declared and paid a dividend totaling US$13.6 million.

Nine-Month Period Ended September 30, 2011 Compared with the Nine-Month Period Ended September 30, 2010

Gold Production and Revenue

Revenue for the first nine months of 2011 increased by $244.9 million, or 46%, to $772.4 million compared to $527.5 million in revenue in the same period of 2010 due to higher production levels and an increase in the average spot price of gold. Gold production of 490,818 ounces in the nine months of 2011 was 14% higher than the 429,075 ounces reported in the same period of 2010. Production at Kumtor increased to 444,460 ounces from 339,369 ounces due to higher grades, recoveries and throughput. Boroo recorded lower production in the nine months of 2011 at 46,358 compared with 89,706 from the same period last year due to the processing of lower grade ores from stockpiled pit and heap leach material. Mining operations at Boroo ceased at the end of November 2010. The heap leach process at Boroo remained idle throughput the period awaiting the final operating permit approval. See “Mine Operations – Kumtor” and “Mine Operations – Boroo and Gatsuurt”.

The average realized gold price for the nine months of 2011 was $1,534 per ounce compared to $1,162 per ounce in the same period of 2010 reflecting higher spot prices for gold.

Cost of Sales

Cost of sales in the first nine months of 2011 was $278.2 million, compared to $252.6 million in the same period of 2010. The year over year increase is primarily due to higher operating costs at Kumtor for labour, diesel and other consumables, the settlement of the Kyrgyz Social Fund audit for $14.1 million partially offset by the impact of lower production levels at Boroo as lower grade and lower recovery ores are processed from pit and heap leach stockpiles.

As a result of the IFRS conversion, cost of sales now includes non-cash depreciation, depletion and amortization in addition to operating cash costs related to the product sold in the period. The comparative period also reflects this change in treatment. Depreciation, depletion and amortization from mine operations for the nine months of 2011 increased to $68.1 million from $55.9 million in the same period of 2010. The increase in 2011 primarily results from higher sales volumes, the expansion of the mining fleet at Kumtor and the amortization of pre-stripping costs previously capitalized.

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The Company’s total cash cost per ounce produced for the nine months ended September 30, 2011 was $474 compared to $521 in the same period in 2010. The settlement with the Kyrgyz Social Fund is not included in the cash cost per ounce calculation for the first nine months of 2011, however the revised basis for the social fund calculation will increase the regular payments going forward which are part of operating costs and the cash cost per ounce calculation. Total cash cost per ounce produced is a non-GAAP measure and is discussed under “Non-GAAP Measures”.

Exploration

Exploration costs in the first nine months of 2011 increased to $27.9 million from $20.1 million in the same period of 2010 mainly reflecting increased drilling activity at the Kumtor property and in Mongolia at the ATO property and at the Company’s other advanced projects.

Other operating expenses

Other operating expenses for the first nine months of 2011 of $10.0 million represent a contribution by Kumtor for the construction and repair of twenty seven schools throughout the Kyrgyz Republic. There were no other operating expenses reported in the comparative period of 2010.

Taxes

Revenue-based Tax

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 increased to $98.2 million for the first nine months of 2011 from $58.1 million for the comparative period of 2010, reflecting an increase in revenue from gold sales in the Kyrgyz Republic, as a result of higher ounces sold and higher average realized price in the first nine months of 2011 as compared to the same period in 2010.

Income Tax Expense

Income tax expense for the nine-month period ended September 30, 2011 was $7.2 million compared to $8.4 million for the same period in 2010. The income tax expense for both years was recorded in the Mongolian segment, primarily by Boroo, and reflects a decrease in earnings from the operation. The income tax rate for Boroo is 25% of taxable income in excess of 3 billion tugriks (about $2.3 million as at the balance sheet date), and 10% for income up to that amount.

Other Item

A net gain of $34.9 million was recorded in the first nine months of 2010 as a result of the sale of the REN project.

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Net Earnings

Net earnings in the nine months ended September 30, 2011 were $291.5 million, or $1.23 per share, compared to $171.5 million, or $0.73 per share for the same period in 2010 (after the impact of the other gain of $34.9 million described above), primarily reflecting higher sales and production, partially offset by an unusual charge of $10 million for special funding of a school improvement program in the Kyrgyz Republic, a settlement with the Kyrgyz Social Fund of $14.1 million and by lower volumes at Boroo.

Capital Expenditures

Capital expenditures spent and accrued of $158.0 million in the first nine months of 2011 included $25.6 million of sustaining capital and $132.4 million invested in growth capital mainly for the purchase of new haul trucks, new shovels and new drills at Kumtor ($45.1 million), the capitalization of pre-stripping activities at Kumtor ($45.2 million) and the underground development ($31.9 million). Capital expenditures in the comparative period of 2010 totaled $156.6 million, consisting of $34.6 million of sustaining capital and $122.0 million of growth capital.

Cash Flow

Cash flow provided by operations for the first nine months of 2011 was $367.2 million compared to $139.6 million in the same period of 2010 reflecting higher net earnings. Cash used in investing activities totaled $329.3 million in the first nine months of 2011 compared to $25.6 million used in investing activities in the same period of 2010. Spending in 2011 includes an increase in short-term investments of $183.4 million (redemption of $93.7 million in 2010) and spending on capital projects of $145.3 million ($149.1 million in 2010). The spending on capital projects relates mainly to Kumtor's expansion of its mobile fleet, the capitalization of pre-stripping activities and the underground project.

Cash and cash equivalents and short-term investments were $537.4 million at September 30, 2011, compared to cash and cash equivalents and short-term investments of $413.0 million at December 31, 2010. The Company believes it has sufficient cash to carry out its operational business plan for 2011.

Credit and Liquidity

As at September 30, 2011, the Company had an undrawn revolving credit facility of $150.0 million.

The Company has entered into contracts to purchase capital equipment and operational supplies totaling $117.2 million for its Kumtor operation as at September 30, 2011. This commitment is primarily for the purchase of mobile equipment for future expansion, including 25 CAT 789 haul trucks, 4 drills and 4 shovels totaling approximately $105 million. These contracts are expected to be settled over the next twelve months.

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 $1,620 per ounce on September 30, 2011. For the three months and nine months ending September 30, 2011, the gold price per ounce averaged $1,702 and $1,535 respectively, compared to $1,178 and $1,227 per ounce respectively 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 nine-month period ending September 30, 2011, approximately $320.7 million of operating and capital costs were incurred by Centerra in currencies other than U.S. dollars, including a dividend distribution from retained earnings, out of a total of $699 million in cash outlays. For the first nine months of 2011, the percentage of Centerra's non-U.S. dollar costs, by currency, was on average, as follows: 44% in Canadian dollars, 31% in Kyrgyz soms, 12% in Euro, 11% in Mongolian tugriks and 2% in other currencies. From December 31, 2010 to September 30, 2011, relative to the US dollar, the Canadian dollar appreciated by 2.0%, the Kyrgyz som appreciated by 2.0%, the Euro appreciated by 4.8% and the Mongolian tugrik appreciated by 1.3%. The estimated net impact of these movements over the nine-month period to September 30, 2011 has been to increase costs by approximately $6.9 million.

Asset Retirement Obligations

The total future asset retirement obligations (ARO) 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 $43.4 million as at September 30, 2011 (December 31, 2010 - $40.4 million). During the first nine months of 2011, Kumtor completed the regular update to its closure study which resulted in an increase of $4.6 million based on the net present value of its obligation which now totals $26.9 million (December 31, 2010 - $22.1 million). The expenditures under this obligation are expected to be made over the 2011 to 2022 period, subject to further extension of mine life. 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.

The regular update of Boroo's closure study is on-going and will be completed in the fourth quarter of 2011. Boroo's ARO provision will be updated in the fourth quarter to reflect the results of the study.

Share capital and share options

As of November 3, 2011, Centerra had 236,307,533 common shares issued and outstanding. In addition, at the same date, the Company had 783,957 share options outstanding under its share option plan with exercise prices between Cdn$4.81 and Cdn$22.28 per share, and with expiry dates between 2014 and 2019.

Gold hedges

The Company had no gold hedges in place in the third 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 Sept 30			Nine Months Ended Sept 30		
Kumtor Operating Results	**2011**	2010	**% Change**	**2011**	2010	**% Change**
Gold sold – ounces	**146,765**	66,490	121%	**457,597**	358,461	28%
Revenue - $ millions	**250.3**	82.2	205%	**701.4**	415.3	69%
Average realized gold price – $/oz	**1,705**	1,237	38%	**1,533**	1,159	32%
Cost of sales - $ millions (1)	**94.6**	76.5	24%	**235.8**	200.3	18%
Cost of sales - $/oz sold (1)	**645**	1,151	(44%)	**515**	559	(8%)
Tonnes mined - 000s	**38,702**	30,714	26%	**113,480**	86,905	31%
Tonnes ore mined – 000s	**2,889**	774	273%	**4,925**	2,953	67%
Average mining grade - g/t (2)	**3.05**	1.89	61%	**3.43**	3.51	(2%)
Tonnes milled - 000s	**1,429**	1,390	3%	**4,365**	4,290	2%
Average mill head grade - g/t (2)	**4.01**	1.57	155%	**3.79**	3.10	22%
Recovery - %	**80.2**	73.4	9%	**81.8**	76.4	7%
Gold produced – ounces	**141,217**	68,757	105%	**444,460**	339,369	31%
Total cash cost - $/oz produced (3) (4)	**533**	887	(40%)	**454**	512	(11%)
Total production cost - $/oz produced (3) (4)	**850**	1,065	(20%)	**632**	626	1%
Capital expenditures - $ millions	**34.4**	70.3	(51%)	**152.3**	133.2	14%
Boroo Operating Results						
Gold sold – ounces	**16,518**	30,432	(46%)	**45,957**	95,097	(52%)
Revenue - $ millions	**28.1**	37.7	(25%)	**71.0**	112.2	(37%)
Average realized gold price - $/oz	**1,702**	1,237	38%	**1,545**	1,180	31%
Cost of sales - $ millions (1)	**15.9**	17.9	(11%)	**42.5**	52.2	(19%)
Cost of sales - $/oz sold (1)	**963**	588	64%	**925**	549	68%
Total Tonnes mined - 000s	-	2,578	(100%)	-	9,641	(100%)
Average mining grade (non heap leach material) - g/t (2)	-	1.47	(100%)	-	1.32	(100%)
Tonnes mined heap leach – 000s	-	143	(100%)	-	1,498	(100%)
Tonnes ore mined direct mill feed -000’s	-	201	(100%)	-	2,074	(100%)
Tonnes ore milled - 000s	**605**	594	2%	**1,711**	1,832	(7%)
Average mill head grade - g/t (2)	**0.95**	1.97	(52%)	**1.20**	1.98	(39%)
Recovery - %	**72.8**	69.8	4%	**67.9**	72.6	(6%)
Gold produced – ounces	**13,719**	27,551	(50%)	**46,358**	89,706	(48%)
Total cash cost - $/oz produced (3)	**798**	575	39%	**664**	558	19%
Total production cost - $/oz produced (3)	**927**	715	30%	**807**	732	10%
Capital expenditures - $ millions (Boroo)	**2.7**	3.5	(23%)	**5.2**	6.9	(25%)
Capital expenditures - $ millions (Gatsuurt)	**0.1**	1.3	(92%)	**0.3**	16.3	(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 years are shown excluding operating and revenue-based taxes.

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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 8.2 million ounces of gold. During the third quarter 2011, Kumtor experienced three recordable injuries and eight level I environmental incidents (non-reportable).

In accordance with the mine plan, the focus at Kumtor for the first nine months of 2011 was the removal of ice and waste material from the high wall associated with the SB Zone and completing the stripping work necessary to access the higher grade material from cut-back 12B and 14A. Ore from cut-back 12B was uncovered in May 2011 and as a result, Kumtor began amortizing the pre-stripping costs previously capitalized. During the third quarter of 2011, Kumtor milled a combination of ore from cut-back 12B and higher grade material mined in the first half of 2011 and stockpiled material which was built-up during the fourth quarter 2010. As experienced in the same quarter of 2010, Kumtor had to manage an increased flow of ice on the southwest high wall. To ensure continued safe mining, a 75 meter step-in was designed and implemented in the 12B cut-back that allowed mining to continue safely. The impacted tonnage will be removed as part of the next cut back in future quarters.

In addition and similar to the comparative quarter of 2010, Kumtor managed the inflow of melt waters during the warmer period of this year (second and third quarters 2011). A permanent water pumping facility is planned as part of the future pit operation to effectively and efficiently dewater the pit.

Mine operations has received, as planned, 36 new larger CAT 789 haul trucks, 4 Liebherr shovels and 2 larger capacity drills as of the end of September 2011 and the production increased accordingly to record levels. Kumtor has achieved the continuous mining rate of 500,000 tonnes per day as planned in the 2011 mine plan.

The underground development at Kumtor continued in the third quarter of 2011 with a total advance of 503 metres. Year-to-date total development advance is 1394 metres. Decline #1 (SB Zone decline) advanced 260 metres in the third quarter and is now approximately 1.7 kilometres in length out of a total planned development of 2.6 kilometres. Decline #2 advanced 157 metres in the third quarter towards the SB Zone and totals 964 metres in length out of a total planned development of 1.8 kilometres. The Stockwork Drive advanced 86 metres in the third quarter to a total length of 515 metres enabling further delineation drilling.

Three-Month Period Ended September 30, 2011 Compared with the Three-Month Period Ended September 30, 2010

Revenue and Gold Production

Revenue in the third quarter of 2011 increased to $250.3 million from $82.2 million in the comparative quarter of 2010, primarily as a result of higher sales volumes (146,765 ounces in the third quarter of 2011 compared to 66,490 ounces in the third quarter of 2010) and an increased average realized gold price. The average realized price in the third quarter of 2011 was $1,705 per ounce compared to $1,237 per ounce in the same quarter of 2010.

Total tonnes mined in the third quarter of 2011 were 38.7 million tonnes compared to 30.7 million tonnes in the comparative quarter of 2010. The amount of waste material moved increased by 5.9 million tonnes (20%), while ore mined increased by 2.1 million tonnes (273%) as the operations reached the ore body from cut-back 12B at the end of May. This represents an additional 8.0 million tonnes (26%) of ore and waste moved compared to the same quarter in 2010. The major factor for this increase year over year was the larger mining fleet which increased by 36 CAT 789 trucks and 4 Liebherr shovels and 2 larger Sandvik DR460 drills. During the quarter the last of the CAT 789 haul trucks previously ordered was commissioned.

Kumtor produced 141,217 ounces of gold in the third quarter of 2011 compared to 68,757 ounces of gold in the comparative quarter of 2010. The increase in production resulted from higher ore mill head grades and recoveries as well as the increased capacity of the fleet. Mill head grades for the third quarter of 2011 were 4.01 g/t with a recovery of 80.2%, versus 1.57 g/t and a recovery of 73.4% for the same quarter in 2010. Tonnes processed were 1,429,351 versus 1,390,015 or 2.8% higher than the same period in 2010 as a result of greater mill operating time due to the planned mill shutdown which was required to replace the ring gear and the SAG mill liners in the comparative period. The majority of the mill feed processed for the third quarter 2011 included ore sourced from cut-back 12B which resulted in the higher head grade and recovery for the quarter.

Cost of Sales

Cost of sales at Kumtor in the third quarter 2011 were $94.6 million compared to $76.5 million in the same quarter of 2010. This is an increase of $18.1 million or 24% compared to the same quarter in 2010, primarily due to the increase in ounces sold in the current quarter of 2011 and increased operating and depreciation costs associated with the larger mining fleet and amortizing the pre-stripping costs from cutback 12B. This was partially offset by a buildup of inventories in the third quarter of 2011, which classified a significant amount of mining and mining related depreciation costs in inventory.

Cost of sales for the third quarter of 2011 was also increased by $8.3 million to reflect the settlement reached in the quarter between Kumtor and the Kyrgyz Social Fund as a result of an audit completed during the second quarter of 2011 by the Social Fund as well as employer and employee amounts to September 30, 2011. An amount of $5.8 million had been accrued during the second quarter bringing the total agreed to $14.1 million for 2010 and the nine months ended September 30, 2011. A payment of $1.7 million was made at the end of September 2011 and the balance is expected to be paid by the end of December 2011. See “Other Corporate Development – Kyrgyz Republic” for further details.

As a result of the IFRS conversion, cost of sales now includes non-cash depreciation, depletion and amortization in addition to operating cash costs related to the product sold in the period. The comparative quarter also reflects this change in treatment. Depreciation, depletion, and amortization increased by $11.6 million over the same quarter in 2010. This increase is predominantly due to the increased depreciation of the expanded mining fleet, higher volumes sold and the amortization of the pre-stripping costs from cut-back 12B. This was partially offset by a buildup of inventories in the third quarter of 2011, which classified a significant amount of mining related depreciation costs in inventory and the additional reserves announced at the end of 2010 at Kumtor, which reduced the charge in the third quarter 2011 from the assets depreciated on a unit of production basis.

Operating cash costs at Kumtor increased by $21.1 million before the capitalization of $6.5 million for pre-stripping activities (net amount of $14.6 million) for the third quarter of 2011 compared to the same quarter of 2010. This variance can be explained as follows:

Mining costs for the third quarter of 2011 were $48.5 million, an increase of $13.0 million or 37% compared to the same quarter in 2010. This increase reflects the higher mining rate achieved during the third quarter of 2011 where 26% more tonnes of waste and ore were moved with Kumtor’s expanded mining fleet. Increased operating costs result from the new collective agreement with the unionized workforce signed in October 2010 ($4.9 million), increased mining activity resulting in greater consumption of diesel ($4.4 million including a $1.3 million effect due to the price per litre increasing from US$0.62 to US$0.67 cents), explosives and blasting materials ($0.8 million of which $0.7 million is a result of a higher purchase price), higher maintenance, tire and lubricant costs due to the expanded fleet ($1.3 million), equipment rental costs ($0.5 million) and other increases totaling $0.8 million.

Milling costs for the third quarter of 2011 were $17.4 million, an increase of $4.5 million or 35% compared to the third quarter of 2010. This was primarily due to an increase in labour costs ($0.9 million), higher cyanide consumption due to the ore type and higher mill feed grade ($0.7 million), higher maintenance material costs as a result of the shutdown in the third quarter as opposed to the second quarter in the comparative period ($0.5 million), electricity ($0.4 million), higher consumables for grinding media, carbon and lime ($0.8 million) and other cost increases ($1.2 million).

Site administration costs for the third quarter of 2011 were $12.2 million, an increase of $3.6 million or 42% compared to the same quarter of 2010. This was primarily due to an increase in labour costs ($1.8 million), road service costs due to additional waste dumps ($0.8 million), insurance ($0.7 million) and contractors ($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 buildup or drawdown of inventories during the periods presented.

Total cash cost per ounce produced in the third quarter 2011 decreased by $354 to $533 per ounce compared to $887 per ounce for the same period in 2010 as a result of 105% higher production due

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to the higher grades and recovery, which decreased cash costs by $562 per ounce, partially offset by the higher operating costs reflecting rising cost pressure for fuel and labour, which increased cash costs by $208 per ounce. The company's production in the comparative period of 2010 was significantly lower due to processing low grade stockpiles as mining focused on concluding the waste stripping and exposing consistent ore in cutback 12A. The settlement with the Kyrgyz Social Fund is not included in the cash cost per ounce calculation for the current quarter of 2011, however the revised basis for the social fund calculation will increase the regular payments going forward which are part of operating costs and the cash cost per ounce calculation. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Cost of sales per ounce sold for the third quarter of 2011, which now includes the impact of depreciation, depletion and amortization, decreased to $645 per ounce compared to $1,151 per ounce for the same period in 2010. The decrease year over year reflects the mining of higher grade material and the movement of less waste in the third quarter of 2011, resulting in higher sales volume at a lower per ounce cost. The third quarter of 2011 was also impacted by a build-up of gold in broken ore inventory that classified a significant amount of mining cost as inventory, while the inventory in the comparative quarter of 2010 was drawn down which released higher mining costs previously classified as inventory. The increase in depreciation, depletion and amortization per ounce sold was due to an expanded asset base, and was offset by the previously explained movements in the broken ore inventory.

Kumtor Regional Administration

Bishkek administration costs for the third quarter 2011 were $4.2 million. This is an increase of $0.2 million (4%) compared to the same quarter of 2010, primarily due to an increase in labour costs.

Exploration

Exploration costs at Kumtor for the third quarter of 2011 were $3.5 million which is similar to the same quarter of 2010. Exploration activity in the quarter focused on regional surface work and drilling within the Central Pit, North East, Sarytor, South West, Akbel and regional exploration.

Capital Expenditures

Capital expenditures spent and accrued in the third quarter of 2011 were $34.3 million compared to $70.3 million in the same quarter of 2010. The current quarter 2011 expenditure consisted of $9.3 million of sustaining capital, predominantly spent for the major overhaul program for heavy duty equipment ($4.7 million), the tailings dam lift ($2.7 million), light vehicles replacement ($0.6 million) and numerous other projects ($1.3 million). Growth capital investment totaled $25.0 million which was mainly spent on underground development phase I and II ($11.4 million), pre-stripping capitalization ($9.0 million), commissioning of new CAT 789 haul trucks ($1.5 million), purchase of drilling equipment ($0.7 million), purchase of light vehicles ($0.6 million), dewatering pumps for the underground ($0.6 million), Stockwork delineation drilling ($0.4 million) and numerous other projects ($0.8 million).

Nine-Month Period Ended September 30, 2011 Compared with the Nine-Month Period Ended September 30, 2010

Revenue and Gold Production

Revenue for the first nine months of 2011 increased to $701.4 million from $415.3 million in the comparative period of 2010, as a result of both higher sales volumes and average realized price for gold. Gold sales for the period were 457,597 ounces at an average realized price of $1,533 for the nine months of 2011 compared to 358,461 ounces at an average realized price of $1,159 in the comparative period of 2010. The higher average realized gold price per ounce is due to higher gold spot prices.

Kumtor produced 444,460 ounces of gold for the nine months of 2011 compared to 339,369 ounces of gold in the same period of 2010, resulting primarily from more consistent and higher feed grades and higher recovery. The ore grade averaged 3.79 g/t with a recovery of 81.8% for the nine month period of 2011, compared to 3.10 g/t with a recovery of 76.4% in the same period of 2010. Feed grades during the same period in 2010 saw high grades in the first quarter with decreasing grades in both the second and third quarter, while in 2011, the metallurgical feed grade was very constant which had positive results on the average recovery.

Cost of Sales

Cost of sales at Kumtor for the first nine months of 2011 was $235.8 million compared to $200.3 million in the same period of 2010. This is an increase of $35.4 million or 18% compared to the first nine months of 2010 primarily as a result of the 28% higher sales volumes and the increased operating costs compared to the same period in 2010.

Cost of sales for the first nine months of 2011 was also increased by $8.3 million to reflect the settlement reached in the third quarter between Kumtor and the Kyrgyz Social Fund as a result of an audit completed during the second quarter of 2011 by the Social Fund as well as employer and employee amounts to September 30, 2011. An amount of $5.8 million had been accrued during the second quarter of 2011 bringing the total settlement to $14.1 million for 2010 and the nine months ended September 30, 2011. A payment of $1.7 million was made at the end of September 2011 and the balance is expected to be paid by the end of December 2011. See "Other Corporate Development – Kyrgyz Republic" for further details.

As a result of the IFRS conversion, cost of sales now includes non-cash depreciation, depletion and amortization in addition to operating cash costs related to the product sold in the period. The comparative period also reflects this change in treatment. Depreciation, depletion, and amortization increased by $17.4 million in the first nine months of 2011 over the same period in 2010. This increase is predominantly due to the increased depreciation of the expanded mining fleet, higher volumes sold and the amortization of the pre-stripping costs from cut-back 12B which started in May 2011 when ore was first released. This was partially offset by a buildup of inventories in the third quarter of 2011, which classified a significant amount of mining related depreciation costs in inventory and the additional reserves announced at the end of 2010 at Kumtor, which reduced the charge in the third quarter 2011 from the assets depreciated on a unit of production basis.

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Operating cash costs at Kumtor increased by $63.0 million before the capitalization of $33.4 million for pre-stripping activities (net amount of $29.6 million) for the first nine months of 2011 compared to the same period in 2010. This variance can be explained as follows:

Mining costs for the first nine months of 2011 were $144.6 million, an increase in costs of $48.3 million or 50% compared to the same period in 2010. The cost increase reflects the higher mining rate achieved during the first nine months of 2011 where 31% more tonnes of waste and ore were moved with Kumtor's expanded mining fleet. The increased mining activity resulted in increased costs for diesel ($22.3 million) including a $13.2 million effect due to the price increasing from US$0.56 to US$0.76 cents per litre, an increase in labour costs as a result of a new collective agreement with the unionized workforce signed in October 2010 ($12.8 million), higher cost of explosives and blasting accessories ($5.3 million) of which $2.5 million is a result of a higher purchase price, higher maintenance, tire and lubricant costs due to the expanded fleet ($4.0 million), equipment rental ($1.0 million), camp catering ($0.6 million), dewatering costs ($0.5 million)and other expenses ($1.8 million).

Milling costs for the first nine months of 2011 were $47.1 million, an increase of $6.1 million or 15% when compared to the same period in 2010. This was primarily due to an increase in labour costs ($2.3 million), grinding media due to higher purchase price ($0.8 million), cyanide consumption ($0.8 million), electricity ($0.5 million) and other cost increases ($1.7 million).

Site administration costs for the first nine months of 2011 were $33.8 million, an increase of $8.5 million or 34% when compared to the same period in 2010. This was primarily due to an increase in labour costs ($4.9 million), road service costs due to additional waste dumps and increased cost of equipment ($1.2 million), diesel ($0.8 million), food and camp supplies ($0.7 million), insurance ($0.6 million), maintenance materials and equipment rental ($0.9 million), partially offset by lower camp catering costs.

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 nine months of 2011 decreased by $60 to $454 per ounce compared to $512 per ounce for the same period in 2010 as a result of 12% higher production due to the higher grades and recovery, which decreased cash costs by $140 per ounce, partially offset by the higher operating costs described above which increased cash costs by $80 per ounce. The settlement with the Kyrgyz Social Fund is not included in the cash cost per ounce calculation for the first nine months of 2011, however the revised basis for the social fund calculation will increase the regular payments going forward which are part of operating costs and the cash cost per ounce calculation. 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, for the first nine months of 2011 decreased to $515 per ounce sold compared to $559 per ounce sold for the same period in 2010. The decreased cost of sales per ounce sold reflects higher production levels partially offset by higher operating costs and depreciation.

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Kumtor Regional Administration

Bishkek administration costs for the first nine months of 2011 were $12.2 million, $1.6 million or 15% higher than the same period in 2010, primarily due to an increase in labour costs as a result of a new collective agreement with the unionized workforce signed in October 2010.

Exploration

Exploration costs for the first nine months of 2011 were $10.7 million, $2.7 million or 35% higher than the same period of 2010, reflecting increased drilling activity. As a result, additional costs were incurred for national, contractor and expatriate labour costs ($1.8 million), drilling consumables ($0.4 million), dozer usage for constructing access roads ($0.3 million) and regional exploration ($0.3 million).

Capital Expenditures

Capital expenditures spent and accrued in the first nine months of 2011 were $152.3 million compared to $133.2 million in the same period of 2010. This included $24.4 million of sustaining capital, predominantly spent on the major overhaul program for heavy duty equipment ($15.8 million), tailings dam lift ($4.1 million), pit dewatering system ($0.9 million), Balykchy Marshalling Yard relocation ($0.9 million), replacement of light vehicles ($0.8 million) and numerous other projects ($1.9 million). Growth capital investment of $127.8 million was spent on pre-strip capitalization ($45.2 million, including non-cash component of $11.8 million), purchase of new CAT 789 haul trucks ($36.6 million), underground development phase I and II ($31.9 million), purchase of Liebherr shovels ($6.0 million), waste rock dump buttress ($2.3 million), purchase of other mobile equipment ($1.3 million), purchase of drilling equipment ($1.2 million), Stockwork delineation drilling ($0.9 million) purchase of dewatering pumps ($0.6 million), and numerous other projects ($1.8 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 1.57 million ounces of gold since beginning of operation in 2004. During the third quarter of 2011, there were no recordable 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 had been scheduled for transfer to the Gatsuurt mine. 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 with an average grade of 0.95 g/t during the third quarter of 2011.

Three-Month Period Ended September 30, 2011 Compared with the Three-Month Period Ended September 30, 2010

Revenue and Gold Production

Revenue in the third quarter of 2011 decreased to $28.1 million from $37.7 million in the third quarter of 2010 due to 46% lower ounces sold (16,518 in the third quarter of 2011, compared to 30,432 ounces sold in the same period of 2010) which was partially offset by an increase in the realized gold price. The average realized gold price per ounce in the third quarter of 2011 was $1,702 compared to $1,237 in the same period of 2010.

Boroo produced 13,719 ounces of gold in the third quarter of 2011 compared to 27,551 ounces of gold in the third quarter of 2010. The milling operation processed low grade and low recovery ore stockpiled from the pit and heap leach operation during the third quarter 2011. The milling ore grade averaged 0.95 g/t with a recovery of 72.8% in the third quarter of 2011, compared to 1.97 g/t with a recovery of 69.8% in the same quarter of 2010.

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. See “Other Corporate Developments- Mongolia”.

Cost of Sales

Cost of sales, which now includes non-cash depreciation, depletion and amortization associated with the ounces sold, decreased by $2.0 million in the third quarter of 2011 to $15.9 million compared to the same period of 2010, mainly as a result of lower ounces sold and lower operating costs.

Depreciation, depletion and amortization from operations in the third quarter 2011 totaled $2.9 million, a decrease of $1.4 million or 32% compared to the same period in 2010. The reduction results mainly from the lower sales and production volumes in the third quarter of 2011. In addition pit 3 pre-stripping was fully amortized by the end of the third quarter of 2010.

Operating cash costs at Boroo decreased by $4.5 million compared to the same period in 2010. This variance is explained as follows:

Mining costs for the third quarter 2011 were $0.4 million, $3.4 million or 90% lower than the same quarter in 2010, as mining operations ceased at the end of November 2010. The mining costs incurred in the third quarter of 2011 represent continuing activities for site supervision, road maintenance work and maintenance on equipment used on the tailings dam construction and reclamation requirements.

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Milling costs for the third quarter 2011 were $5.7 million, $0.4 million or 7% higher than the same quarter in 2010. This is primarily the result of $0.3 million higher electricity cost incurred in the third quarter of 2011 caused by a 28% increase in the price per kilowatt hour.

Costs for heap leaching activities were $0.5 million in the third quarter of 2010 or 94% lower in the same period in 2011.Stacking and crushing activities were suspended in August 2010 pending issuance of the operating permit.

Site administration costs for the third quarter of 2011 were $1.7 million, $0.5 million or 23% lower than the same quarter in 2010. This is mainly due to lower camp catering costs incurred as a result of the reduced manpower residing at the mine site, since mining operation ceased in November 2010. Additionally, insurance premiums were lower compared to the third quarter of 2010.

Royalties decreased by $0.5 million in the third quarter of 2011 primarily due to lower sales as compared to the same period in 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 third quarter 2011 was $798 compared to $575 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 $963 in the third quarter 2011 compared to $588 for the same period in 2010 reflecting the lower ounces sold and the completion of pre-strip capitalization during the third quarter of 2010.

Boroo Regional Administration

Boroo regional administration costs for the third quarter 2011 were $1.7 million, $0.3 million or 17% lower than the same quarter in 2010, mainly due to lower payroll related costs and lower spending of social development funds due to timing.

Exploration

Exploration expenditures in Mongolia increased to $2.3 million in the third quarter of 2011 from $2.2 million in the same period of 2010, reflecting additional drilling on the Altan Tsagaan Ovoo property in northeast Mongolia.

Capital Expenditures

Capital expenditures spent and accrued at Boroo in the third quarter of 2011 decreased to $2.7 million from $3.5 million in the same period of 2010, mainly as a result of lower mobile equipment component change-outs following the completion of mining activities at the end of November 2010.

At Gatsuurt, minimal expenditures were incurred in the third quarter 2011 compared to the same quarter in 2010 where $1.3 million was invested in road building and site development, both of which were completed in the second half of 2010.

Nine-Month Period Ended September 30, 2011 Compared with the Nine-Month Period Ended September 30, 2010

Revenue and Gold Production

Revenue in the first nine months of 2011 decreased to $71.0 million from $112.2 million in the same period of 2010 primarily as a result of 52% lower ounces sold (45,957 in the first nine months of 2011, compared to 95,097 ounces sold in the same period of 2010) which was partially offset by an increase in the realized gold price. The average realized gold price per ounce in the first nine months of 2011 was $1,545 compared to $1,180 in the same period of 2010

Boroo produced 46,358 ounces of gold in the first nine months of 2011 compared to 89,706 ounces of gold in the same period of 2010. During the first nine months of 2011, the milling operation processed lower ore grades with low recovery from stockpiled material from the pit and heap leach operation. The ore grade averaged 1.20 g/t with a recovery of 67.9% in the first nine months of 2011, compared to 1.98 g/t with a recovery of 72.6% in the same period of 2010.

The heap leach operation remained idle in the first nine months of 2011, pending issuance of the final permit by the Mongolian government authorities. The Company continues to work with the Mongolian authorities to obtain the final heap leach operating permit. See “Other Corporate Developments- Mongolia”.

Cost of Sales

Cost of sales, which now includes non-cash depreciation, depletion and amortization associated with the ounces sold, decreased by $9.8 million in the first nine months of 2011 to $42.5 million compared to the same period of 2010, mainly as a result of lower sales and production volumes.

Depreciation, depletion and amortization from operations in the first nine months of 2011 totaled $8.9 million, a decrease of $5.3 million or 37% lower than the same period in 2010. The reduction results mainly from the lower sales and production volumes in the first nine months of 2011. In addition pit 3 pre-stripping was fully amortized by the end of the third quarter of 2010.

Operating cash costs at Boroo decreased by $18.6 million over the first nine months of 2011. This decrease can be explained as follows:

Mining costs for the first nine months of 2011 were $1.2 million, $13.9 million or 92% lower than the same period in 2010, as a result of the completion of mining activities at the end of November 2010. The mining costs incurred in the first nine months of 2011 represent continuing activities for

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site supervision, road maintenance work and maintenance on equipment used on the tailings dam construction and reclamation requirements.

Milling costs for the first nine months of 2011 were $15.4 million, $0.4 million or 3% lower than the same period in 2010. Lower payroll and maintenance related costs were offset by higher electricity costs due to a 28% increase in the unit price per kilowatt hour from the second quarter of 2011.

Costs for heap leaching activities were $1.6 million lower than the same period in 2010, as stacking and crushing activities were suspended during the second quarter of 2010 pending issuance of the operating permit.

Site administration costs for the first nine months of 2011 were $5.5 million, a decrease of $0.6 million as compared to the same period in 2010. This is mainly due to lower camp catering costs incurred as a result of the reduced manpower residing at the mine site, since mining operation ceased in November 2010. Additionally, insurance premiums were lower as compared to the first nine months of 2010.

Royalties decreased by $2.0 million, primarily due to lower sales in the first nine months of 2011 compared to the same period in 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 nine months of 2011 was $664 compared to $558 per ounce for the same period in 2010. The increase in the unit cash cost per ounce resulted from the lower ounce production, partially offset by decreased operating 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 $925 in the first nine months of 2011 compared to $549 for the same period in 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 in the first nine months of 2011 were $4.7 million, $0.6 million or 12% lower than the same period in 2010. This is mainly due to lower payroll related costs incurred and less spending for contractors and consultants.

Exploration

Exploration expenditures in Mongolia increased to $7.2 million in the first nine months of 2011 from $4.9 million in the same period of 2010 reflecting significant additional drilling performed on the Altan Tsagaan Ovoo (ATO) property in northeast Mongolia.

Capital Expenditures

Capital expenditures spent and accrued at Boroo in the first nine months of 2011 decreased to $5.2 million compared to $6.9 million in the same period of 2010, mainly due to lower mobile equipment component change outs as a result of the completion of mining activities in November 2010. At Gatsuurt, $0.3 million was spent in the first nine months of 2011 mainly for contractors' costs, as compared to the first nine months of 2010 when $16.3 million was invested on road building and site development.

Other Financial Information – Related Party Transactions

Kyrgyzaltyn 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 paid and accrued by Kumtor Gold Company ("KGC"), a subsidiary of the Company, to Kyrgyzaltyn 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 September 30**		**Nine months ended September 30**	
	2011	**2010**	**2011**	**2010**
Management fees paid by KGC to Kyrgyzaltyn	**147**	**66**	**458**	**358**
Gross gold and silver sales from KGC to Kyrgyzaltyn	**250,982**	**82,547**	**703,668**	**416,952**
Deduct: refinery and financing charges	**(706)**	**(331)**	**(2,292)**	**(1,629)**
Net sales revenue received by KGC from Kyrgyzaltyn	**250,277**	**82,216**	**701,376**	**415,323**

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. Based on movements of Centerra's share price, and the value of individual or unsettled gold shipments, over the course of the three months and nine months ended September 30, 2011, the maximum exposure reflecting the shortfall in the value of the security as compared to the value of any unsettled shipments, was nil and $44.8 million over these periods respectively.

As at September 30, 2011, Kumtor had an amount of $43.1 million receivable from Kyrgyzaltyn (December 31, 2010 - $89 million). Subsequent to September 30, 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, increased gold production at Kumtor and increasing cash costs. Non-cash costs have also progressively increased in the first three quarters of 2011 as depreciation at Kumtor grew with its expanded capital fleet, the amortization of capitalized stripping and with higher production levels. Cost of sales in the second and third quarters of 2011 included a charge for the settlement of the Kyrgyz Social Fund audit totaling $14.1 million. In the first quarter of 2011 cost of sales was reduced due to the processing of low cost ore stockpiled in the fourth quarter of 2010 when Kumtor accessed and mined high grade material from the central pit. Cost of sales was also impacted by higher costs of labour and diesel in the second and third quarters of 2011. Other charges for Kumtor in the third quarter of 2011 include $10 million for special funding of a school improvement program in the Kyrgyz Republic, while Boroo committed to funding and accrued for the construction of a maternity hospital totaling $8 million in the fourth quarter of 2010. The results for the third quarter of 2010 include the gain on sale of the REN exploration property of $34.9 million. The quarterly financial results for the last eight quarters are shown below:

$ millions, except per share data	**2011**			**2010 (1)**				**2009 (2)**
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	278	244	250	323	120	152	255	324
Net earnings (loss)	84	71	137	151	17	30	124	140
Earnings (loss) per share (basic and diluted)	0.35	0.30	0.58	0.64	0.07	0.13	0.53	0.60

(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, Mongolia and Canada. Except for the Kyrgyz Republic Social Fund matter (as discussed below), no significant changes have occurred on these matters since the Company's most recent interim disclosure documents published on July 28, 2011.

Kyrgyz Republic

The Company's Kyrgyz Republic 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 Kumtor of its position that Kumtor should pay contributions to the Social Fund not only in respect of base wages but also in respect of the premium compensation that it is required to pay employees for work at high-altitude. The position of the Social Fund is inconsistent with its past practices and with prior audits of Kumtor. Following the most recent audit in respect of the 2010 operating year and completed at the end of June 2011, the Social Fund issued an act (assessment) for approximately $6.7 million for the 2010 period. This amount includes a portion assessed on the employer and an amount assessed on Kumtor's employees.

Kumtor filed a claim in September 2011 to invalidate the assessment, however, withdrew this claim upon reaching an agreement with the Social Fund to voluntarily pay the $6.7 million assessment without penalties, fines and financial sanctions and to apply the social fund contribution to the high altitude premium. The assessment for the 2010 year is to be paid in four equal installments by December 31, 2011. Kumtor has paid $1.7 million during the third quarter 2011 and accrued $12.4 million which covers the remaining balance owed on the 2010 assessed year and the amount owed for the first nine months of 2011. Going forward, Kumtor has agreed to pay contribution to the Social Fund in respect of the high-altitude premium, a portion of which will be paid by the employer and a portion of which will be paid by its employees.

Mongolia

Except as set out expressly below, matters referred to in the Company's most recently interim disclosure documents published on July 28, 2011 regarding (i) outstanding issues in Mongolia arising from the inspection by the Mongolian General Department of Specialized Inspection (the "SSIA") at Boroo in mid-2009, including the issuance of a final heap leach permit and the resolution of a significant claim for compensation from the SSIA regarding state alluvial reserves covered by the Boroo mining licenses; (ii) the Mongolian Water and Forest Law and its impact on the Boroo project, Gatsuurt project and certain non-material alluvial gold mining licenses, and the proposed amendments to such law; (iii) the suspension of negotiations on a Gatsuurt investment agreement in light of the Water and Forest Law, and (iv) the new graduated royalty fee and its impact (if any) on the Company's Boroo operations, have not materially changed since such date. Management continues to work with applicable Mongolian regulatory authorities to resolve these matters.

Management understands that the proposed amendments to the Water and Forest Law may be discussed in the fall session of Parliament. Centerra remains 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 and the Company may be required to write-off the associated investment in Gatsuurt and Boroo. As at September 30, 2011, the Company has net assets recorded amounting to approximately $36 million related to the investment in Gatsuurt and approximately $28 million remaining capitalized for the Boroo mill facility and other surface structures which is expected to be utilized for the processing of ore from Gatsuurt. Although the Company expects to exploit the Gatsuurt deposit, should this not be the case, the Company would be required to write-off these amounts. A revocation of the Company's mineral licenses, including the Gatsuurt mineral license, or the reclassification of mineral reserves or the write-off of assets could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

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The heap leach operation at Boroo remained idle during the third quarter of 2011 awaiting issuance of the final operating permit from the Mongolian Government. Unless the Company is successful in obtaining the final heap leach operating permit, it will be required to write-off the associated investment which totals $15.9 million at September 30, 2011.

See "Risk Factors" in the Company's 2010 Annual Information Form.

Corporate

In March 2011, Centerra was served by a Turkish company, Sistem Muhenkislik Insaat Sanayi Ticaret SA ("Sistem"), with a notice of enforcement to seize any shares and dividends in Centerra held in the name of the Kyrgyz Republic, followed by a notice of garnishment in April 2011 for any debts owed by Centerra to the Kyrgyz Republic (the "Republic"). These notices were served by Sistem through the Sheriff in Toronto as part of the enforcement proceedings brought by Sistem in the Ontario Superior Court to collect approximately US$11 million with additional interest, owed to Sistem by the Republic in accordance with a judgment of the Ontario Superior Court enforcing an international arbitration award against the Republic. In these Ontario proceedings, Sistem alleges that the shares in Centerra owned by Kyrgyzaltyn JSC, and any dividends paid in respect of those shares, are in fact legally and beneficially owned by the Republic and are therefore subject to execution to pay the judgment. Based on legal advice received, Centerra disputes those allegations and maintains that Kyrgyzaltyn JSC alone is the legal and beneficial owner of the shares and any dividends in respect of those shares, based on the applicable legal principles and the binding agreements with Kyrgyzaltyn JSC. As a result and notwithstanding such notices of enforcement and garnishment, Centerra paid its May 18, 2011 dividend in the total amount of approximately Cdn$31 million to Kyrgyzaltyn JSC. Sistem is continuing with its claim regarding the Centerra shares owned by Kyrgyzaltyn JSC. If this claim is successful in the Ontario court proceedings, Sistem may have a right to execute its judgment against those shares and may assert a claim against Centerra in respect of the payment of the dividends to Kyrgyzaltyn JSC. However, Centerra believes it has a strong defence to that claim based on the facts and the law. At a motion in September 2011, Kyrgyzaltyn JSC was formally added as a party to the proceeding.

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, which were fully described in note 3 to the March 31, 2011 Unaudited Condensed Consolidated Interim 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 net realized value, which generally approximates replacement cost. Determination of realizable value 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 the higher of the value-in-use and fair value less costs to sell. 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

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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.

Changes in Accounting Policies

There was no new accounting policies adopted during the three months ended September 30, 2011. The Company adopted the requirements of the International Financial Reporting Standards ("IFRS") in its statements of account as of January 1, 2011.

New Pronouncements

During the first nine months of 2011, the International Accounting Standards Board ("IASB") issued the following new IFRS standards: IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities,* IFRS 13 *Fair Value Measurement* and IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. The IASB also made amendments and improvements to existing standard, IAS 12 *Income Tax*.

IFRS 9 *Financial Instruments* replaces the current IAS 39 *Financial Instruments Recognition and Measurement.* IFRS 9 added guidance on the classification and measurement of financial liabilities. Under IFRS 9 financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in Other Comprehensive Income ("OCI"), with the remainder of the change recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 also requires derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument to be measured at fair value. IFRS 9 also added the requirements for de-recognition of financial assets and liabilities without change. This new standard is applicable, for accounting periods beginning January 1, 2013. The Company is assessing the impact of IFRS 9 on its results of operations and financial position and will adopt IFRS 9 in its financial statements effective from January 1, 2013.

IFRS 10 *Consolidated Financial Statements:* IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 10 to have a material impact on the financial statements.

IFRS 11 *Joint Arrangements*: IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. This new standard is applicable, for accounting periods beginning January 1, 2013. The Company is assessing the impact of IFRS 11 on its results of operations and financial position and will adopt IFRS 11 in its financial statements effective from January 1, 2013.

IFRS 12 *Disclosure of Interests in Other Entities*: IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The required disclosures aim to provide information to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 12 to have a material impact on the financial statements.

IFRS 13 *Fair Value Measurement:* IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. The Company intends to adopt IFRS 13 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The new Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. It considers when and how to account separately for benefits arising from the stripping activity and how to measure these benefits both initially and subsequently. The benefit include usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. It prescribes that the costs of stripping activity be accounted for in accordance with the principles of IAS 2 *Inventories* to the extent that the benefit from the stripping activity is realized in the form of inventory produced. In the other hand, the costs of stripping activity which provides a benefit in the form of improved access to ore is recognized as a non-current 'stripping activity asset' when specified criteria are met. The Company intends to adopt IFRS 13 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRIC 20 to have a material impact on the financial statements.

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Outlook for 2011

Production

Centerra's 2011 consolidated gold production is forecast to be 640,000 to 660,000 ounces, which is slightly increased from the prior guidance disclosed in the Company's news release of July 28, 2011.

The Kumtor mine is expected to produce 580,000 to 600,000 ounces in 2011 revised from the prior guidance of 550,000 to 600,000 ounces reported in the July 28, 2011 news release.

At the Boroo mine, gold production is forecast to be approximately 60,000 ounces, which is higher than the previous guidance of approximately 50,000 ounces. The increased guidance reflects higher than expected gold production at Boroo as the higher grade heap leach ore processed through the mill continues to show better grades than expected. The 2011 forecast assumes no mining or heap leach activities for the remainder of 2011. The forecast also assumes no production from the Gatsuurt project due to uncertainties with permitting final approvals and regulatory commissioning. The Company has determined that at the current gold prices it is economical to process higher grade ore originally intended for the heap leach facility through the mill. In the third quarter, the Boroo mill processed stockpiled material originally intended for the heap leach facility with an average grade of 0.95 g/t. The Boroo mill is expected to process similar material with grades between 0.79 – 0.83 g/t for the balance of the year. If the Company were to receive the heap leach operating permit, it would place lower grade ore on the heap leach pad while continuing to process the higher grade material through the mill. As a result, the Company estimates that the receipt of the heap leach operating permit would add approximately 2,000 to 2,500 ounces per month.

At Gatsuurt, the project is ready to begin production of oxide ore on receipt of the final approvals and regulatory commissioning. See also "Other Corporate Developments – Mongolia" and other material assumptions set out below.

Total cash cost per ounce produced

The Company is revising its outlook for consolidated total cash cost per ounce produced to $480 to $500 from its prior outlook of $460 to $495 to reflect rising cost pressures at the Kumtor mine.

Total cash cost for 2011 for Kumtor is expected to be between $460 to $480 per ounce produced compared to prior guidance of $430 to $460 per ounce produced disclosed in the second quarter of 2011 reflecting increasing operating costs. The increase in the operating costs is mainly due to higher costs for labour, reagents and power that were impacted by a weaker US dollar against major currencies in which the Company operates. Other factors include higher diesel costs due to increased fuel consumption and higher costs for blasting materials and lubricants due to higher purchase prices.

The local labour costs have also been affected by the introduction of social fund contributions on the high altitude premium as disclosed in the "Mine Operations" section. As disclosed in "Other Corporate Developments – the Kyrgyz Republic", during the third quarter of 2011 the Company's Kyrgyz Republic subsidiary agreed to pay the revised contributions. The settlement with the Kyrgyz

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Social Fund is not included in the total cash cost per ounce calculation for the first nine months of 2011. Going forward, the incremental costs of the social fund contributions will be incurred and expensed as operating costs. The expected additional cost for Kumtor is approximately $2.6 million or $17 per ounce for the fourth quarter of 2011.

Boroo's total cash cost is expected to be approximately $750 per ounce produced, which is lower than the previous guidance of approximately $865 per ounce produced disclosed in the second quarter of 2011 reflecting the higher gold production.

Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures".

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

	Production *Ounces of gold*	**Total Cash Cost** (1) *$ per ounce produced*
Kumtor	580,000 – 600,000	460 - 480
Boroo	approximately 60,000	approximately 750
Total Consolidated	640,000 – 660,000	480 – 500

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

2011 Exploration Expenditures

As disclosed previously, the Company has increased the exploration budget for the current year from $34 million to $40 million. $4 million of this additional funding has been allocated for further work on the ATO property in northeast Mongolia, which is 100% owned by the Company. This additional funding for the ATO property brings the total planned exploration expenditures in Mongolia to $11.3 million for target definition and drill programs on the Company's land holdings along the Yeroogol trend and in eastern Mongolia.

The 2011 program will also 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 properties acquired in 2010. Planned exploration expenditures in the Kyrgyz Republic are approximately $14 million, which is higher than the prior guidance of $13 million due to increased drilling activity.

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. Generative programs will continue in the Kyrgyz Republic, Mongolia, Russia, China, Turkey and the U.S. to increase the pipeline of projects that the Company is developing to meet its longer term growth targets.

2011 Capital Expenditures

The capital expenditures for 2011 are estimated to be $193 million, including $36 million of sustaining capital and $157 million of growth capital, which is lower than the prior guidance of $203 million.

Capital expenditures include:

Projects	**2011 Growth Capital** ($ millions)	**2011 Sustaining Capital** ($ millions)
Kumtor mine	152	34
Mongolia	5	2
Consolidated Total	157	36

Kumtor

At Kumtor, 2011 total capital expenditures are forecasted to be $186 million which includes $34 million of sustaining capital. The largest sustaining capital spending will be on the major overhaul maintenance of the heavy duty mine equipment ($20 million), expenditures for the shear key, buttress and tailings dam construction works ($5 million) and for equipment replacement and other items ($9 million).

Growth capital investment at Kumtor for 2011 is forecast to be $152 million primarily for the purchase of seven CAT 789 haul trucks ($21 million), purchase of equipment for the North Wall expansion project ($25 million) and pre-stripping costs related to the development of the open pit ($54 million). Also, $50 million is included in growth capital investment for the development of the underground, of which $43 million has been allocated to advance the two underground declines to continue to develop the SB Zone and Stockwork Zone, as well as, $2 million for delineation drilling and $5 million for capital purchases and other costs.

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.

At Gatsuurt, $1 million is forecast for environmental studies, site maintenance and security of the project site. No other 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.

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Corporate Administration

Corporate and administration expenses for 2011 are forecast at $47 million, which is higher than the prior guidance of $45 million reflecting a stronger Canadian dollar against the U.S. dollar and higher stock-based compensation.

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 fourth quarter 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**	1.2	7.9	6.7	6.7
Diesel Fuel [1]	**10%**	2.8	-	2.8	2.8
Kyrgyz som	**1 som per USD**	0.7	-	0.7	0.7
Mongolian tugrik	**25 tugrik per USD**	0.1	-	0.1	0.1
Canadian dollar	**10 cents per USD**	1.1	-	1.1	1.1

[1] a 10% change in diesel fuel price equals $14/oz produced

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Material Assumptions & Risks

Material assumptions or factors used to forecast production and costs for the fourth quarter of 2011 include the following:

- a gold price of $1,650 per ounce,
- exchange rates:
    - $1USD:$0.98 CAD
    - $1USD:45 Kyrgyz som
    - $1USD:1,200 Mongolian tugriks
    - $1USD:0.74 Euro
- diesel fuel price assumption:
    - $0.78/litre at Kumtor
    - $1.16/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 first quarter and throughout the second 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 $4.5 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 $85 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,

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- 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 section entitled “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. Cost of sales per ounce sold is calculated by dividing cost of sales by gold ounces sold for the relevant period. Total cash cost and total production cost per ounce produced, as well as cost of sales per ounce sold, 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, total production cost per ounce produced and cost of sales per ounce sold 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.

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TOTAL CASH COST & TOTAL PRODUCTION COST RECONCILIATION (unaudited) ($ millions, unless otherwise specified)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Centerra:				
Cost of sales, as reported	**$ 110.5**	$ 94.4	**$ 278.2**	$ 252.6
Less: Non-cash component	**28.0**	17.7	**68.1**	55.8
Cost of sales - Cash component	**$ 82.5**	$ 76.7	**$ 210.1**	$ 196.8
Adjust for: Refining fees & by-product credits	**(0.8)**	(0.1)	**(3.0)**	0.1
Regional Office administration	**5.9**	6.0	**16.9**	16.0
Mine standby costs	**-**	-	**0.2**	-
Non-operating costs	**(8.4)**	(0.9)	**(14.2)**	(0.8)
Inventory movement	**6.9**	(4.9)	**22.6**	11.5
Total cash cost - 100%	**$ 86.1**	$ 76.8	**$ 232.6**	$ 223.6
Depreciation, Depletion, Amortization and Accretion	**24.0**	14.9	**68.8**	56.1
Inventory movement - non-cash	**22.6**	1.2	**17.0**	(1.5)
Total production cost - 100%	**$ 132.7**	$ 92.9	**$ 318.4**	$ 278.2
Ounces poured - 100% (000)	**154.9**	96.3	**490.9**	429.1
Total cash cost per ounce	**$ 556**	$ 798	**$ 474**	$ 521
Total production cost per ounce	**$ 857**	$ 964	**$ 649**	$ 648
Kumtor:				
Cost of sales, as reported	**$ 94.6**	$ 76.5	**$ 235.8**	$ 200.3
Less: Non-cash component	**25.1**	13.4	**59.2**	41.5
Cost of sales - Cash component	**$ 69.5**	$ 63.1	**$ 176.6**	$ 158.8
Adjust for: Refining fees & by-product credits	**(0.8)**	(0.1)	**(3.0)**	-
Regional Office administration	**4.2**	4.0	**12.2**	10.7
Mine standby costs	**-**	-	**-**	-
Non-operating costs	**(8.4)**	(0.9)	**(14.2)**	(0.8)
Inventory movement	**10.7**	(5.1)	**30.2**	4.9
Total cash cost - 100%	**$ 75.2**	$ 61.0	**$ 201.8**	$ 173.6
Depreciation, Depletion, Amortization and Accretion	**$ 21.0**	$ 10.9	**$ 59.7**	$ 41.9
Inventory movement - non-cash	**$ 23.8**	$ 1.3	**$ 19.5**	$ (2.9)
Total production cost - 100%	**$ 120.0**	$ 73.2	**$ 281.0**	$ 212.6
Ounces poured - 100% (000)	**141.2**	68.8	**444.5**	339.4
Total cash cost per ounce	**$ 533**	$ 887	**$ 454**	$ 512
Total production cost per ounce	**$ 850**	$ 1,064	**$ 632**	$ 626
Boroo:				
Cost of sales (cash), as reported	**$ 15.9**	$ 17.9	**$ 42.4**	$ 52.3
Less: Non-cash component	**2.9**	4.3	**8.9**	14.3
Cost of sales - Cash component	**$ 13.0**	$ 13.6	**$ 33.5**	$ 38.0
Adjust for: Refining fees & by-product credits	**-**	-	**-**	0.1
Regional Office administration	**1.7**	2.0	**4.7**	5.3
Mine standby costs	**-**	-	**0.2**	
Non-operating costs				
Inventory movement	**(3.8)**	0.2	**(7.6)**	6.6
Total cash cost - 100%	**$ 10.9**	$ 15.8	**$ 30.8**	$ 50.0
Depreciation, Depletion, Amortization and Accretion	**$ 3.0**	4.0	**9.1**	14.2
Inventory movement - non-cash	**$ (1.2)**	(0.1)	**$ (2.5)**	1.4
Total production cost - 100%	**$ 12.7**	$ 19.7	**$ 37.4**	$ 65.6
Ounces poured - 100% (000)	**13.7**	27.5	**46.4**	89.7
Total cash cost per ounce	**$ 798**	$ 575	**$ 664**	$ 558
Total production cost per ounce	**$ 927**	$ 715	**$ 807**	$ 732

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 the impact of the Water and Forest Law on the Company’s Mongolian operations and the potential need to write-off the Company’s investments in Gatsuurt and Boroo and reclassify mineral reserves if the Water and Forest Law is not repealed or amended, 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 (including the ATO (Altan Tsagaan Ovoo) deposit) and the success of exploration activities), outcome of litigation involving Centerra, the timing for completing an update of Boroo’s closure study, the payment schedule for the balance of funds owed to the Kyrgyz Republic Social Fund 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 MD&A 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, Kyrgyzaltyn JSC; 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 Annual Information Form 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 November 3, 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.