

centerra**GOLD**



## NEWS RELEASE

(All figures are in United States dollars)

### **Centerra Gold 2006 Fourth Quarter and Year-End Results 1.8 million ounce high-grade inferred resource identified at Kumtor**

**Toronto, Canada, February 6, 2007:** Centerra Gold Inc. (TSX: CG) today reported net earnings of \$1.9 million (\$0.01 per common share) on revenue of \$88.4 million in the fourth quarter, compared to net earnings of \$6.4 million (\$0.03 per common share) on revenue of \$75.0 million in the same quarter of last year. Cash provided by operations, net of working capital changes and other operating items, was \$26.6 million compared to \$4.8 million in the fourth quarter of 2005. Gold production, on a 100% basis, totaled 142,000 ounces at a total cash cost of \$473 per ounce in the fourth quarter compared to 167,000 ounces at a total cash cost of \$300 per ounce in the corresponding quarter of 2005. The Company implemented a 3-for-1 share split by way of a stock dividend effective June 1, 2006, which is reflected in all current and historic per share metrics in this release.

Fourth quarter 2006 results reflect lower gold production at Kumtor due to lower ore grades, recoveries and throughput, as a result of changes in the mine plan stemming from the pit wall ground movement in July 2006, the accrual of \$6 million for the government mandated high altitude coefficient settlement at Kumtor, that had the effect of increasing salaries of national employees at mine site, and a \$1.2 million land tax settlement payment at Kumtor. These were partially offset by higher realized gold prices, and a tax recovery of \$8.1 million primarily resulting from tax benefits recognized by Kumtor Gold Company.

For the 12 months of 2006, net earnings were \$60.6 million (\$0.28 per common share) on revenue of \$364.5 million and cash provided by operations amounted to \$94.6 million, net of working capital changes and other operating items. Gold production, on a 100% basis, totaled 586,000 ounces at a total cash cost of \$386 per ounce. In the comparable period of 2005, Centerra reported net earnings of \$42.4 million (\$0.20 per common share) on revenue of \$338.6 million and cash provided by operations of \$83.4 million, net of working capital changes and other operating items. In 2005, gold production was 787,000 ounces at a total cash cost of \$241 per ounce.

The higher year-over-year net earnings reflects higher realized gold prices due to the substantially higher market prices for gold in 2006, a one-time \$13.6 million insurance settlement received during the third quarter of 2006 and a tax recovery of \$5.8 million. This is partially offset by lower gold production at the Kumtor mine due to the revised mine plan as a result of the previously reported pit wall movement in July 2006 and approximately \$7 million in additional costs at Kumtor booked in the fourth quarter as discussed earlier.

## 2006 Highlights

- Centerra's ore reserves total 7.0 million ounces of contained gold at the end of 2006, on a 100% project basis (Centerra's share is 6.9 million ounces); the Company has replaced the 742,000 ounces of contained gold mined in 2006.
- Measured and indicated resources at the end of 2006 total 5.6 million ounces of contained gold on a 100% project basis (Centerra's share is 5.1 million ounces), an increase of 625,000 ounces over 2005.
- The exploration program identified a 1.8 million ounce high-grade inferred resource at depth in the SB Zone at Kumtor, 296,000 ounces of reserves at Sarytor and continues to show positive results at REN expanding the known mineralization.
- Heap leach project approved at Boroo.
- Underground exploration and development program approved for Kumtor.
- Kumtor performed in line with revised mine plan.
- Discussions ongoing with the Mongolian government regarding investment agreements for Boroo and Gatsuurt.

## Commentary

“Our exploration program continues to be successful, replacing reserves mined in 2006 and adding significantly to our resources,” said Len Homeniuk, President and CEO. “Operationally, the mines continue to perform well. Production at Kumtor was significantly less due to the pit wall movement in July. Despite that, Kumtor met the revised mine plan and Boroo once again exceeded our expectations. Overall, the Company exceeded its revised forecast gold production by 2% for the year, producing over 586,000 ounces of gold. Regarding total cash costs, while they came in at \$386 per ounce for 2006, above our forecast range of \$370 - 380 per ounce, we would have improved over our forecast if not for the extra costs recorded in December regarding various settlements at Kumtor.”

“Additionally, we have committed significant capital in 2007, approximately \$110 million, which includes funds to advance the development of an underground program at Kumtor and to add a heap leach facility to Boroo. We are on track to commence the development of the decline at Kumtor to gain underground access to the high-grade SB Zone, which is still open along strike and down dip. Finally, for 2007, we expect to produce approximately 700,000 to 720,000 ounces of gold, about 20% higher than 2006, with total cash costs forecast to be between \$375 and \$385 per ounce compared to \$386 per ounce in 2006.”

## Reserves and Resources Update

As of December 31, 2006, on a 100% project basis, Centerra's proven and probable reserves totaled 7.0 million ounces of contained gold (Centerra's share is 6.9 million ounces), compared to 7.2 million ounces as of December 31, 2005 (Centerra's share was 7.1 million ounces). Centerra has replaced the 742,000 contained ounces that were mined in 2006.

As of December 31, 2006, on a 100% project basis, Centerra's measured and indicated resources increased 625,000 ounces over the December 31, 2005 figures to total 5.6 million ounces of contained

gold (Centerra's share is 5.1 million ounces), compared to 5.0 million ounces (Centerra's share was 4.5 million ounces) as of December 31, 2005.

At Kumtor, 200,000 ounces of reserves were added before accounting for mining 416,000 contained ounces in 2006. The reserve grade increased by 20% from 3.8 g/t to 4.7 g/t due to the higher grade mineralization being delineated in the SB Zone. Measured and indicated resources increased by approximately 500,000 ounces and inferred resources significantly increased by 1.3 million ounces with almost all of this addition being the result of drilling at the SB Zone, which has identified a high grade underground inferred resource. The SB underground inferred resource, which has been outlined below the current ultimate pit design, is estimated to be 1.8 million ounces of contained gold at an average grade of 20.5 g/t and accounts for almost the entire inferred resource.

At Boroo, 343,000 contained ounces have been added, which replaces reserves mined in 2006.

The increase in reserves and resources comes from the continuing positive results of exploration drilling. There is only a minimal increase attributable to using a gold price of \$475 per ounce in 2006, up from \$400 per ounce in the 2005 reserve estimation.

**Centerra Gold Inc.**  
**2006 Year-end Reserve and Resource Summary**  
**(as of December 31, 2006)**

<b>Reserves <sup>(1)</sup></b> (Tonnes and ounces in thousands) <sup>(11)(12)</sup>											
Property	Proven			Probable			Total Proven and Probable Reserves				
	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) <sup>(3)</sup>	Mining Method <sup>(4)</sup>
Kumtor	12,014	4.9	1,893	19,426	4.6	2,852	31,440	4.7	4,745	4,745	OP
Boroo	5,294	2.6	449	19,230	1.3	785	24,523	1.6	1,234	1,173	OP
Gatsuurt	-	-	-	9,101	3.4	1,005	9,101	3.4	1,005	1,005	OP
<b>Total</b>	<b>17,308</b>	<b>4.2</b>	<b>2,342</b>	<b>47,757</b>	<b>3.0</b>	<b>4,642</b>	<b>65,064</b>	<b>3.3</b>	<b>6,984</b>	<b>6,923</b>	

<b>Measured and Indicated Resources <sup>(2)</sup></b> (Tonnes and ounces in thousands) <sup>(11)(12)</sup>											
Property	Measured			Indicated			Total Measured and Indicated Resources				
	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) <sup>(3)</sup>	Mining Method <sup>(4)</sup>
Kumtor <sup>(5)(6)</sup>	17,710	3.5	1,964	14,810	3.2	1,538	32,520	3.3	3,502	3,502	OP
Boroo <sup>(5)(8)</sup>	680	2.0	45	5,519	1.4	240	6,199	1.4	284	270	OP
Gatsuurt <sup>(9)</sup>	-	-	-	6,238	3.0	607	6,238	3.0	607	607	OP
REN <sup>(10)</sup>				2,991	12.7	1,220	2,991	12.7	1,220	756	UG
<b>Total</b>	<b>18,390</b>	<b>3.4</b>	<b>2,009</b>	<b>29,558</b>	<b>3.8</b>	<b>3,605</b>	<b>47,948</b>	<b>3.6</b>	<b>5,613</b>	<b>5,135</b>	

<b>Inferred Resources <sup>(2)</sup></b> (Tonnes and ounces in thousands) <sup>(11)(12)</sup>					
Property	Inferred			Centerra Share (oz) <sup>(3)</sup>	Mining Method <sup>(4)</sup>
	Tonnes	Grade (g/t)	Contained Gold (oz)		
Kumtor <sup>(5)(6)</sup>	571	2.2	40	40	OP
Kumtor SB Underground <sup>(7)</sup>	2,781	20.5	1,830	1,830	UG
Boroo <sup>(5)(8)</sup>	7,772	1.0	240	228	OP
Gatsuurt <sup>(9)</sup>	2,437	3.3	256	256	OP
REN <sup>(10)</sup>	835	16.1	432	268	UG
<b>Total</b>	<b>14,396</b>	<b>6.0</b>	<b>2,798</b>	<b>2,622</b>	

- (1) The reserves have been estimated based on a gold price of \$475 per ounce.
- (2) Mineral resources are in addition to reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability when calculated using mineral reserve assumptions.
- (3) Centerra's equity interests are: Kumtor 100%, Gatsuurt 100%, Boroo 95% and REN 62%.
- (4) "OP" means open pit and "UG" means underground.
- (5) Open pit resources occur outside the current ultimate pits which have been designed using a gold price of \$475 per ounce.
- (6) The open pit reserves and resources at Kumtor are estimated based on a cutoff grade of 1.3 grams per tonne.
- (7) Underground resources occur below the main Kumtor pit shell and are estimated based on a cutoff grade of 7.0 grams per tonne.
- (8) The reserves and resources at Boroo are estimated based on a variable cutoff grade depending on the type of material and the associated recovery. The cutoff grades range from 0.2 grams per tonne to 0.8 grams per tonne.
- (9) The reserves and resources at Gatsuurt are estimated using either a 1.2 or 1.9 grams of gold per tonne cutoff grade depending on the type of material and the associated recovery. High grade values were also cut using variable limits ranging from 20 to 45 g/t Au depending on the mineralized zone.
- (10) The resources at REN are estimated based on a cutoff grade of 8.0 grams per tonne.
- (11) A conversion factor of 31.10348 grams per ounce of gold is used in the reserve and resource estimates.
- (12) Numbers may not add up due to rounding.

## **Kyrgyz Republic**

The political situation in the Kyrgyz Republic continues to evolve. The President has gained substantial constitutional powers through constitutional amendments introduced at the end of 2006. The Government resigned on December 19, 2006. A new Prime Minister, Mr. A. Isabekov, was appointed on Feb. 1, 2007, and the new structure of the Government has been approved by Parliament. We expect that the Cabinet will be formed shortly. The Company continues its efforts to establish a closer relationship with local communities to ensure broad-based regional support for its operations.

The newly appointed Prime Minister is engaged in dealing with long outstanding Kumtor issues. Specifically, based on the long-term relationship between the Government of the Kyrgyz Republic and Cameco Corporation as original founders of Centerra, he has invited Cameco to conduct discussions regarding a number of issues concerning Kumtor. Cameco has indicated that it is prepared to discuss these issues with the new government. The positive resolution of these issues would help to provide a stable and favourable operational environment for the Project and an improved investment climate in the Kyrgyz Republic. If the issues between Cameco and the Kyrgyz Republic are not resolved to their mutual satisfaction, the risks to Centerra will increase.

In December 2006, at the direct request of the Government, the Company paid disputed amounts relating to land tax and high altitude premium payable to its Kumtor mine employees. The Company has begun international arbitration with the Government to recover the disputed amounts. The total amount in dispute for 2006 is about \$7 million.

## **Mongolia**

The Company continues its negotiations regarding its Boroo stability agreement and Gatsuurt Investment Agreement with the Mongolian Government amid strong nationalistic sentiment in the country. The Ministry of Finance has alleged certain tax-related violations by the Company and notified it on January 15, 2007 that the Boroo stability agreement will be terminated unless the alleged violations are cured within 120 days. The Company has responded that in all cases it has either remedied the alleged violations or strongly disputes that a violation exists. The Company believes that this dispute will be fully resolved as part of the negotiations on the Boroo and Gatsuurt agreements.

The Mongolian Parliament continues to debate the recent changes to mining legislation and the applicability of windfall profit tax as well as State participation in various mining projects. The Government has acknowledged that the windfall tax will not apply to the Boroo project; however, it has not yet agreed to provide similar protection with respect to the windfall tax and other changes to the Company's Gatsuurt project.

Pursuant to an agreement between Centerra Gold Mongolia Limited ("CGM") and Gatsuurt LLC, an arm's length Mongolian company, under which CGM acquired the Gatsuurt licenses, CGM agreed to transfer the principal license covering the Gatsuurt property to Gatsuurt LLC if CGM did not complete a feasibility study by December 31, 2005. CGM completed a feasibility study in 2005. As previously reported, in early 2006 Gatsuurt LLC informed Centerra that it did not believe that CGM complied with its obligation. Gatsuurt LLC has recently begun proceedings in the Mongolian national

arbitration court alleging non-compliance by CGM and seeking the return of the license. CGM intends to contest the jurisdiction of the arbitration court and continues to believe that the Gatsurt LLC claim is without merit.

## Financial Summary

Centerra's unaudited consolidated financial results for the three and twelve months ended December 31, as set out below.

	Three months ended December 31		Twelve months ended December 31	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Financial Highlights</b>				
Revenue - \$ millions <sup>(1)</sup>	<b>88.4</b>	75.0	<b>364.5</b>	338.6
Gross profit - \$ millions <sup>(2)</sup>	<b>10.2</b>	19.9	<b>89.4</b>	92.5
Net earnings (loss) - \$ millions	<b>1.9</b>	6.4	<b>60.6</b>	42.4
Earnings (loss) per common share - \$ - basic and diluted <sup>(3)</sup>	<b>0.01</b>	0.03	<b>0.28</b>	0.20
Cash provided by operations - \$ millions	<b>26.6</b>	4.8	<b>94.6</b>	83.4
Weighted average shares outstanding – basic – (thousands) <sup>(3)</sup>	<b>216,239</b>	216,239	<b>216,239</b>	216,239
<b>Operating Highlights</b>				
Tonnes mined – 000s	<b>28,295</b>	25,567	<b>103,998</b>	99,620
Tonnes ore mined – 000s	<b>1,851</b>	2,998	<b>6,969</b>	9,000
Tonnes milled – 000s	<b>1,947</b>	2,014	<b>8,083</b>	7,880
Ounces poured	<b>142,291</b>	166,704	<b>586,384</b>	787,275
Ounces sold	<b>146,254</b>	157,665	<b>610,441</b>	781,274
Average realized price - \$/oz <sup>(1)</sup>	<b>604</b>	476	<b>597</b>	433
Gold spot market price - \$/oz – average for period	<b>606</b>	485	<b>602</b>	445
Total cash cost <sup>(4)</sup> - \$/oz	<b>473</b>	300	<b>386</b>	241

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

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

(3) All periods reflect a three-for-one stock split by way of stock dividend, effective June 1, 2006

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

## Fourth Quarter 2006

Fourth quarter revenue in 2006 was \$88.4 million compared to \$75.0 million in the fourth quarter of 2005 reflecting the significantly higher gold prices, offset by lower production volume. Centerra realized an average gold price of \$604 per ounce for the fourth quarter, a significant increase over the \$476 per ounce realized in the same quarter of 2005.

Total production for the three months ended December 31, 2006 at the Kumtor and Boroo mines was 142,000 ounces of gold. This compares to production of 126,000 ounces of gold in the third quarter of 2006 and 167,000 ounces of gold in the fourth quarter of 2005. The improvement over the third quarter is the result of Boroo exceeding expectations, but the lower production level in the fourth quarter of 2006 compared to the same period in 2005 was due primarily to reduced production at Kumtor resulting from the mine pit wall movement in July and lower mill grade at Kumtor, which was only partially offset by higher production at Boroo.

Using the Gold Institute standard, Centerra's total cash cost per ounce of gold was \$473 for the fourth quarter, compared to \$300 recorded in the same period of 2005. The increase mainly reflects lower production at the Kumtor mine as a result of lower mill grades and recovery and the additional costs booked in the fourth quarter at Kumtor. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost" in this press release.)

The Company reported net earnings of \$1.9 million or \$0.01 per share in the fourth quarter of 2006, compared to net earnings of \$6.4 million or \$0.03 per share in the fourth quarter of 2005 due to lower gold production, a \$6.0 million accrual for the high altitude co-efficient settlement and a \$1.2 million land tax settlement at Kumtor partially offset by higher realized gold prices, and a tax recovery of \$8.1 million primarily resulting from the tax benefit of the losses incurred at Kumtor.

For the three months ended December 31, 2006, cash provided by operations was \$26.6 million compared to \$4.8 million reported in the same period a year ago. The increase in cash provided by operations reflects cash provided by working capital, principally due to the increase in accounts payable at Kumtor.

Capital expenditures in the fourth quarter of 2006 amounted to \$57.0 million of which \$6.7 million was spent on sustaining capital projects. Centerra's cash position at the end of December 2006 was \$186.2 million, compared to \$202.4 million at December 31, 2005. The Company has no long-term debt or gold hedge positions.

## **Full Year 2006**

Revenues for the twelve months of 2006 were \$364.5 million, compared to \$338.6 million in the prior period, reflecting the significantly higher realized gold price in 2006, offset by lower ore mined and lower grades at Kumtor. Centerra realized an average gold price of \$597 per ounce for the year, a significant increase over the \$433 per ounce realized in the same period of 2005.

Consolidated production from the Kumtor and Boroo mines for the full year 2006 totaled 586,000 ounces of gold, compared to 787,000 ounces in 2005. Lower production in the period was due primarily to reduced production at Kumtor resulting from the mine pit wall movement in July, and resulting lower mill grade at Kumtor.

Using the Gold Institute standard, Centerra's total cash cost per ounce of gold was \$386 for 2006, compared to \$241 recorded in the same period of 2005. The increase mainly reflects lower production at the Kumtor mine as a result of lower head grades and recovery. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost" in this press release.)

Net earnings totalled \$60.6 million or \$0.28 per share for 2006, compared to net earnings of \$42.4 million or \$0.20 per share in 2005. The higher net earnings was a result of higher realized gold prices, the receipt in the third quarter of a one-time \$13.6 million insurance settlement related to the 2002 pit wall failure at Kumtor, and a tax recovery of \$5.8 million resulting primarily from the tax benefit of the losses incurred at Kumtor. This was partially offset by an accrual of \$6 million for the high altitude co-efficient settlement.

## **Liquidity and capital resources**

Cash provided by operations was \$26.6 million for the fourth quarter compared to \$4.8 million for the prior year fourth quarter mainly as a result of reduced working capital due to an increase in accounts payable.

Cash used in investing activities in the fourth quarter of 2006 was \$56.7 million for capital spending, compared to \$14.7 million in the same quarter in 2005. In the fourth quarter, \$6.7 million was spent on sustaining capital projects while \$50.0 million was spent on growth projects, mainly additional mobile mining equipment at Kumtor.

For the full year, cash provided by operations was \$94.6 million compared to \$83.4 million for the prior year reflecting the higher net earnings which included the insurance settlement of \$13.6 million received in the third quarter.

Cash used in investing activities for 2006 was \$110.9 million for capital spending, compared to \$33.6 million for the same period in 2005. For the full year, \$23.9 million was spent on sustaining capital projects while \$87.0 million was spent on growth projects, mainly the additional mobile mining equipment at Kumtor.

Cash on hand was \$186.2 million at the end of the fourth quarter of 2006.

Centerra has sufficient cash to carry out its operational business plan in 2007.



## Operations Update

### Kumtor

Kumtor Operating Results	Three months ended December 31		Twelve months ended December 31	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Sales volume – ounces	<b>66,054</b>	87,333	<b>329,534</b>	498,086
Revenue - \$ millions <sup>(1)</sup>	<b>39.2</b>	40.7	<b>195.9</b>	213.8
Average realized price - \$/oz <sup>(1)</sup>	<b>594</b>	466	<b>594</b>	429
Tonnes mined – 000s	<b>23,018</b>	20,862	<b>85,421</b>	81,038
Tonnes ore mined – 000s	<b>1,048</b>	1,890	<b>3,887</b>	6,135
Tonnes milled – 000s	<b>1,341</b>	1,425	<b>5,696</b>	5,649
Average mill head grade – g/t <sup>(2)</sup>	<b>2.20</b>	2.77	<b>2.27</b>	3.38
Recovery - %	<b>69.7</b>	77.6	<b>73.0</b>	81.2
Ounces recovered	<b>66,174</b>	98,368	<b>303,363</b>	497,497
Ounces poured	<b>62,477</b>	98,973	<b>303,582</b>	501,487
Total cash costs - \$/oz <sup>(3)</sup>	<b>789</b>	352	<b>544</b>	274
Capital expenditures - \$ millions	<b>52.3</b>	10.9	<b>95.0</b>	21.5

<sup>(1)</sup> Net of the effect of gold hedges, closed out in 2004.

<sup>(2)</sup> g/t means grams per tonne.

<sup>(3)</sup> Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measure – Total Cash Cost”.

At the Kumtor mine, gold production was 62,000 ounces in the fourth quarter of 2006, compared to 99,000 ounces in the fourth quarter of 2005. The lower gold production is due to lower ore grades and recoveries reflecting the fact that the mill feed was primarily sourced from the low grade stock piles and the south west pit as result of the change in the mine development plan following the pit wall movement in July 2006.

Total cash costs per ounce, a non-GAAP measure of production efficiency, increased to \$789 for the fourth quarter of 2006 from \$352 per ounce in the same period in 2005. The 37% reduction in gold production combined with increased tonnages mined, higher operating costs and the \$6 million settlement regarding the high altitude co-efficient contributed to the higher total unit cash costs in 2006.

During the fourth quarter of 2006 capital expenditures were \$52.3 million, of which \$3.6 million was for sustaining capital.

For the full year 2006, gold production was 304,000 ounces, compared to 501,000 ounces in 2005. The lower gold production is due to lower ore grades and recoveries reflecting the fact that the mill

feed was primarily sourced from the low grade stock piles and the south west pit as result of the change in the mine development plan following the pit wall movement in July 2006.

Total cash costs per ounce a non-GAAP measure of production efficiency, in 2006 increased to \$544 from \$274 per ounce in the same period in 2005. Higher total cost per ounce in 2006 was attributable to the significant decrease in gold production over the year combined with increased tonnages mined and higher operating costs during the period.

During the twelve months ending December 31 capital expenditures totaled \$95.0 million, of which \$10.4 million was for sustaining capital.

## Boroo

Boroo Operating Results	Three months ended December 31		Twelve months ended December 31	
	2006	2005	2006	2005
Sales volume – ounces	<b>80,200</b>	70,332	<b>280,907</b>	283,188
Revenue - \$ millions <sup>(1)</sup>	<b>49.2</b>	34.3	<b>168.6</b>	124.8
Average realized price - \$/oz <sup>(1)</sup>	<b>613</b>	488	<b>600</b>	441
Tonnes mined – 000s	<b>5,277</b>	4,705	<b>18,577</b>	18,582
Tonnes ore mined – 000s	<b>803</b>	1,108	<b>3,082</b>	2,865
Tonnes milled – 000s	<b>606</b>	589	<b>2,387</b>	2,231
Average mill head grade-(g/t) <sup>(2)</sup>	<b>4.82</b>	3.85	<b>4.25</b>	4.23
Recovery - %	<b>85.2</b>	90.8	<b>87.0</b>	91.5
Ounces recovered	<b>80,013</b>	66,295	<b>283,716</b>	277,522
Ounces poured	<b>79,814</b>	67,731	<b>282,802</b>	285,788
Total cash cost - \$/oz <sup>(3)</sup>	<b>225</b>	223	<b>217</b>	183
Capital expenditures - \$ millions	<b>3.6</b>	3.1	<b>13.5</b>	11.4

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

(2) g/t means grams per tonne

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

At the Boroo mine, gold production was 80,000 ounces in the fourth quarter of 2006, compared to 68,000 ounces in the fourth quarter of 2005. Higher gold production in the quarter was due to the increase in tonnes milled and higher ore grade partially offset by the lower recovery.

Total cash costs per ounce, a non-GAAP measure of production efficiency, increased to \$225 for the fourth quarter of 2006 from \$223 per ounce in the same period in 2005.

During the fourth quarter of 2006 capital expenditures were \$3.6 million, of which \$3.4 million was for sustaining capital.

For the full year of 2006, total gold production of 283,000 ounces exceeded the Company's forecast and was 1% below 2005 production levels due primarily to the lower recovery. Total cash cost for the year was \$217 per ounce, compared to \$183 in 2005, as a result of higher cost of drill and loading equipment rental, higher consumable prices and increased consumption of grinding media.

Capital expenditures for 2006 were \$13.5 million of which \$12.5 million was for sustaining capital.

## **Exploration Update**

Exploration activities continued to produce positive results during the fourth quarter with expenditures of \$6.6 million bringing the total expenditures for the year to \$23.0 million.

### **Kyrgyz Republic**

Drilling activities in the fourth quarter of 2006 were focused on the Kumtor pit and the nearby Sarytor target area.

#### **Kumtor Pit**

A further four drill holes tested the SB Zone, which is located in the southern end of the pit, during the fourth quarter. These drill holes tested the down dip and strike extensions of the SB Zone with three of the holes testing the deeper elevation levels of the SB zone. All drill holes intersected significant mineralization returning intercepts for the main SB Zone ranging from 2.11 to 29.72 g/t Au along down hole core lengths ranging from 12.7 to 49.8 metres. Hole D1134 intersected the SB Zone at the 3,480 metre elevation on sections 30 and returned assays of 8.2 g/t Au along 49.9 metres, which includes an intercept of 12.3 g/t Au along 26.6 metres. This is the deepest KOC drill hole completed on the SB Zone to date. True widths for the mineralized zones are typically from 70% to 95% of the stated intercepts. The recent drilling has extended the SB Zone down dip on two sections. The SB Zone has now been delineated over a strike length of 360 metres and down dip lengths ranging from 70 to over 600 metres on various drill sections and remains open along strike to the south and in the down dip direction. Drilling of the SB Zone is continuing in the first quarter of 2007 and work is also underway to finalize the location of the portal for the underground decline which will be used for access to evaluate from underground the extent of the higher-grade mineralization and the underground mining conditions.

## Kumtor Pit Drilling Results - October 1st to December 31st 2006

Drill Hole	Location	Zone	From (m)	To (m)	Core Length (m)	Au (g/t)
<b>D1124</b> <b>Section</b> <b>214</b>	North end		117.8	120.9	3.1	4.12
	Along strike		585.4	588.0	2.6	1.73
<b>D1126</b> <b>Section 6</b>	South end	SB zone	257.6	274.5	16.9	2.11
	Infill		391.7	404.4	12.7	3.03
		<b>incl.</b>	392.4	394.4	2.0	11.01
<b>D1127A</b> <b>Section</b> <b>26</b>	South end	SB zone	465.7	466.9	1.2	4.11
	Down dip	SB zone	500.1	505.1	5.0	2.42
		SB zone	509.3	553.3	44.0	10.64
		<b>incl.</b>	512.3	517.8	5.5	11.32
		<b>incl.</b>	522.6	544.3	21.7	17.44
		SB zone	565.3	601.7	36.4	6.34
		<b>incl.</b>	573.3	597.2	23.9	8.59
		SB zone	635.4	645.1	9.7	4.87
	<b>incl.</b>	638.9	642.1	3.2	10.61	
<b>D1130A</b> <b>Section</b> <b>34</b>	South end	SB zone	462.6	474.4	11.8	2.60
	Down dip	SB zone	487.0	531.0	44.0	14.33
		<b>incl.</b>	493.9	511.1	17.2	29.86
		<b>incl.</b>	520.6	521.7	1.1	22.02
		SB zone	545.0	548.2	3.2	3.87
	SB zone	557.2	561.0	3.8	1.87	
<b>D1134</b> <b>Section</b> <b>26</b>	South end	SB zone	562.2	567.2	5.0	1.61
	Down dip	SB zone	578.8	628.6	49.8	8.16
		<b>incl.</b>	579.8	608.4	28.6	11.71
		SB zone	633.9	637.9	4.0	1.37
		SB zone	655.9	669.8	13.9	1.57
		SB zone	672.8	677.7	4.9	1.52
		SB zone	699.9	720.2	20.3	2.44
	<b>incl.</b>	702.9	704.9	2.0	8.24	
<b>D1135</b> <b>Section</b> <b>82</b>	Central area		465.8	467.7	1.9	6.07
	Down dip		481.5	483.4	1.9	2.41
			549.8	556.8	7.0	1.41

### Notes

Significant mineralized intervals greater than 1.28 g/t Au

Individual assays are top cut to 60 g/t Au prior to composite calculation

Inclusions are greater than 7.0 g/t Au

True widths for mineralized zones are about 70% to 95% of stated down hole interval

One drill hole was drilled in the north end of the pit to test for the extension of the mineralization along strike to the north of the Kumtor pit. The best results averaged 4.12 g/t Au over 3.1 metres. This is the second drill hole that demonstrates that gold mineralization continues to the north of the present pit. The hole was designed to test between section 198, the last continuous zone of mineralization within the pit area and the first quarter drill hole that intersected mineralization at the 3,740 metre elevation with an intercept of 3.27 g/t Au over 13.6 metres. Drilling is continuing in the first quarter of 2007 to further test the northerly strike extension of the Kumtor mineralized structure with widely spaced drill holes at different elevations.

One hole completed in the Central sector of the pit was designed to test for down dip extensions of the South and North zones below the current pit design. The best results averaged 5.73 g/t Au over 1.9 metres and 2.28 g/t Au over 3.0 metres.

### **Sarytor**

In the fourth quarter of 2006, the infill drilling program continued at the Sarytor deposit, which is located immediately to the west of the Southwest Zone and five kilometres from the Kumtor mill. Twenty drill holes totalling 2,358.8 metres were completed during the quarter bringing the totals for the year to 130 holes completed for a total of 29,749 metres of drilling.

The objectives of the program are to systematically in-fill between existing holes to develop a drill spacing to enable conversion of the resource to reserves and to determine the limits of the mineralized horizons. The in-fill drill holes are confirming the continuity of the mineralization with results ranging from 1.28 to 19.97 g/t Au over widths from 1.0 to 79.8 metres. True widths for the mineralized zones are typically from 70% to 95% of the stated intercepts. The infill drilling has confirmed the mineralization between 80 metre wide sections and with the majority of the drill holes returning results as expected and a number of holes returning intercepts better than expected. More detailed infill drilling has been completed on 20 metre wide sections in the north west sector of the deposit and this has also confirmed continuity of the mineralisation at this detailed scale. A new mineralized zone was intersected outside of the main area of drilling for the resource estimate on the northwest corner of the Sarytor deposit where drill hole SR 06-151 returned an intercept of 3.36 g/t Au over 79.8 metres. Additional drilling is planned in the first quarter of 2007 to evaluate the continuity of mineralisation in this area.

A complete listing of the drill results and supporting maps for the Kumtor pit and Sarytor have been filed on the System for Electronic Document Analysis and Retrieval ('SEDAR') and are available at the company's web site at: [www.centerragold.com](http://www.centerragold.com)

### **United States (Nevada)**

Drilling on the REN project was completed in mid-November and totaled 1,828 metres for the quarter and 10,250 metres for the year. Two RC pre-collars, one wedge-core hole (RU-105-W4), and one core tail (RU-112C) were completed.

Drill hole RU-112C was drilled to follow up on high grade intercepts in hole RU-100C, which was drilled earlier in the year, and also to test a gap along the north edge of the JB zone. RU-112C returned intercepts of 6.56 g/t over 3.0 metres and 7.25 g/t over 11.6 metres and demonstrated continuity of the mineralization between hole 100C and the older holes.

Drill hole RU 105–W4 was completed from RU-105C one of four wedge holes completed along the north-south Corona dike target to follow up on the high grade intercept of 18.54 g/t over 19.8 metres obtained in hole RU-105C in the second quarter. The hole returned only a low-grade intercept. The 105 zone has now been defined by holes 95C, 105C, and the four 105 wedge holes and the area of high-grade mineralization appears to be relatively narrow. However, the 105C and 95C high-grade intercepts remain open to the south.

## **Outlook for 2007**

For the full year of 2007, Centerra is forecasting consolidated gold production of 700,000 to 720,000 ounces, about 20% higher than 2006. Total cash costs overall are forecast to be \$375 to \$385 per ounce.

Mining operations at Kumtor in 2007 will take place in both the Central pit and the South West pit. In the Central pit, mining will be focused on targeting the high grade mineralization of the SB Zone. Mining in the north section of the pit has been delayed, as a result of the July 2006 pit wall movement. The mill head grade at Kumtor is expected to increase to average 3.13 g/t in 2007 compared to 2.27 g/t in 2006 and mill recovery is expected to average 79.9% compared to 73.0% in 2006. Production from the mine is expected to increase to between 450,000 and 460,000 ounces of gold at a total cash cost of \$440 - \$450 per ounce.

At Boroo, the 2007 mine plan will focus on developing the Pit 3 phases and stripping Pit 6 to access oxide ore for blending in the fourth quarter of the year. Total gold production for the year is expected to be 250,000 to 260,000 ounces due primarily to a lower mill head grade which is expected to average 3.64 g/t compared to 4.25 g/t in 2006. Overall recoveries remain constant at 87%.

The Boroo mine plans to construct a 3 million tonne per year heap leach operation in the second quarter of 2007. It is expected to have the heap leach operational in the third quarter of 2007 and average recovery rates for oxide and transition ores are expected to be 50% to 60%. A total of 1.7 million tonnes of low grade material will be leached on the new heap leach pad with stacking commencing in the second half of the year. Total cash cost for the Boroo site in 2007 is expected to be about \$250 - \$260 per ounce.

In terms of sensitivity of results for 2007, a \$25 per ounce change in the gold spot price is anticipated to increase the Company's aggregate revenues, net earnings and cash from operations by approximately \$18 million, \$15 million (\$0.07 per share) and \$17 million, respectively.

The Company expects total capital expenditures for 2007 to be approximately \$110 million which includes \$25 million of maintenance capital. Growth capital is expected to be \$85 million, which includes

\$40 million at Kumtor (\$17 million for the development of the SB zone decline and \$12 million to pre-strip the SB zone in the Central Pit) and \$45 million at Boroo (Heap Leach and Gatsuurt projects accounting for \$20 million and \$25 million, respectively).

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

- no significant changes in our estimates of future production or costs,
- no delays in or interruption of production from our mines or in our development activities and
- all necessary permits, licences and approvals are received in a timely manner.

## **Qualified Person**

The new drilling results for Kumtor and REN in this news release and on Centerra's website and the scientific and technical information, and resource and reserve estimates in this news release were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and were reviewed, verified and compiled by Centerra's geological and mining staff under the supervision of Ian Atkinson, Certified Professional Geologist, Centerra's Vice President, Exploration, who is the qualified person for the purpose of NI 43-101.

## **Other Information**

The Kumtor deposit is described in Centerra's Annual Information Form (the "AIF") for the year ended December 31, 2005 and in a technical report dated March 9, 2006 prepared in accordance with NI 43-101. The AIF and technical report have been filed on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report describes the exploration history, geology and style of gold mineralization at the Kumtor deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kumtor site are the same as, or similar to, those described in the technical report.

The Boroo deposit is described in the AIF and a technical report dated May 13, 2004 prepared in accordance with NI 43-101, which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report describes the exploration history, geology and style of gold mineralization at the Boroo deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Boroo site are the same as, or similar to, those described in the technical report.

The Gatsuurt deposit is described in the AIF and in a technical report dated May 9, 2006 prepared in accordance with NI 43-101. The AIF and technical report have been filed on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report describes the exploration history, geology and style of gold mineralization at the Gatsuurt deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Gatsuurt project are the same as, or similar to, those described in the technical report.

The REN project is described in the AIF and in a technical report dated June 15, 2004 prepared in accordance with NI 43-101. The AIF and technical report have been filed on SEDAR at

[www.sedar.com](http://www.sedar.com). The technical report describes the exploration history, geology and style of gold mineralization at the REN project. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at REN are the same as, or similar to, those described in the technical report.

### **Cautionary Note Regarding Forward-looking Statements**

Statements contained in this news release including those under the heading “Outlook for 2007”, which are not historical facts are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; equipment failure; unexpected geological or hydrological conditions; political risks arising from operating in certain developing countries; defects in title; imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; environmental and safety risks including increased regulatory burdens; seismic activity, weather and other natural phenomena; failure to obtain necessary permits and approvals from government authorities; changes in government regulations and policies, including trade and tax laws and policies; ability to maintain and further improve positive labour relations; and other development and operating risks. For further discussion of the factors that could cause actual results to differ materially, please refer to Centerra’s Annual Information Form and Annual Management’s Discussion and Analysis for the year ended December 31, 2005, available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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



speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration. Centerra reports its reserves and resources separately.

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

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

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

## **About Centerra**

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

## **Conference Call**

Centerra invites you to join its fourth-quarter, year-end conference call on Wednesday, February 7, 2007 at 11:00 am. Eastern Time. The call is open to all investors and the media. To join the call, please dial (416) 620-7069 (International callers) or (877) 871-4065 (Toll-Free Canada and U.S.). Alternatively, an audio feed web cast will be available on [www.centerragold.com](http://www.centerragold.com). A recording of the call will be available on [www.centerragold.com](http://www.centerragold.com) shortly after the call, and via telephone until midnight on Wednesday, February 14, 2007 by calling (416) 626-4100 or (800) 558-5253 and using passcode 21326590.

## **For more information:**

John W. Pearson  
Director Investor Relations  
(416) 204-1241  
[john.pearson@centerragold.com](mailto:john.pearson@centerragold.com)  
[www.centerragold.com](http://www.centerragold.com)

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

## **Non-GAAP Measure - Total Cash Cost**

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

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

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

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

<b>Centerra Gold Inc.</b>				
<b>TOTAL CASH COST</b>				
<b>RECONCILIATION (unaudited)</b>				
(\$ millions, unless otherwise specified)				
	<b>Three months ended</b>		<b>Twelve months ended</b>	
	<b>December 31,</b>		<b>December 31,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<hr/>		<hr/>	
<b><u>Centerra:</u></b>				
Cost of sales, as reported	\$ 66.6	\$ 42.8	\$ 236.6	\$ 186.2
Adjust for:				
Refining fees & by-product credits	0.1	(0.1)	0.3	--
Non-operating costs	(2.7)	(1.6)	(4.5)	(3.5)
Inventory movement	3.3	8.9	(5.8)	6.9
Total cash cost - 100%	<hr/> \$ 67.3	<hr/> \$ 50.0	<hr/> \$ 226.6	<hr/> \$ 189.6
Ounces poured - 100% (000)	142.3	166.6	586.4	787.3
Total cash cost per ounce	\$ 473	\$ 300	\$ 386	\$ 241
<b><u>Kumtor:</u></b>				
Cost of sales, as reported	\$ 49.8	\$ 28.5	\$ 176.9	\$ 134.6
Adjust for:				
Refining fees & by-product credits	--	(0.1)	(0.1)	0.3
Non-operating costs	(2.8)	(1.6)	(4.3)	(4.5)
Inventory movement	2.3	8.1	(7.4)	6.8
Total cash cost - 100%	<hr/> \$ 49.3	<hr/> \$ 34.9	<hr/> \$ 165.1	<hr/> \$ 137.2
Ounces poured - 100% (000)	62.5	98.9	303.6	501.5
Total cash cost per ounce	\$ 789	\$ 352	\$ 544	\$ 274
<b><u>Boroo:</u></b>				
Cost of sales, as reported	\$ 16.8	\$ 14.3	\$ 59.7	\$ 51.6
Adjust for:				
Refining fees & by-product credits	0.1	--	0.4	(0.3)
Non-operating costs	0.1	--	(0.2)	1.0
Inventory movement	1.0	0.8	1.6	0.1
Total cash cost - 100%	<hr/> \$ 18.0	<hr/> \$ 15.1	<hr/> \$ 61.5	<hr/> \$ 52.4
Ounces poured - 100% (000)	79.8	67.7	282.8	285.8
Total cash cost per ounce	\$ 225	\$ 223	\$ 217	\$ 183

### FINANCIAL STATEMENTS FOLLOW

**Centerra Gold Inc.**

**Consolidated Financial Statements**

**For the Quarter and Year Ended December 31, 2006**

**(Unaudited)**

**(Expressed in United States Dollars)**

**Centerra Gold Inc.**  
**Consolidated Balance Sheets**  
(Expressed In thousands of United States Dollars)

	December 31, 2006	December 31, 2005
	(Unaudited)	
<b>Assets</b>		
Current assets		
Cash	\$ 186,159	\$ 202,417
Amounts receivable	24,006	8,951
Inventories	83,714	76,721
Prepaid expenses	24,737	16,151
	<u>318,616</u>	<u>304,240</u>
Property, plant and equipment	305,366	232,114
Goodwill	154,586	154,586
Long-term receivables, investments and other	6,778	8,357
Future income tax asset	8,901	-
	<u>475,631</u>	<u>395,057</u>
<b>Total assets</b>	<u>\$ 794,247</u>	<u>\$ 699,297</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 62,347	\$ 32,129
Provision for reclamation (note 2)	16,532	17,897
Future income tax liability	-	29
	<u>16,532</u>	<u>17,926</u>
Non-controlling interest	9,829	4,821
<b>Shareholders' equity</b>		
Share capital (note 3)	522,383	522,383
Contributed surplus	30,257	29,739
Retained earnings	152,899	92,299
	<u>705,539</u>	<u>644,421</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 794,247</u>	<u>\$ 699,297</u>

Commitments and Contingencies (note 7)

The accompanying notes form an integral part of these consolidated financial statements.

**Centerra Gold Inc.**  
**Consolidated Statements of Earnings and Retained Earnings**  
(Unaudited)  
(Expressed In thousands of United States Dollars)

	Three Months Ended		Twelve Months Ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
<b>Revenue from</b>				
Gold sales	\$ 88,404	\$ 75,044	\$ 364,520	\$ 338,583
<b>Expenses</b>				
Cost of sales	66,865	42,818	236,915	186,177
Depreciation, depletion and amortization	11,076	12,009	39,662	58,581
Accretion and reclamation expense (note 2)	275	329	(1,453)	1,315
Exploration and business development (note 4)	7,084	8,492	25,702	29,931
Interest and other (income)	(1,733)	(1,074)	(23,362)	(4,773)
Administration	9,456	5,941	27,220	17,934
	<b>93,023</b>	<b>68,515</b>	<b>304,684</b>	<b>289,165</b>
<b>Earnings (Loss) before income taxes and non-controlling interest</b>	<b>(4,619)</b>	<b>6,529</b>	<b>59,836</b>	<b>49,418</b>
Income tax expense(recovery) (note 5)	(8,118)	(682)	(5,771)	4,572
Non-controlling interest	1,630	848	5,007	2,412
<b>Net earnings</b>	<b>1,869</b>	<b>6,363</b>	<b>60,600</b>	<b>42,434</b>
Retained earnings, beginning of period	151,030	85,936	92,299	49,865
<b>Retained earnings, end of period</b>	<b>152,899</b>	<b>92,299</b>	<b>152,899</b>	<b>92,299</b>
<b>Basic and diluted earnings per common share [note 6]</b>	<b>\$ 0.01</b>	<b>\$ 0.03</b>	<b>\$ 0.28</b>	<b>\$ 0.20</b>

**Centerra Gold Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)  
(Expressed In thousands of United States Dollars)

	Three Months Ended		Twelve Months Ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
<b>Operating activities</b>				
Net earnings	\$ 1,869	\$ 6,363	\$ 60,600	\$ 42,434
Items not requiring (providing) cash:				
Depreciation, depletion and amortization	11,076	12,009	39,662	58,581
Accretion and reclamation expense	275	329	(1,453)	1,315
Deferred charges recognized	564	1,083	2,266	5,397
Future income tax expense (recovery)	(10,196)	(1,361)	(8,930)	2,540
Non-controlling interest	1,630	848	5,007	2,412
Other operating items	38	(128)	(2,142)	2,817
	<u>5,256</u>	<u>19,143</u>	<u>95,010</u>	<u>115,496</u>
Change in working capital	21,323	(14,329)	(436)	(32,096)
<b>Cash provided by operations</b>	<u>26,579</u>	<u>4,814</u>	<u>94,574</u>	<u>83,400</u>
<b>Investing activities</b>				
Additions to property, plant and equipment	(56,723)	(14,693)	(110,885)	(33,574)
Proceeds from disposition of fixed assets	4	-	53	-
<b>Cash provided by (used in) investing</b>	<u>(56,719)</u>	<u>(14,693)</u>	<u>(110,832)</u>	<u>(33,574)</u>
Increase (decrease) in cash during the period	(30,140)	(9,879)	(16,258)	49,826
Cash at beginning of the period	216,299	212,296	202,417	152,591
<b>Cash at end of the period</b>	<u>\$ 186,159</u>	<u>\$ 202,417</u>	<u>\$ 186,159</u>	<u>\$ 202,417</u>

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**(Expressed in thousands of United States Dollars)**

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**1. Basis of Presentation**

The consolidated financial statements of Centerra Gold Inc. (“Centerra”) have been prepared by management in accordance with Canadian generally accepted accounting principles and follow the same accounting principles and methods of application as the most recent annual consolidated financial statements. The financial statements should be read in conjunction with Centerra's annual consolidated financial statements included in the 2005 annual report, since they do not contain all of the disclosures required by Generally Accepted Accounting Principles.

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

**2. Asset Retirement Obligations**

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

(Thousands)	Three Months Ended		Year Ended	
	Dec 31/06	Dec 31/05	Dec 31/06	Dec 31/05
Balance, beginning of period	\$ 16,286	\$ 19,797	\$ 17,897	\$ 18,868
Liabilities incurred / (settled)	(29)	(20)	89	(77)
Revisions in estimated timing of cash flows	-	(2,209)	(2,589)	(2,209)
Accretion expense	275	329	1,135	1,315
Balance, end of period	\$ 16,532	\$ 17,897	\$ 16,532	\$ 17,897

The year to date balance of \$16.5 million reflects the previously announced significant new reserves at Kumtor, and the resulting deferral in reclamation spending at the site. Those two factors resulted in the reduction of the present value of the obligation by \$2.6 million, which was recorded in earnings in the first quarter of 2006.



**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**  
**(Expressed in thousands of United States Dollars)**

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**3. Shareholders' Equity**

**a) Share capital**

Centerra is authorised to issue an unlimited number of common shares, class A non-voting shares and preference shares with no par value. On May 9, 2006 the board of directors of Centerra Gold approved a three-for-one stock split of the Corporation's outstanding common shares, effected by way of a stock dividend. On June 1, 2006, shareholders of record at the close of business on May 29, 2006 received two additional common shares for each common share held. All share and per share data, including stock options, have been adjusted to reflect the stock split. As at December 31, 2006 the number of outstanding shares is as follows:

<b>Number Issued</b>	<b>2006</b> <small>(Number of Shares)</small>	<b>2006</b> <small>(Thousands of \$US)</small>
Beginning and end of period	<b>216,238,815</b>	<b>\$ 522,383</b>

**b) Stock-based compensation**

**Stock options**

**Centerra Plan**

At the start of 2006, a total of 600,549 stock options with a weighted-average strike price of Cdn \$5.88 per share was outstanding.

In February 2006, Centerra granted an additional 278,772 stock options at a strike price of Cdn \$12.78 per share. The compensation expense associated with this stock option series was calculated using the Black-Scholes valuation model, assuming a 6-year term, 32% volatility and a risk-free rate of return of 4.5%, and is being charged against net income over its vesting period.

A total of 879,321 stock options was outstanding at December 31, 2006 with strike prices as indicated above.

**Cameco Plan**

A total of 129,600 stock options was outstanding at December 31, 2006 which have been accrued at a market price of Cdn \$47.20 per share.

**Performance share units**

At December 31, 2006, a total of 798,233 performance share units for employees and officers of the Company was outstanding, of which 322,581 units were settled on January 15, 2007.

**Deferred share units**

At December 31, 2006, a total of 142,093 deferred share units for directors of the Company was outstanding.

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**4. Exploration and Business Development**

(Thousands)	Three months ended		Year ended	
	Dec 31/06	Dec 31/05	Dec 31/06	Dec 31/05
Exploration costs	\$ 6,626	\$ 7,070	\$ 22,947	\$ 25,457
Business development and feasibility study costs	458	1,422	2,755	4,474
	\$ 7,084	\$ 8,492	\$ 25,702	\$ 29,931

**5. Income Tax Expense**

Losses incurred at Kumtor have been tax effected based on the benefit of such losses being realized in future periods. In the fourth quarter the future tax asset for the Kyrgyz segment increased by \$7.0 million, primarily due to the validation of the tax basis for property, plant and equipment by the tax authorities, as filed on Kumtor's tax returns. The impact of the adjustments resulted in a tax recovery of \$5.4 million. The future tax asset in Mongolia was increased by \$3 million in the fourth quarter due primarily to temporary differences.

**6. Earnings Per Share Amounts**

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

	Three Months Ended		Year Ended	
	Dec 31/06	Dec 31/05	Dec 31/06	Dec 31/05
Basic weighted average number of common shares outstanding (Thousands)	216,239	216,239	216,239	216,239
Diluted weighted average number of common shares outstanding (Thousands)	216,558	216,411	216,547	216,338
<b>Basic and diluted earnings per common share (1)</b>	<b>\$ 0.01</b>	\$ 0.03	<b>\$ 0.28</b>	\$ 0.20

(1) stock-split adjusted

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**7. Commitments and Contingencies**

A claim was filed and a judgement issued by a Kyrgyz court against Kumtor ordering it to pay land tax on certain non-agricultural land leased by Kumtor. The Company paid and expensed the amount totalling \$1.2 million during the fourth quarter. Kumtor has brought this matter to international arbitration pursuant to its Investment Agreement with the Kyrgyz Republic.

A claim has been filed in the Mongolian national arbitration court against Centerra Gold Mongolia LLC alleging non-performance of an agreement in relation to the Gatsuurt property. The claimant seeks the transfer to it of the principal license for the Gatsuurt property. The potential impact of this claim is not determinable at this time. Management believes that the terms of this agreement have been fully met and the claim is without merit.

In December, an agreement was signed between Kumtor and the Government of the Kyrgyz Republic under which Kumtor agreed to loan the Government \$4.4 million. \$3.0 million has been advanced. The balance will be advanced in 2007. Half of the loan (\$2.2 million) is repayable no later than 2010. The balance (\$2.2 million) will be forgiven provided that the Government does not default under its Investment Agreement with the Company. The amounts to be forgiven are expensed as advanced.

**8. Related Party Transactions**

**Cameco Corporation**

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

Effective April 1, 2004 Centerra entered into an administrative services agreement with Cameco whereby Cameco agreed to provide services and expertise to Centerra in return for reimbursement for all its direct and indirect costs relating to those services. Minimal services were provided by Cameco under the services agreement during the year of 2006 (For 2005, \$162,000 was incurred in the fourth quarter and \$771,000 year to date).

Costs associated with the enhancement of internal controls at Centerra (as prescribed by the Sarbanes-Oxley Act) are shared with Cameco for 2006 to a prescribed amount. During the year of 2006, approximately \$5.4 million Cdn was charged to Cameco.

A net receivable balance of \$3.8 million Cdn from Cameco was outstanding at December 31, 2006 (\$1.0 million Cdn payable to Cameco at December 31, 2005).

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**8. Related Party Transactions (continued)**

**Other**

The Company paid approximately \$97,000 Cdn in the fourth quarter of 2006, (\$109,000 Cdn in the fourth quarter of 2005) and approximately \$590,000 Cdn year to date, (\$429,000 Cdn for the year ended December, 2005) to Ms Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr Homeniuk. Ms Stephens provides certain designated legal and business advisory services related to international operations.

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

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

<b>(Thousands)</b>	<b>Three Months Ended</b>	
	<b>Dec 31/06</b>	<b>Dec 31/05</b>
Management fees to Kyrgyzaltyn	\$ 99	\$ 131
Concession payments to the Kyrgyz Republic	264	349
	<b>\$ 363</b>	<b>\$ 480</b>
Gross gold and silver sales to Kyrgyzaltyn	\$ 39,149	\$ 42,427
Deduct: refinery and financing charges	(266)	(550)
Net sales revenue received from Kyrgyzaltyn	<b>\$ 38,883</b>	<b>\$ 41,877</b>

  

<b>(Thousands)</b>	<b>Year Ended</b>	
	<b>Dec 31/06</b>	<b>Dec 31/05</b>
Management fees to Kyrgyzaltyn	\$ 494	\$ 747
Concession payments to the Kyrgyz Republic	1,318	1,992
	<b>\$ 1,812</b>	<b>\$ 2,739</b>
Gross gold and silver sales to Kyrgyzaltyn	\$ 197,987	\$ 220,242
Deduct: refinery and financing charges	(1,480)	(2,603)
Net sales revenue received from Kyrgyzaltyn	<b>\$ 196,507</b>	<b>\$ 217,639</b>

During 2006, management fees to Kyrgyzaltyn were offset against the advance of \$1.0 million which was made for this purpose in November 2005.

## **8. Related Party Transactions (continued)**

Kyrgyzaltyn and Kumtor have agreed, pursuant to a Gold Payment Agreement effective December 22, 2005 as amended (the "GPA") and most recently extended effective from November 15, 2006, that until the earlier of (i) May 15, 2007 and (ii) the date on which at least \$12 million of proceeds from the sale of shares of Centerra currently owned by Kyrgyzaltyn have been deposited into a special purpose gold payment account of Kyrgyzaltyn, Kyrgyzaltyn will have 12 days to pay for gold shipped from the Kumtor mine. Kyrgyzaltyn shall pay interest on unpaid amounts equal to LIBOR plus 0.25%. Prior to the effective date of the GPA, Kumtor shipped gold to Kyrgyzaltyn on a pre-paid basis. Under the GPA Kyrgyzaltyn has agreed to sell before May 15, 2007, a sufficient number of Centerra shares to yield \$12 million of proceeds. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility, which facility will be used by Kyrgyzaltyn to resume the prior practice of pre-paying for gold. While the GPA is in effect the obligations of Kyrgyzaltyn to Kumtor are secured by a pledge of Centerra shares owned by Kyrgyzaltyn. As at December 31, 2006 amounts outstanding under this agreement were \$8.3 million.

## **9. Segmented Information**

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

### **Geographic Segmentation of Revenue**

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

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**9. Segmented Information (continued)**

**Three months ended December 31, 2006**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 39.3	\$ 49.1	\$ -	\$ 88.4
Expenses				
Cost of sales	50.1	16.8	-	66.9
Depreciation, depletion and amortization	5.9	5.0	0.2	11.1
Accretion and reclamation expense	0.2	0.1	-	0.3
Exploration and business development	3.9	1.1	2.1	7.1
Interest and other	0.7	(1.6)	(0.9)	(1.8)
Administration	0.7	0.3	8.4	9.4
<b>Earnings (loss) before income taxes and Non-controlling interest</b>	<b>(22.2)</b>	<b>27.4</b>	<b>(9.8)</b>	<b>(4.6)</b>
Income tax expense (recovery)	(5.3)	(2.9)	0.1	(8.1)
Non-controlling interest	-	1.6	-	1.6
<b>Net earnings (loss)</b>	<b>(16.9)</b>	<b>28.7</b>	<b>(9.9)</b>	<b>1.9</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 52.3</b>	<b>\$ 4.7</b>	<b>\$ -</b>	<b>\$ 57.0</b>

**Three months ended December 31, 2005**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 40.7	\$ 34.3	\$ -	\$ 75.0
Expenses				
Cost of sales	28.5	14.3	-	42.8
Depreciation, depletion and amortization	6.1	5.8	0.1	12.0
Accretion and reclamation expense	0.2	0.1	-	0.3
Exploration and business development	4.2	2.7	1.6	8.5
Interest and other	0.4	0.4	(1.9)	(1.1)
Administration	0.7	(0.1)	5.4	6.0
<b>Earnings (loss) before income taxes and Non-controlling interest</b>	<b>0.6</b>	<b>11.1</b>	<b>(5.2)</b>	<b>6.5</b>
Income tax expense (recovery)	0.7	(1.6)	0.2	(0.7)
Non-controlling interest		0.8		0.8
<b>Net earnings (loss)</b>	<b>\$ (0.1)</b>	<b>\$ 11.9</b>	<b>\$ (5.4)</b>	<b>6.4</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 10.9</b>	<b>\$ 3.1</b>	<b>\$ 0.7</b>	<b>\$ 14.7</b>

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**9. Segmented Information (continued)**

**Year ended December 31, 2006**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 195.9	\$ 168.6	\$ -	\$ 364.5
Expenses				
Cost of sales	177.2	59.7	-	236.9
Depreciation, depletion and amortization	19.5	19.7	0.5	39.7
Accretion and reclamation expense	(1.6)	0.2	-	(1.4)
Exploration and business development	14.3	5.2	6.2	25.7
Interest and other	(11.5)	(2.6)	(9.3)	(23.4)
Administration	2.7	1.4	23.1	27.2
<b>Earnings (loss) before income taxes and Non-controlling interest</b>	<b>(4.7)</b>	<b>85.0</b>	<b>(20.5)</b>	<b>59.8</b>
Income tax expense (recovery)	(0.9)	(5.2)	0.3	(5.8)
Non-controlling interest	-	5.0	-	5.0
<b>Net earnings (loss)</b>	<b>(3.8)</b>	<b>85.2</b>	<b>(20.8)</b>	<b>60.6</b>
<b>Capital expenditures for the period</b>	<b>\$ 95.0</b>	<b>\$ 15.1</b>	<b>\$ 1.1</b>	<b>\$ 111.2</b>

**Year ended December 31, 2005**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 213.8	\$ 124.8	\$ -	\$ 338.6
Expenses				
Cost of sales	134.6	51.6	-	186.2
Depreciation, depletion and amortization	34.1	24.0	0.4	58.5
Accretion and reclamation expense	1.1	0.2	-	1.3
Exploration and business development	14.6	8.6	6.7	29.9
Interest and other	3.9	0.6	(9.3)	(4.8)
Administration	2.8	0.8	14.4	18.0
<b>Earnings (loss) before income taxes and minority interest</b>	<b>22.7</b>	<b>39.0</b>	<b>(12.2)</b>	<b>49.5</b>
Income tax expense (recovery)	5.3	(1.6)	0.8	4.5
Non-controlling interest		2.4		2.4
<b>Net earnings (loss)</b>	<b>17.4</b>	<b>38.2</b>	<b>(13.0)</b>	<b>\$ 42.6</b>
<b>Capital expenditures for the period</b>	<b>\$ 21.5</b>	<b>\$ 11.4</b>	<b>\$ 0.7</b>	<b>\$ 33.6</b>

**10. Comparative Information**

Certain prior year balances have been reclassified to conform to the current presentation.