Centerra Gold Inc.
Management's Discussion and Analysis
For the fiscal year ended December 31, 2008

The following discussion has been prepared as of March 5, 2009, and is intended to provide a review of the financial position of Centerra Gold Inc. ("Centerra" or the "Company") as at and for the financial year ended December 31, 2008 and results of operations in comparison with those as at and for the financial year of the Company ended December 31, 2007. This discussion should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2008 prepared in accordance with Canadian generally accepted accounting principles. In addition, this discussion contains certain forward-looking information regarding Centerra's businesses and operations. See Risk Factors and Caution Regarding Forward-Looking Information in this discussion. All dollar amounts are expressed in United States dollars, except as otherwise indicated. Additional information about Centerra, including the Company's annual information form for the year ended December 31, 2008, is available on the Company's website at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Centerra's Business

Centerra is a Canadian-based gold company, focused on acquiring, exploring, developing and operating gold properties in Asia, the former Soviet Union and other emerging markets world-wide.

Centerra's assets today consist of a 100% interest in the Kumtor mine, located in the Kyrgyz Republic, a 100% interest in the Boroo mine and a 100% interest in the Gatsuurt property, both located in Mongolia, and a 63% interest in the REN property in Nevada. Additionally, the Company is earning an interest in joint venture exploration properties located in Russia, Turkey and the United States (Nevada).

Substantially all of Centerra's revenues are derived from the sale of gold. The Company's revenues are derived from production volumes from its mines and gold prices realized. Gold doré production from the Kumtor mine is purchased by Kyrgyzaltyn JSC ("Kyrgyzaltyn") for processing at its refinery in the Kyrgyz Republic while gold doré produced by the Boroo mine is exported and sold under a contract with a third party. Both sales agreements are based on spot gold prices. The Gatsuurt property is in the development phase. The REN and other United States, Russian and Turkey properties are in the exploration phase.

In 2008, the Company's two mines produced a total of 749,000 ounces of gold, ranking Centerra as an intermediate-sized North American-based gold producer.

The average spot price for gold in 2008 increased 25% over the average in 2007. This follows year-over-year increases of 16% in 2007 and 35% in 2006. The average realized price of gold received by Centerra increased because of the higher spot price for gold. Historically, gold has been seen to be a hedge against inflation and U.S. dollar weakness. A number of factors continue to support the strengthening of the gold price, including a general fear surrounding the solvency of the world's banking system, the U.S. dollar and inflation, record-setting equity market volatility and an increase in the demand for gold for investment purposes (see the discussion below under "Gold Industry and Key Economic Trends"). This is partially offset by the recent decline in demand for jewelry.

The Company's costs are comprised primarily of the cost of producing gold from its two mines and secondarily from depreciation and depletion. There are many operating variables that affect the cost of producing an ounce of gold.

In the mine, costs are influenced by the ore grade and the stripping ratio. The stripping ratio means the tonnage of waste material which must be removed to allow the mining of one tonne of ore in an open pit. The significant costs of mining are labour, diesel fuel and equipment maintenance.

In the mill, costs are dependent mainly on the metallurgical characteristics of the ore and the ore grade. For example, a higher grade ore would typically contribute to a lower unit production cost. The significant costs of milling are reagents, mill maintenance and energy.

Both mining and milling costs are affected by labour costs, which depend on the availability of qualified personnel in the regions where the operations are located, the wages in those markets, and the number of people required. Mining and milling activities involve the use of many materials. The varying costs and the amount of material used also influence the cash costs of mining and milling. The non-cash costs are influenced by the amount of costs related to the mine's acquisition, development and ongoing capital requirements and the estimated useful lives of capital items.

Over the life of each mine, another significant cost that must be planned for is the closure, reclamation and decommissioning of each operating site. In accordance with standard practices for Western-based mining companies, Centerra carries out remediation and reclamation work during the operating period of the mine where feasible in order to reduce the final decommissioning costs. Nevertheless, the majority of rehabilitation work can only be performed following the completion of mining operations. Centerra's practice is to record estimated final decommissioning costs based on conceptual closure plans, and to disclose these costs according to Canadian generally accepted accounting principles ("GAAP"). In addition, Kumtor has established a reclamation trust fund to pay for these costs (net of forecast salvage value of assets) from the revenues generated over the life of mine. Annually Boroo deposits 50% of the upcoming year's annual reclamation budget into a government account and recovers this money when the annual reclamation commitments are completed.

Gold Industry, Key Economic Trends and Recent Market Uncertainty

The two principal uses of gold are product fabrication and bullion investment. A broad range of end uses is included within the fabrication category, the most significant of which is the production of jewelry. Other fabrication uses include official coins, electronics, miscellaneous industrial and decorative uses, medals and medallions.

Currently strong gold industry fundamentals support management's positive view on the gold price, the Company's growth strategy and its continued policy of not entering into hedging arrangements.

Global gold industry production is expected to be flat to declining for the next few years after significant growth from 1995 to 2001. This is the result of, among other things, a material decline in global exploration funding since 1996, which has led to relatively few large discoveries. In addition, Centerra believes the cost of gold production in U.S. dollar terms is rising globally due primarily to a declining quality of reserves at producing mines, higher costs of construction and equipment and higher cost of labour and certain consumables. There has been significant consolidation among senior gold producers since 2002, with approximately one-half of global production now controlled by the world's top 10 producers. To replace mined reserves, producers explore in new regions because there are fewer remaining opportunities in conventional gold mining locations.

As well as supply factors internal to the industry, described above, external factors impact the gold price. An important factor is the trade-weighted U.S. dollar exchange rate. Historically, with the exception of 2005, there has been a strong inverse correlation between the trade-weighted U.S. dollar exchange rate and the gold price resulting in a positive gold price trend during extended periods of U.S. dollar weakness. Another factor affecting the gold price and which has gained in importance is the activity of gold exchange traded funds ("ETF's") which allow investors to more directly invest in gold without holding the physical asset. Globally, investment demand through ETF's was 23% higher than in 2007 and represented 8% (308 tonnes) of total global demand for gold (3,861 tonnes), up from 6% in 2007. In the first six weeks of 2009, gold ETF's have added 206 tonnes of gold to their holding, creating in aggregate the sixth largest gold reserve after five central banks, with total holding of some 1,400 tonnes. Investor sentiment towards gold, as reflected in ETF activity, can thus have a material impact on the gold price. The increase in the gold price in 2008 was tempered by a period of massive sell-offs by funds and investors in favour of cash, as a result of rapidly deteriorating liquidity in financial markets in the latter part of 2008. In the same period, the U.S. Dollar strengthened against key currencies.

Other factors that have impacted the gold price include jewelry demand, the Central Bank Gold Agreement which has limited central bank gold sales, and a general increase in global geopolitical tensions.

Financial liquidity represents the Company's ability to fund future operating activities and investments. Centerra has two operating mines located in Kyrgyzstan and Mongolia. Gold doré produced in the Kyrgyz Republic is sold to Kyrgyzaltyn JSC for processing at its refinery while production in Mongolia is sold under contract to a western based third party. Centerra generated $166.3 million in cash from operations in 2008 and has a balance of cash and short-term investments of $167.4 million at December 31, 2008. The Company has no outstanding debt and it is expected that all planned capital and operating expenditures can be funded out of cash flow for 2009. See "Caution Regarding Forward-Looking Information".

Recent uncertainty in the global financial markets has constrained the ability of most companies to access capital markets funding. Although Centerra has no current requirements for such funding, the markets have retained an interest in gold producers and, under the right conditions equity issues of many of these companies have been well received. Centerra believes that a resolution of the investment agreement negotiations in the Kyrgyz Republic would be necessary before the Company could contemplate an equity issue.

Notwithstanding the financial market turmoil and volatility in the fourth quarter of 2008, the Company believes that fundamentals remain positive for gold in the coming year. The strong inverse correlation with the U.S. dollar will remain an important positive factor supporting the gold price, along with investor sentiment, in favour of gold as a hedge against inflation.

The Company also expects increased competition for new gold reserves in all regions. However, the Company believes that strong gold prices will foster increased exploration spending in all regions, which it expects will be successful and thereby may create increased acquisition opportunities. See "Caution Regarding Forward-Looking Information".

The following table shows the average afternoon gold price fixing, by quarter, on the London Bullion Market for 2006, 2007 and 2008:

Quarter	Average Gold Price ($)
2006 Q1	554
2006 Q2	628
2006 Q3	622
2006 Q4	606
2007 Q1	650
2007 Q2	667
2007 Q3	680
2007 Q4	788
2008 Q1	927
2008 Q2	896
2008 Q3	872
2008 Q4	795

Growth and Strategy

Centerra's growth strategy is to increase its reserve base and expand its current portfolio of mining operations by:

- developing new reserves at or near its existing mines from in-pit and underground, adjacent and regional exploration;
- advancing late-stage exploration properties through drilling and feasibility studies, as warranted; and
- actively pursuing selective acquisitions in Asia, the former Soviet Union and other emerging markets worldwide.

Centerra's growth strategy could be impacted by the risk factors described on page 41.

During 2008, the Company continued its exploration drilling activities in and around its two mine sites. In February 2009, the Company announced its 2008 year-end reserves estimate of 5.8 million ounces of contained gold in proven and probable reserves. Overall, the Company's reserves were reduced by 147,000 contained ounces before accounting for the 1.0 million contained ounces processed and stacked on the Boroo heap leach pad during the year. The 2008 year-end reserves and resources were estimated using a gold price of $675 per ounce compared to $550 per ounce in 2007 (see the "2008 Year-end Reserve and Resource Summary" table).

At Kumtor, reserves were reduced by 180,000 contained ounces before accounting for processing of 697,000 contained ounces during 2008. The reduction was due to the lowering of high-grade capping levels (100 g/t to 70 g/t), changes to model interpolation methods and normal reconciliation variances between mining and milling operations during 2008. The reserve grade decreased from 4.0 g/t gold to 3.5 g/t gold due to the lowering of the high grade capping levels from 100 g/t gold to 70 g/t gold to better manage the risk around the statistical variability of the performance of the deposit compared to the block model. Measured and indicated resources were reduced by 807,000 ounces of contained gold, as a result of reclassifying 757,000 contained ounces into the inferred category (Kumtor stockwork underground), lowering the high-grade capping levels and changes to model interpolation methods. Inferred resources increased by 505,000 ounces of contained gold due to the inclusion of 757,000 contained ounces in the Kumtor stockwork underground from the 2008 drilling of the high-grade core below the stockwork area of the central pit. The Company believes that this area will be more amenable to underground mining than surface mining.

A decision to commence underground mining of the SB Zone deposit will be considered as additional resource delineation drilling results become available in 2010. Planning for the future underground development was initiated in 2008. A second study was undertaken by SRK Canada in 2008 (the "2008 SRK Study") to review the available technical information and site-specific facilities and infrastructure that would be required to develop the proposed underground mining operations to exploit the SB Zone inferred resources. The 2008 SRK Study reviewed in detail geological and geotechnical information to evaluate a proposal to construct a second access to the underground SB Zone inferred resource. Included in the study were various mining method options, the related ventilation requirements and mining equipment, as well as metallurgical characteristics and surface plant requirements. Socio-economic and environmental studies are on-going and are expected to be concluded in the middle of 2009. A $5.5 million drilling program to delineate the underground SB Zone inferred resource is planned as part of the 2010 program. In 2009, $12 million has been allocated to the phase 2 of the underground development for long lead time items for mining and infrastructure. The second portal is expected to be located in the region known as the Saddle Zone within the Kumtor pit. The Saddle Zone is an area located between the Stockwork Zone in the north and the SB Zone in the south. This hanging wall portal is expected to allow ramping to an elevation that accesses the upper portion of the SB underground zone. Additional horizontal and vertical development to properly ventilate and access the resources is included.

The current open pit design at Kumtor assumes that the glacial till and bedrock will be hydrologically depressurized to achieve the pit wall slope angles. Geotechnical work to date has indicated that the till is amenable to depressurization. A program to hydrologically depressurize the till and bedrock was implemented in 2008. To reflect the geotechnical risks and the technical risks associated with implementing the depressurization program, all remaining reserves in the central pit have been reclassified to probable reserves. All ore in stockpile inventory as of December 31, 2008 has been placed in the proven reserve category.

At Boroo, 33,000 contained ounces of reserves were added before accounting for the processing of 303,000 contained ounces during 2008 in the Boroo mill and heap leach pad. The addition is due to the identification of additional heap leach and milling ore during 2008 mining production compared to the block model. All mill and heap leach ore in stockpile inventory as of December 31, 2008 is placed in the proven reserve category. All remaining reserves to be mined in the pit have been classified to probable reserves.

At Gatsuurt reserves were unchanged from the December 31, 2007 estimate of approximately 1.0 million contained ounces of gold.

During 2009, exploration will continue with budgeted expenditures of $25 million.

The Company's proven and probable reserves, measured and indicated resources, and inferred resources are shown on a 100% basis in the following table:

Centerra Gold Inc.
2008 Year-end Reserve and Resource Summary
(as of December 31, 2008)

Reserves [1]	(Tonnes and ounces in thousands) [11] [12]											
	Proven			Probable			Total Proven and Probable Reserves					
Property	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) [3]	Mining Method[4]
Kumtor [1] [6] [13]	3,412	1.4	150	32,008	3.8	3,875	35,420	3.5	4,025	4,025	OP
Boroo [8]	9,015	0.8	232	9,440	1.8	546	18,455	1.3	778	778	OP
Gatsuurt [1]	-	-	-	9,101	3.4	1,005	9,101	3.4	1,005	1,005	OP
Total	**12,427**	**1.0**	**382**	**50,549**	**3.3**	**5,426**	**62,976**	**2.9**	**5,808**	**5,808**	

Measured and Indicated Resources [2]	(Tonnes and ounces in thousands) [11] [12]										
	Measured			Indicated			Total Measured and Indicated Resources				
Property	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz)[3]	Mining Method[4]
Kumtor [5] [6] [13]	18,966	2.8	1,689	14,989	2.4	1,176	33,955	2.6	2,865	2,865	OP
Boroo [5] [8]	452	2.2	32	4,465	1.5	210	4,916	1.5	242	242	OP
Gatsuurt [9]	-	-	-	6,238	3.0	607	6,238	3.0	607	607	OP
REN [10]	-	-	-	2,990	12.7	1,220	2,990	12.7	1,220	767	UG
Total	**19,418**	**2.8**	**1,721**	**28,682**	**3.5**	**3,213**	**48,100**	**3.2**	**4,934**	**4,481**	

Inferred Resources [2]	(Tonnes and ounces in thousands) [11] [12]				
	Inferred				
Property	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz)[3]	Mining Method[4]
Kumtor [5] [6] [13]	600	1.8	34	34	OP
Kumtor Stockwork Underground[7]	2,089	11.3	757	757	UG
Kumtor SB Underground[7]	2,671	18.6	1,593	1,593	UG
Boroo [5] [8]	7,323	1.0	233	233	OP
Gatsuurt [9]	2,437	3.3	256	256	OP
REN [10]	835	16.1	432	272	UG
Total	**15,995**	**6.4**	**3,305**	**3,145**	

(1) The reserves have been estimated based on a gold price of $675 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 100% and REN 63%.
(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 $675 per ounce.
(6) The open pit reserves and resources at Kumtor are estimated based on a cutoff grade of 1.0 gram of gold per tonne and includes the Central Pit and the Southwest and Sarytor deposits.
(7) Underground resources occur below the Central pit and are estimated based on a cutoff grade of 7.0 grams of gold per tonne.
(8) The reserves and resources at Boroo are estimated based 0.5 gram of gold per tonne cutoff grade.
(9) The reserves and resources at Gatsuurt are estimated using either a 1.2 or 1.8 grams of gold per tonne cutoff grade depending on process method.
(10) The resources at REN are estimated based on a cutoff grade of 8.0 grams of gold 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.
(13) Kumtor reserves and resources include Sarytor reserves of 2.8 million tonnes grading 3.4 g/t for 311,000 contained ounces, Sarytor and Southwest indicated resources of 8.5 million tonnes grading 2.2 g/t for 598,000 contained ounces and Sarytor inferred resources of 0.52 million tonnes grading 1.7 g/t for 29,000 contained ounces. The mining licenses for these deposits were invalidated by the Bishkek Inter District Court on June 17, 2008. That order is under appeal by the Company. The Company believes that its current negotiations with the Kyrgyz Republic are reasonably likely to lead to the resolution of outstanding issues, and to the reinstatement of the Sarytor and Southwest licenses. It therefore continues to include the Sarytor and Southwest reserves and resources in this statement. See "Other Corporate Developments – Kyrgyz Republic."

Reconciliation of Gold Reserves and Resources
(in thousands of ounces of contained gold)[9]

	December 31 2007 [1]	2008 Throughput [2]	2008 Addition (Deletion) [3]	December 31 2008	Centerra's Share December 31 2008 [4]
Reserves – Proven and Probable					
Kumtor [5] [10]	4,902	697	(180)	4,025	4,025
Boroo	1,048	303[8]	33	778	778
Gatsuurt [7]	1,005	0	0	1,005	1,005
Total Proven and Probable Reserves	**6,955**	**1,000**	**(147)**	**5,808**	**5,808**
Resources – Measured and Indicated					
Kumtor [6] [10]	3,672	0	(807)	2,865	2,865
Boroo	254	0	(12)	242	242
Gatsuurt [7]	607	0	0	607	607
REN	1,220	0	0	1,220	767
Total Measured & Indicated Resources	**5,753**	**0**	**(819)**	**4,934**	**4,481**
Resources – Inferred					
Kumtor [6] [10]	46	0	(12)	34	34
Kumtor Stockwork Underground	0		757	757	757
Kumtor SB Underground	1,797	0	(204)	1,593	1,593
Boroo	239	0	(6)	233	233
Gatsuurt [7]	256	0	0	256	256
REN	432	0	0	432	272
Total Inferred Resources	**2,770**	**0**	**535**	**3,305**	**3,145**

(1) Reserves and resources as reported in Centerra's 2007 AIF.
(2) Corresponds to millfeed. The discrepancy between the 2008 millfeed and 2008 ounces of gold produced is due to gold recovery in the mill.
(3) Changes in reserves or resources, as applicable, are attributed to information provided by drilling and subsequent reclassification of reserves or resources, an increase in the gold price, changes in pit designs, reconciliation between the mill and the resource model, and changes to operating costs.
(4) Centerra's equity interests as at December 31, 2008, were as follows: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 63%.
(5) Kumtor reserves include the main pit and the Southwest and Sarytor satellite deposits.
(6) Kumtor open pit resources include the Central Pit and the Southwest Zone and Sarytor satellite deposits.
(7) Gatsuurt reserves and resources include the Central Zone and Main Zone deposits.
(8) Includes estimated material stacked on heap leach pad by 2008 year-end.
(9) Numbers may not add up due to rounding.
(10) Kumtor reserves and resources include Sarytor reserves of 2.8 million tonnes grading 3.4 g/t for 311,000 contained ounces, Sarytor and Southwest indicated resources of 8.5 million tonnes grading 2.2 g/t for 598,000 contained ounces and Sarytor inferred resources of 0.52 million tonnes grading 1.7 g/t for 29,000 contained ounces. The mining licenses for these deposits were invalidated by the Bishkek Inter District Court on June 17, 2008. That order is under appeal by the Company. The Company believes that its current negotiations with the Kyrgyz Republic are reasonably likely to lead to the resolution of outstanding issues, and to the reinstatement of the Sarytor and Southwest licenses. It therefore continues to include the Sarytor and Southwest reserves and resources in this statement. See "Other Corporate Developments – Kyrgyz Republic."

Centerra reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves.

Selected Annual Information

The consolidated financial statements of Centerra are prepared in accordance with Canadian GAAP and have been measured and expressed in United States dollars.

$ millions, unless otherwise specified	Year Ended December 31,		
	2008	**2007**	**2006**
Revenue	**$ 636**	**$ 373**	**$ 365**
Cost of sales	**332**	**207**	**219**
Regional administration	**19**	**20**	**18**
Depreciation, depletion and amortization	**78**	**44**	**40**
Accretion and reclamation expenses	**1**	**1**	**(2)**
Exploration and business development	**24**	**20**	**26**
Impairment charge	**19**	**-**	
Other income and expenses	**5**	**(5)**	**(23)**
Administration	**27**	**25**	**27**
	505	**312**	**305**
Earnings before unusual items, income taxes and non-controlling interest	**131**	**61**	**60**
Unusual items [3]	**(38)**	**132**	**-**
Income tax expense (recovery)	**34**	**19**	**(6)**
Non-controlling interest	**-**	**3**	**5**
Net earnings (loss)	**$ 135**	**$ (93)**	**$ 61**
Earnings (loss) per common share (basic and diluted) - $/share	**$ 0.62**	**$ (0.43)**	**$ 0.28**
Total assets	**$ 941**	**$ 814**	**$ 794**
Long-term debt, provision for reclamation and future income taxes	**$ 30**	**$ 21**	**$ 17**
Operating Highlights			
Gold sold – ounces	**745,730**	**540,645**	**610,441**
Gold produced - ounces poured	**748,888**	**555,410**	**586,384**
Average realized price – $/oz	**$ 853**	**$ 691**	**$ 597**
Gold spot market price – $/oz [1]	**$ 870**	**$ 696**	**$ 602**
Cost of sales - $/oz sold	**$ 448**	**$ 384**	**$ 357**
Total cash cost – $/oz produced [2]	**$ 483**	**$ 442**	**$ 386**
Total production cost – $/oz produced [2]	**$ 592**	**$ 532**	**$ 450**

[1] Average for the period as reported by the London Bullion Market Association (Gold P.M. Fix Rate).

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

[3] See page 10 for a discussion of unusual items.

Results

Overview of 2008 Versus 2007

For accounting purposes, Centerra's 2008 and 2007 results reflect fully consolidated interests in the Kumtor and Boroo mines, a fully consolidated interest in the Gatsuurt property and a 63% proportional consolidated interest in the REN property.

Revenue for 2008 increased by $262.5 million, or 70%, to $636.0 million compared to $373.5 million in the same period of 2007 due to a 38% increase in ounces sold and a 23% increase in realized gold price. Gold production of 748,888 ounces in 2008 was 35% higher than the 555,410 ounces reported in 2007 due to an 85% increase in gold production at Kumtor as a result of the higher mill grades and recoveries. Gold sold in 2008 totalled 745,730 ounces (552,253 ounces from Kumtor and 193,477 ounces from Boroo) which was higher than 2007 ounces sold of 540,645 (300,474 ounces from Kumtor and 240,171 ounces from Boroo) due to significant increase in ounces produced at Kumtor. The average realized gold price for 2008 was $853 per ounce compared to $691 per ounce in the same period of 2007 reflecting higher spot prices for gold throughout the year.

The initial outlook for 2008 consolidated gold production of 770,000 - 830,000 ounces was revised on October 31, 2008 to 740,000 - 790,000 ounces. As mining commenced in the higher grade portion of the SB Zone in September, lower than expected head grades were initially encountered in the upper portions of the zone, resulting in the revised guidance for the year. Gold production in 2008 of 748,888 ounces of gold was consistent with this revised guidance.

Cost of sales was $332.0 million in 2008 compared to $207.4 million in 2007. The increase is a result of more ounces sold as well as increased costs as described in the "Results of Operating Segments" for Kumtor and Boroo. Cost of sales per ounce sold was $448 in 2008 compared to $384 in 2007.

Total cash cost per ounce produced for 2008 increased to $483 compared to $442 per ounce in 2007 (Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures"). This increase primarily reflects increased costs of labour, maintenance and major mine and mill reagents and consumables as discussed in the "Results of Operating Segments" for Kumtor and Boroo.

The original 2008 outlook for total cash cost per ounce of $360 to $400 was revised to $409 to $449 after the framework agreement expired in June 2008, since the original guidance assumed that a new agreement for the Kumtor project would have been implemented and retroactive to January 1, 2008 and that revenue-based taxes were excluded from total cash cost. At the end of the third quarter of 2008 total cash cost guidance was revised to $460 to $495 per ounce due to the projected decrease in ounces expected to be produced and rising operating costs at both sites. (This included revenue-based taxes and royalties incurred in the Kyrgyz Republic under the Company's existing (2003) Investment Agreement of approximately 7.5% of revenue for all of 2008.) Total cash cost of $483 per ounce in 2008 was within the revised guidance.

Income tax in the amount of $34.1 million was expensed in 2008, compared to $19.3 million in 2007. The increase in the income tax provision was primarily due to an increase in income, and to the fact that Kumtor was subject to the Issyk-Kul Social Fund tax in 2008, whereas it was not in 2007.

For Centerra's Kyrgyz operations, 2008 income tax expense was based on terms of the existing Investment Agreement with the government of the Kyrgyz republic. While a Memorandum of Understanding ("MOU") was signed in 2007, it expired prior to its implementation, with the result that the terms of the existing Investment Agreement continue to apply. Should the terms of the MOU be incorporated in a new investment agreement, Kumtor's taxes would be computed by reference to proceeds from products sold, rather than by reference to income. Kumtor's existing Investment Agreement provides for income tax at a 10% rate, the same rate that applied in 2007. In addition, in 2008 Kumtor was subject to the Issyk-Kul Social Fund tax, at a rate of 2% of pretax earnings, resulting in an income tax rate in 2008 of 12%. As Kumtor incurred a loss in 2007, the Issyk-Kul Social Fund tax was not imposed in that year.

For Boroo Gold Company, the tax regime is governed by a Stability Agreement with the Government of Mongolia. That agreement was amended August 3rd, 2007 to change the generally applicable income tax rate to 25% for taxable income over 3 billion MNT (approximately $2.4 million at the 2008 year end foreign exchange rate) with a tax rate of 10% for taxable income up to that amount, effective from January 1, 2007.

Losses incurred in the North American sector have not been tax effected, except for a small amount in respect of a Barbados subsidiary.

During 2008, an impairment review of the Mongolia goodwill was performed. Due to the depleting reserves at the Boroo mine as a result of production, it was determined that the carrying value of the Mongolia reporting unit exceeded its fair value. The full carrying value of the Mongolia goodwill of $18.8 million was considered impaired and therefore written off.

The Company acquired the non-controlling interest related to Boroo Gold Limited in October 2007, and as a result owns100% of the Boroo mine. The charge for the non-controlling interest in 2007 amounted to $3.2 million.

Net earnings for 2008 were $134.8 million or $0.62 per share, after reflecting the write-down to goodwill of $18.8 million and unusual items of $37.7 million (gain) relating to the reduction to fair value recorded in the second quarter of 2008 of the contingent share obligation under the expired preliminary framework agreement. During 2007, the Company recorded unusual items of $131.6 million (loss) related to the preliminary framework agreement with the Kyrgyz Government announced on August 30, 2007 (subsequently expired), resulting in a net loss of $92.5 million or $0.43 per share.

On June 2, 2008 the Company reported that the previously announced framework agreement ("Agreement on New Terms"), entered into between the Company, Cameco Corporation and the Kyrgyz Government on August 30, 2007, had not been ratified by the Kyrgyz Parliament within the time frame agreed by the parties and therefore expired. As such, the Company has reclassified the amount recorded as contingently issuable common shares issuable from equity to long-term liabilities. Centerra continues to hold discussions with Cameco Corporation and the Government working group responsible for Kumtor. The Company believes that if a settlement with Cameco Corporation and the Kyrgyz Government occurs through ongoing negotiations such a settlement will include the issuance of treasury shares. The ultimate value of the contingently issuable common shares will be based on the Company's share price when the agreement with Cameco Corporation and the Kyrgyz Government is finalized and the number of shares to be issued is determined. While this amount cannot be reasonably determined at this time, the Company believes that the share price on May 30, 2008, (Cdn$8.85 per share), the last day of trading prior to the expiry of the Agreement on New Terms, reflects the minimum amount of a range of possible values. See “Other Corporate Developments – Kyrgyz Republic”.

Cash flow provided from operations for 2008 was $166.3 million compared to $41.3 million in 2007 reflecting higher net earnings, primarily as a result of increased gold sales and the higher average gold price received. Cash used in investing activities totaled $112.2 million in 2008 compared to $132.4 million in the prior year, reflecting decreased growth spending. Growth capital for 2008 totalled $47.0 million and sustaining capital totaled $47.5 million for the year. Net cash and short-term investments increased to $167.4 million from $105.5 million at the prior year-end.

Capital expenditures in 2008 of $94.5 million (including $47.5 million of sustaining capital) was higher than the initial capital estimate outlook for 2008 of $65 million (including $36 million of sustaining capital) due to a $12 million increase in sustaining capital and an $18 million increase in growth capital. The increased sustaining capital includes increased spending at Kumtor on the tailings dam and till dewatering ($5.4 million) and capitalized overhaul costs ($5.0 million). Growth capital spending increases include additional spending at Boroo on completion of the heap leach facility ($10.6 million) and additional pre-stripping costs ($3.8 million). The major components of the $47 million invested in growth capital in 2008 relate to the SB Zone underground development at Kumtor ($15.4 million), completion of the heap leach facility at Boroo ($10.6 million) and Pit 3 pre-stripping at Boroo ($13.2 million).

During the third quarter of 2008, the Company paid down a $10 million revolving credit facility arranged in 2007. As at December 31, 2008, the full amount of the facility is available for future use.

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 approximately $870 per ounce at the end of 2008. For 2008, the gold price averaged $872 per ounce compared to $696 per ounce for the same period in 2007.

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 2008, approximately $281 million in non-U.S. dollar operating and capital costs were incurred by Centerra. The percentage of Centerra’s non-U.S. dollar costs, by currency was, on average, as follows: 45% in Kyrgyz soms, 25% in Mongolian tugriks, 17% in Canadian dollars, 11% in Euros, and approximately 2% in British pounds and Australian dollars, combined. In 2008, the currencies of the Kyrgyz Republic, Canada, the United Kingdom and Australia declined against the U.S. dollar by approximately 3.0%, 7.6%, 8.3% and 4.7%, respectively, from their value at December 31, 2007. The tugrik and the Euro remained virtually unchanged against the U.S. dollar. The net impact of these movements in 2008 was to reduce operating and capital costs by $7.4 million.

Results of Operating Segments

Operating and financial results of the Kumtor and Boroo mines are shown on a 100% basis. Centerra owns 100% of Kumtor and 100% of Boroo.

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 over 6.7 million ounces of gold to December 31, 2008.

	Year Ended December 31			
Kumtor Operating Results	**2008**	**2007**	**Change**	**% Change**
Gold sold – ounces	**552,253**	300,474	251,779	84%
Revenue - $ millions	**468.3**	209.1	259.2	124%
Average realized price - $/oz	**848**	696	152	22%
Cost of sales - $ millions (1)	**273.1**	165.6	107.5	65%
Cost of sales - $/oz sold	**495**	551	(56)	(10%)
Tonnes mined - 000s	**115,548**	114,781	767	1%
Tonnes ore mined - 000s	**4,967**	5,182	(215)	(4%)
Tonnes milled - 000s	**5,577**	5,545	32	1%
Average mill head grade - g/t (2)	**3.89**	2.36	1.53	65%
Recovery - %	**79.7**	72.7	7.0	10%
Gold produced – ounces	**556,251**	300,862	255,389	85%
Total cash costs - $/oz produced (3)	**517**	610	(93)	(15%)
Total production cost (3)- $/oz	**628**	710	(82)	(12%)
Capital expenditures - $ millions	**57.1**	87.7	(30.6)	(35%)

(1) Cost of sales for 2008 and its comparative years exclude regional office administration.
(2) g/t means grams per tonne.
(3) Total cash cost and total production cost are non-GAAP measures and are discussed under “Non-GAAP Measures”.

Revenue and Gold Production

Revenue in 2008 increased to $468.3 million from $209.1 million in the same period of 2007 primarily as a result of the higher realized gold price and higher sales volumes (552,253 ounces for 2008 compared to 300,474 ounces in the same period of 2007). Kumtor produced 556,251 ounces of gold for 2008 compared to 300,862 ounces of gold in the same period of 2007. The increase results primarily from higher ore grades and increased recovery, which is partially offset by a 4% reduction in tonnes mined due to the depletion of the SW pit operation. The ore grade averaged 3.89 g/t with a recovery of 79.7% for 2008, compared to 2.36 g/t with a recovery of 72.7% in the same period of 2007. Mill throughput was impacted by the shutdown of the ball mill in February and March 2008 for repairs to the ring gear and the replacement of the ball mill shell.

The higher average realized gold price per ounce for 2008 was due to higher gold spot prices over the year.

Kumtor’s initial 2008 production guidance of 580,000 to 620,000 ounces of gold was revised on October 31, 2008 to 550,000 to 580,000 ounces of gold. The higher grade portion of the SB Zone at Kumtor was reached in September 2008, as planned, but head grades at the early stage of the high grade development were lower than expected. Gold production of 556,251 ounces in 2008 was consistent with the revised guidance for the year.

Cost of sales
Cost of sales at Kumtor for 2008 was $273.1 million compared to $165.6 million in the same period of 2007. This is primarily due to an increase in gold sales over the period as well as increases in operating costs.

Operating costs for the year increased by $101.5 million compared to 2007. Mining costs in 2008 increased by 88% to $144.4 million, $67.7 million higher than 2007. This was primarily because of the pre-strip allocations to capital in 2007 ($24 million), and higher diesel fuel costs ($17.8 million), increased equipment maintenance costs ($8.8 million), labour costs ($5.6 million) due to a new collective labour agreement, lubricant costs ($3.4 million) and tire costs ($1.9 million) incurred in 2008 due to the mine expansion and rising costs. The pit and till dewatering project initiated in 2008 added $5.8 million in costs for the year.

Milling costs in 2008 were $50.2 million, $10.8 million or 28% higher than 2007. The higher costs were due to increases in the prices of reagents ($6.7 million), maintenance costs ($1.4 million) due to the ball mill repair, electricity rates ($1.6 million) and an increase in national and maintenance labour costs of $0.8 million.

Site administration costs in 2008 were $43.9 million, $6.6 million higher than 2007 primarily due to increased operating taxes ($3.2 million) due to production increases in 2008, increased national and subcontractor labour costs ($1.8 million), increased maintenance costs ($0.4 million), fuel price increases ($0.6 million), and increased insurance costs ($1.4 million). This was partially offset by miscellaneous reduced expenses in 2008.

Revenue-based taxes and other costs increased in 2008 by $16.4 million to $33.7 million primarily as a result of higher revenue-based taxes due to higher ounces sold and higher realized gold prices in 2008.

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. On a unit cost basis, cost of sales per ounce sold was $495 for 2008 compared to $551 for 2007 reflecting the increase in gold production in 2008, partially offset by increases in operating costs described above.

Total cash cost per ounce produced was $517 compared to $610 per ounce in 2007. The decrease in cash cost per ounce in 2008 was largely due to higher production partially offset by increased costs of production as noted above. (Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost.")

The initial 2008 guidance for total cash cost of $350 to $390 per ounce produced assumed that a new agreement for the Kumtor project would have been implemented and been retroactive to January 1, 2008 and excluded this proposed revenue based tax. If the proposed revenue-based tax had been treated as a royalty and included in total cash cost, the range would have been $430 to $470 per ounce produced. The initial guidance was revised to $416 to $456 per ounce after the framework agreement expired in June 2008. At the end of the third quarter of 2008 total cash cost guidance was revised to $480 to $520 per ounce produced to reflect the impact of lower gold production and increasing operating costs. (This included revenue-based taxes and royalties incurred in the Kyrgyz Republic under the Company's existing (2003) Investment

Agreement of approximately 7.5% of revenue for all of 2008.) Total cash cost of $517 per ounce produced in 2008 was within the revised guidance.

Kumtor Regional Administration
Regional administration costs for Kumtor in 2008 totalled $12.1 million compared to $10.8 million in 2007. The increase is primarily due to labour costs ($1.0 million), premises rental ($0.5 million) and increased activity in legal and corporate relations ($0.9 million).

Depreciation and Amortization
Depreciation and amortization costs increased by $31.6 million to $59.2 million in 2008 due to the additional depreciation caused by the adjustment to mobile equipment for componentization, as well as an increase in units of production depreciation from the higher ounces of gold poured.

Exploration
Exploration expenditures totalled $13.7 million for the year, compared to $11.7 million in the same period in 2007. The expenditures relate primarily to ongoing drilling at the northeastern end of the Central Pit.

Capital Expenditures
Capital expenditures of $57.1 million in 2008 included $34.4 million to sustain current operations, including the replacement of heavy equipment, tailings dam build-up, the major overhaul of haul trucks, and the purchase of light vehicles. Growth capital totaled $22.7 million mainly for the SB zone underground development, and the purchase of two CAT 785 haul trucks. Growth capital in 2008 of $22.7 million was higher than the $21 million initial 2008 guidance.

At Kumtor, a new 30-month collective labour agreement was ratified by the membership in November 2008. The new contract is retroactive to July 1, 2008. The settlement provides a stable work environment with wage increases and production bonuses for the work force up to January 1, 2011.

The Kumtor pit high wall has been studied extensively since the SB Zone was developed in 2007. During 2008, vertical and horizontal drilling established dewatering and depressurization of the till lithography. The dewatering program was established, in consultation with a third-party consultant, to extract perched water and melt waters from the pit. The resulting higher strengths in the unfrozen till structure and the dewatered rock structures will improve the geotechnical characteristics in the pit walls as the mine is further developed.

The SB Zone underground decline has advanced 195 metres and development continues to advance in the hanging wall. The ground conditions improved in the fourth quarter of 2008, which has improved the advance rate for the development. At year-end the development was approximately 240 metres from the planned turn that will allow the decline to be developed parallel to the Kumtor fault zone and SB Zone structure. At the current rate of advance, the Company expects underground exploration drilling to commence in the third quarter of 2009.

The Kumtor deposit is described in the Company's most recent Annual Information Form (the "AIF") and a technical report dated March 28, 2008 (the "Kumtor Technical Report") prepared in accordance with National Instrument 43-101 Standards for Disclosure for Mineral Projects ("NI 43-101"). The Kumtor 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 and satellite deposits are described in the Kumtor Technical Report. A copy of the Kumtor Technical Report can be obtained on SEDAR at www.sedar.com.

Boroo - 100% basis

Located in Mongolia, this open pit mine was the first hard rock gold mine in Mongolia and by December 31, 2008 has produced over 1.2 million ounces of gold since commencing commercial production in 2004.

	Year Ended December 31			
Boroo Operating Results	**2008**	**2007**	**Change**	**% Change**
Gold sold – ounces	**193,477**	240,171	(46,694)	(19%)
Revenue - $ millions	**167.7**	164.3	3.4	2%
Average realized gold price - $/oz	**867**	684	183	27%
Cost of sales - $ millions [(1)]	**58.9**	41.7	17.2	41%
Cost of sales - $/oz sold	**304**	174	131	75%
Tonnes mined - 000s [(2)]	**21,450**	21,159	291	1%
Tonnes mined heap leach – 000s	**3,629**	3,601	28	1%
Tonnes ore mined direct mill feed -000s	**2,416**	2,362	54	2%
Tonnes ore milled - 000s	**2,496**	2,549	(53)	(2%)
Average mill head grade - g/t [(3), (4)]	**2.69**	3.62	(0.93)	(26%)
Recovery - % [(3)]	**77.7**	85.3	(7.6)	(9%)
Gold produced – ounces	**192,637**	254,548	(61,911)	(24%)
Total cash cost - $/oz produced [(5)]	**382**	244	139	57%
Total production cost [(5)]- $/oz	**490**	321	169.1	53%
Capital expenditures - $ millions	**35.9**	31.9	4.0	13%

(1) Cost of sales for 2008 and its comparative years exclude regional office administration.
(2) Includes heap leach material of 3,628,837 tonnes with an average grade of 0.77 g/t in 2008.
(3) Excludes heap leach ore.
(4) g/t means grams per tonne.
(5) Total cash cost and total production are non-GAAP Measure and are discussed under "Non-GAAP Measures".

Revenue and Gold Production

Revenues for 2008 were $167.7 million, compared to $164.3 million in 2007, reflecting the higher year-over-year realized gold price partially offset by lower sales volume. Gold production in 2008 was 192,637 ounces (including heap leach production of 25,174 ounces), compared to 254,548 ounces in 2007, reflecting a decrease in produced gold available for sale due primarily to lower mill head grades. The recovery of gold at Boroo has been negatively affected by the changing metallurgical nature of ore in Pit #3 which is more refractory than the oxide ores mined previously.

Production in 2008 of 192,637 ounces of gold was in line with the guidance of 190,000-210,000 ounces of gold issued in the beginning of 2008.

Cost of sales
The cost of sales at Boroo for 2008 was $58.9 million, compared to $41.7 million in 2007. This is primarily due to increased operating costs and lower volumes as a result of lower grades and recoveries. The operating costs (including mine operating costs such as mining, processing, site administration, royalties and production taxes) for the year at Boroo increased by $13.5 million compared to 2007.

Mining costs in 2008 increased 19% to $26.1 million, $4.1 million higher than in 2007. This was primarily due to higher diesel fuel costs ($5.1 million), blasting costs ($2.6 million) and equipment rental costs ($3.7 million) partially offset by lower costs for consultants ($1.6 million), higher allocation of costs to heap leach ($1.3 million) and higher capitalization for pre-stripping ($4.0 million).

Milling costs in 2008 increased 16% to $18.5 million, $2.6 million higher than in 2007. The higher costs were mainly due to increases in reagents ($1.5 million), electricity rates ($0.6 million) and increased labour costs ($1.1 million) as a result of the new collective labour agreement partially offset by a reduction in equipment and materials ($0.5 million).

Heap leaching, which commenced production in June 2008, accumulated $4.2 million of costs including crushing and processing activities and overheads.

Site administration costs in 2008 were $9.5 million and remained essentially unchanged from the prior year.

Royalties increased to $8.5 million in 2008 from $5.7 million in the prior year due to higher average realized sales prices and an increase in the royalty rate. The royalty rate in respect of the Boroo operation increased since August 3, 2007 as a result of amendments to the Stability Agreement with the Mongolian Government which increased the rate from 2.5% to 5%.

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. On a unit cost basis, cost of sales per ounce sold was $304 for 2008 compared to $174 for 2007 reflecting the increases in operating costs described above and lower gold production and sales in 2008.

Total cash costs per ounce produced increased to $382 per ounce for 2008 compared to $244 per ounce in 2007. This increase primarily reflects mining costs incurred in 2008 on non-producing heap leach material, a decrease in produced ounces along with increased costs of major mine and mill reagents and consumables as discussed above. (Total cash cost per ounce is a non-GAAP measure and is discussed under “Non-GAAP Measures.”) Total cash cost of $382 per ounce produced in 2008 was within the 2008 guidance of $380-$420 per ounce produced issued in the beginning of 2008.

Boroo Regional Administration
Regional administration costs at Boroo in 2008 were $6.7 million compared to $8.6 million in 2007. The reduction in costs was primarily due to the reduced number of expatriate employees.

Depreciation and Amortization
Depreciation and amortization costs were $18.2 million in 2008, $2.5 million or 16% higher than in 2007 due to the start-up of heap leach operations resulting in commencement of depreciation of capitalized heap leach costs and higher depreciation of capitalized pre-stripping costs.

Exploration
Exploration expenditures at Boroo totaled $0.9 million during 2008 compared to $1.1 million in 2007. Total expenditures for Mongolia, including Boroo site exploration, for 2008 were $3.2 million compared to $2.6 million in 2007.

Capital Expenditures
Capital expenditures of $35.9 million in 2008 included $12.2 million to sustain current operations and $23.7 million invested in growth capital primarily related to the completion of the heap leach facility ($10.6 million) and Pit 3 pre-stripping ($13.2 million). Growth capital in 2008 of $23.7 million was higher than the $8 million initial guidance issued in the beginning of 2008 due to additional spending to complete the heap leach facility and an increase in the pre-stripping spending.

The Boroo deposit is described in the Company's most recent 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. 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.

Gatsuurt Project
At December 31, 2007, proven and probable reserves for the Gatsuurt project, which includes the Main and Central Zones, are estimated to be 9.1 million tonnes, averaging 3.4 g/t gold for a total of 1,005,000 ounces of contained gold. Indicated resources are estimated at 6.2 million tonnes, averaging 3.0 g/t gold for a total of 607,000 ounces of contained gold. At Gatsuurt, reserves were unchanged as the benefit of the increased gold price was offset by increases in estimated operating costs and royalties.

Metallurgical studies on the oxide mineralization at Gatsuurt indicate that a gold leach recovery of 92% may be achieved on oxide ore using the existing Boroo processing facility. For the refractory ore, metallurgical studies have concluded that a bio-oxidation process should be used as the preferred method of gold recovery. Pilot plant test results confirmed that a gold leach recovery of 94% may be achieved by oxidizing flotation concentrates with a bio-oxidation process followed by cyanide leaching. The resulting overall plant recovery for refractory ores is estimated to be 87%.

A feasibility study was completed in December 2005. The open pit ore will be hauled from Gatsuurt to the existing Boroo facilities. The oxide ore from Gatsuurt will be processed in the existing Boroo processing circuit. After depletion of the Boroo reserves and Gatsuurt oxide reserves, the Boroo processing facility will be modified to include a bio-oxidation circuit to recover gold from the refractory Gatsuurt ore. The estimated capital cost of the project is $75 million. See “Caution Regarding Forward-Looking Information”.

Centerra suspended its development operations at Gatsuurt on March 13, 2007, other than those necessary to maintain the property in good standing and comply with permits, pending finalization of the terms of an investment agreement with the Mongolian Government. During 2007, Centerra Gold Mongolia LLC ("CGML") a subsidiary wholly owned by the Company, and Gatsuurt LLC (an unrelated third party), reached an agreement to terminate arbitration proceedings between CGML and Gatsuurt LLC.

Further to that agreement CGML paid $1.5 million to Gatsuurt LLC. On signing of a definitive agreement, but subject to CGML having entered into an Investment Agreement with the Government of Mongolia in respect of the development of the Gatsuurt project, CGML will make a further non-refundable payment to Gatsuurt LLC in the amount of $1.5 million.

As at December 31, 2008, the Company has expended an aggregate of $20.8 million on the exploration and development of Gatsuurt project of which $2.9 million has been capitalized. In addition, a further $2.4 million was expended and capitalized on the acquisition of the Gatsuurt mining licenses. Subject to the conclusion of an acceptable investment agreement, the Company has decided to advance the road construction to access the Gatsuurt property ($10 million) and spend an additional $4 million for further site and infrastructure development in 2009.

The Gatsuurt deposit is described in the Company’s most recent AIF and a technical report dated May 9, 2006 prepared in accordance with NI 43-101, which are available on SEDAR at 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 site are the same as, or similar to, those described in the technical report.

Fourth Quarter of 2008

Gold Production and Revenue

Revenue in the fourth quarter of 2008 increased to $241.3 million compared to $89.4 million during the same period one year ago. Fourth quarter 2008 revenue reflects a 164% increase in ounces sold and a 2% increase in realized gold price ($806 per ounce in the fourth quarter of 2008 versus $789 per ounce in the fourth quarter of 2007). The Company produced 284,045 ounces in the fourth quarter of 2008, up from 186,145 ounces of gold in the third quarter of 2008 and more than double the 132,530 ounces of gold produced in the fourth quarter of 2007. The higher gold production was due to a full quarter of mining of the higher grade SB Zone at the Kumtor mine.

Cost of sales

Cost of sales was $113.4 million in the fourth quarter of 2008 higher than the same quarter of 2007 ($52.2 million) due to increased costs and higher sales volumes.

Fourth quarter costs in 2008 compared to 2007 (including mine operating costs such as mining, processing, site administration, royalties and production taxes) have increased by approximately $29.1 million. At Kumtor, quarter over quarter, costs increased by $26.2 million due to higher costs for revenue-based taxes due to the increased sales volumes, increased pit and till dewatering work, increases in major mine and mill consumables and reagents and reduced allocation for pre-stripping. Major mine and mill consumables and reagents costs increased due primarily to higher prices and higher consumption resulting from increased material movement. The cost of mine and mill consumables and reagents has increased in line with other industry participants. Pit and till dewatering requirements in 2008 increased by $4.4 million over the prior year's same quarter.

Costs (including mine operating costs such as mining, processing, site administration, royalties and production taxes) at Boroo were up $2.9 million quarter over quarter due primarily to an increase in the cost of mine and mill consumables and reagents, and an increase in labour costs as a result of the new collective labour agreement which were partially offset by reduced maintenance costs and lower allocation to capitalized pre-stripping. Major mine and mill consumables increased due primarily to higher prices and higher consumption partly as a result of the start-up of the heap leach process. Boroo heap leach costs for the fourth quarter of 2008 totalled $2.3 million. The cost of mine and mill consumables and reagents has increased in line with other industry participants.

The impact of these cost changes on cost of sales and other reported results varies with the changing levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented.

On a unit basis, Centerra's cost of sales per ounce sold for the fourth quarter of 2008 was $379 compared to $461 reflecting an increase in ounces sold in the fourth quarter of 2008 compared to the same period of 2007. Total cash cost per ounce produced was $379 in the fourth quarter of 2008 compared to $585 in the fourth quarter of 2007. The year-over-year decrease in unit cash costs was primarily due to the increased gold production ($266 per ounce reduction) resulting from the impact of higher throughput, grades, and recoveries at Kumtor. While total operating costs (including regional office administration) increased by 39% ($60 per ounce increase) to $107.8 million in the fourth quarter of 2008 from $77.6 million in the same period in 2007, the production more than doubled, which led to a decrease in total cash costs on a per ounce produced basis. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost.")

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization for the fourth quarter of 2008 increased to $32.8 million from $10.5 million in the same quarter of 2007, mainly due to the increased production. On a per unit basis, depreciation, depletion and amortization for the fourth quarter of 2008 was $110 per ounce sold compared to $93 per ounce sold in the same quarter of 2007, reflecting the reduced production at Boroo and the start-up of the heap leach process.

Cash provided by operations

Cash provided by operations was $103.3 million for the fourth quarter of 2008 compared to a use of funds of $3.2 million for the prior year fourth quarter. The increase reflects the increased gold sales revenues.

Capital Expenditures

Capital expenditures in the fourth quarter of 2008 amounted to $27.3 million of which $16.4 million was spent on sustaining capital projects and $10.9 million invested in growth capital. The major growth components are related to the SB Zone underground development at Kumtor ($5.7 million), completion of the heap leach facility at Boroo ($2.5 million) and Pit 3 pre-stripping at Boroo ($0.6 million).

Exploration

Exploration expenditures for the fourth quarter of 2008 were $7.9 million dollars compared to $5.6 million in the fourth quarter of 2007 reflecting higher spending at Kumtor in 2008 and costs associated with the new exploration joint ventures in Russia and Turkey.

Kyrgyz Republic

During the fourth quarter of 2008, exploration drilling programs continued in the Kumtor Central Pit. The drilling program focused on confirming the grade and extent of potential high-grade underground mineable mineralization in the Stockwork Zone below the current planned open pit.

Drilling also continued in the Saddle Zone area between the SB and Stockwork Zones of the Central pit. Results confirmed that there is exploration potential at depth between the Stockwork and SB Zones. Further drilling is planned in the first quarter of 2009 as soon as the area becomes accessible for drilling.

Russia

Centerra entered into an option/joint venture agreement with Central Asia Gold AB covering the Kara Beldyr project in the Tyva Republic, Russia. Centerra has the right to earn a 50% interest in the property by spending a total of $2.5 million over three years after which Centerra has a one-time option to earn an additional 20% interest in the property by spending an additional $4 million over a further four-year period.

Turkey

Centerra has entered into two joint venture agreements with junior exploration companies during 2008.

KEFI Minerals – Artvin JV

In October 2008, Centerra entered into a Joint Venture Agreement with KEFI Minerals covering the Artvin project in northeast Turkey. Centerra has the right to earn a 50% interest in the property by spending a total of $3 million over three years after which Centerra has a one-time option to earn an additional 20% interest in the property by spending an additional $3 million over a further two-year period. Thereafter Centerra and KEFI shall further fund the exploration and development of the Artvin Property proportionate to their respective interests.

Eurasian Minerals Joint Venture – Akarca, Samli, and Emali Projects

In December 2008, Centerra entered into a Joint Venture Agreement with Eurasian Minerals (EMX) covering the Akarca, Samli and Elmali projects in northwest Turkey. Centerra has the right to earn a 50% interest in the properties by spending a total of $5.0 million over four years, in addition to a cash payment of $1.0 million at the end of the fourth year after which Centerra has a one-time option to earn an additional 20% interest in the properties by spending an additional $5.0 million over a further two-year period. Thereafter, Centerra and EMX shall further fund the exploration and development of the properties proportionate to their respective interests.

United States (Nevada)

Work continued on the Tonopah Divide property in the fourth quarter of 2008 to test five priority targets, defined by geology, geochemistry, and geophysics.

Impairment Charge

An impairment review of the Mongolia goodwill was performed during the fourth quarter of 2008. Due to the depleting reserves at the Boroo mine as a result of production, it was determined that the carrying value of the Mongolia reporting unit exceeded its fair value. The full carrying value of the Mongolia goodwill of $18.8 million was considered impaired and therefore written off.

Net Earnings

In the fourth quarter of 2008, the Company recorded net earnings of $42.6 million or $0.20 per common share which includes a charge to earnings of $18.8 million to write-down the goodwill in the Mongolian reporting unit to fair value. This compares to net earnings before unusual items of $9.7 million or $0.05 per common share on revenues of $89.4 million in the same quarter of last year. In the fourth quarter of 2007 after reflecting unusual items, related to the preliminary framework agreement with the Kyrgyz Government announced on August 30, 2007 (subsequently expired), the Company recorded a net loss of $26.7 million or $0.12 per common share. (Net earnings before unusual items is a non-GAAP measure and is discussed under “Non-GAAP Measures.”)

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 offset by the rising cash costs. The results for the first and second quarters of 2008 and the third and fourth quarters of 2007 reflect the impact from unusual items of $4.5 million, and $42.2 million of gains in the respective 2008 quarters and $95.2 million and $36.4 million of charges in the respective 2007 quarters. The quarterly financial results from 2008 and 2007 are shown below:

Key results by quarter

$ millions, except per share data								
	2008				**2007**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	**241**	**139**	**143**	**113**	89	98	104	82
Net earnings (loss)	**43**	**17**	**56**	**19**	(27)	(90)	19	6
Earnings (loss) per share (basic and diluted)	**0.20**	**0.08**	**0.26**	**0.09**	(0.12)	(0.42)	0.09	0.03

Overview of 2007 Versus 2006

For the year ended December 31, 2007, the Company recorded a net loss of $92.5 million or $0.43 per share, compared to net earnings of $60.6 million or $0.28 per share in 2006. The decrease reflects the impact of unusual items (described below) recorded in the third and fourth quarters of 2007, Boroo's taxable status in 2007, and lower ounces sold for the year partially offset by higher gold prices. During 2007, the Company recorded unusual items of $131.6 million (loss) primarily related to the preliminary framework agreement with the Kyrgyz Government announced on August 30, 2007 (subsequently expired), resulting in a net loss of $92.5 million or $0.43 per share.

Gross profit, defined as revenue less cost of sales, regional office administration, depreciation, depletion, amortization, accretion and reclamation, was $101 million in 2007 compared to $89 million in 2006. This increase was attributable to:

- Revenues for the year ended December 31, 2007 increased by $8 million over 2006 due to higher realized gold prices, which more than offset decreased ore mined at Kumtor, and lower grades and recoveries at Boroo. The higher realized gold prices resulted from an increase in the spot market prices. Average realized prices were $691 per ounce in 2007 compared to $597 in 2006. Centerra's current policy is to leave its production unhedged so that the Company can continue to benefit fully from increases in the spot market prices.

- Decreases in the cost of sales to $207 million in 2007 from $219 million in 2006 resulting primarily from fewer ounces sold partially offset by increased costs (higher labour and consumables costs). On a unit basis, the total cash cost per ounce produced in 2007 was $442 compared to $386 in 2006. The increase mainly reflects lower production at Boroo as a result of lower head grade and lower recoveries.

- Depreciation, depletion, amortization, accretion and reclamation increased to $45 million from $38 million in 2006 due primarily to the expanded mining fleet at Kumtor. On a per unit basis, depreciation, depletion, amortization, accretion and reclamation amounted to $83 per ounce sold in 2007 compared to $63 per ounce sold in 2006.

Interest and other income amounted to $6 million compared to $23 million in 2006. The higher levels in 2006 reflect the receipt of a one-time $13.8 million insurance settlement related to the 2002 pitwall failure at Kumtor.

Corporate administration costs were $25 million in 2007 compared with $27 million in 2006.

Income tax in the amount of $19.3 million was expensed during 2007 compared to a tax recovery of $6 million recorded in 2006. The increase in the income tax provision for the year 2007 is largely due to the fact that Boroo was taxable in 2007, whereas it was exempt throughout 2006. The income tax rate applicable to Boroo in 2007 was 25%, effective January 1, 2007, pursuant to the terms of the amended Stability Agreement concluded with the Mongolian Government in the third quarter of 2007. The 2006 tax recovery is primarily due to the tax benefit of the losses at Kumtor and the validation of the tax basis of property, plant and equipment by Kyrgyz tax auditors in the fourth quarter of 2006.

Non-controlling interest expense of $3 million in 2007 compared with an expense of $5 million in 2006 and reflects the purchase of the 5% non-controlling interest in Boroo in 2007.

Cash provided by operations in 2007 was $41.3 million compared to $80.4 million in 2006 reflecting lower net earnings, increased gold doré inventory due to the timing of year-end shipments and increased equipment supplies due to the enlarged fleet at Kumtor.

Balance Sheet

Inventory

Total inventory at December 31, 2008 of $188 million ($124 million at December 31, 2007) includes gold inventory of $77 million ($45 million in 2007) and supplies inventory of $111 million ($79 million in 2007). The major increases in gold inventory in 2008 include the recognition of heap leach stockpiles at Boroo and mineralized materials reclassified as low-grade inventory at Kumtor of $20 million, on adoption of the inventory accounting standard on January 1, 2008, and increased finished gold at Boroo of $3 million due to the timing of shipments at the end of the year. The increase in supplies inventory is a result of increases in operational volumes at Kumtor, support for new projects such as the underground development and pit dewatering at Kumtor and support for the heap leach at Boroo. Increases in the cost of consumables such as diesel fuel, reagents and general price increases for steel were also a contributing factor. Sodium cyanide stocking levels at year-end were also at a maximum.

Property, Plant and Equipment

The aggregate book value of property, plant and equipment at December 31, 2008 of $395 million is allocated as follows: Kyrgyz $271 million, Mongolia $122 million and corporate $2 million.

Goodwill

As a result of the acquisition and restructuring that took place during the second quarter of 2004, Centerra recorded $156 million of goodwill in 2004, which was adjusted in 2005 to $155 million following a tax valuation adjustment. In 2007, the Mongolia goodwill was reduced by the residual book value of the non-controlling interest of $6 million, as a result of the acquisition of the non-controlling interest in Boroo Gold Company Limited. In 2008, the Mongolia goodwill was deemed impaired and its value of $18.8 million fully written down. Goodwill as at December 31, 2008 is fully allocated to the Kyrgyz Republic in the amount of $130 million.

Share capital

As of March 5, 2009, Centerra had 216,318,188 shares outstanding and options to acquire 2,664,965 common shares outstanding under its stock option plan with exercise prices ranging between Cdn$4.68 and Cdn$14.29 per share, and with expiry dates ranging between 2012 and 2017.

Asset Retirement Obligations

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

The Company has estimated the net present value of the total asset retirement obligations to be $29.3 million as at December 31, 2008 (December 31, 2007 - $20.9 million). These payments are expected to commence over the next 3 to 5 years. The Company used a historical weighted average credit-adjusted risk-free rate of 6.99% at Kumtor and 8% at Boroo to calculate the present value of the asset retirement obligations.

During the year ended 2008, the Company completed regularly scheduled closure cost update studies at the Boroo and Kumtor mine sites. As a result an increase to the present value of the closure cost estimate of $11.0 million at Boroo ($3.2 million-2007) and $0.4 million at Kumtor (Nil – 2007) were recorded during year ended December 31, 2008.

The Company's future undiscounted decommissioning and reclamation costs have been estimated to be $46.4 million before salvage value of $8.4 million.

Gold Hedging and Off-Balance Sheet Arrangements

Centerra does not enter into off-balance sheet arrangements with special purpose entities in the normal course of its business, nor does it have any unconsolidated affiliates. In the case of joint ventures, the Company's proportionate interest for consolidation purposes is equivalent to the economic returns to which it is entitled as a joint-venture partner.

The deferred charges, net of deferred revenue, related to the closing of the hedges in 2004, were recognized in the periods of 2007, 2006 and 2005. During 2007, in the first quarter a $0.6 million charge being the balance of the deferred charges for the early closure of these hedges was recorded on the income statement. During 2006, a $2.3 million charge for the early closure of these hedges designated for 2006 was recorded on the income statement. As at December 31, 2007 and 2008, there were no deferred charges related to the closing of the forward sales agreements on the balance sheet. Centerra currently intends that its gold production will remain unhedged.

Liquidity and Capital Resources

At December 31, 2008, Centerra held cash and cash equivalents of $149.6 million, plus short-term investments of $17.8 million. Centerra believes it has sufficient cash to carry out its business plan in 2009, including its exploration plans. To the extent that a new property is acquired and/or developed, additional financing may be required. Recent uncertainty in the global financial markets has constrained the ability of most companies to access capital markets funding. Although Centerra has no current requirements for such funding, the markets have retained an interest in gold producers and, under the right conditions equity issues of many of these companies have been well received. Centerra believes that a resolution of the investment agreement negotiations in the Kyrgyz Republic would be necessary before the Company could contemplate an equity issue. The Company's cash is derived from cash provided by operating activities. A summary of the Company's cash position and changes in cash is provided below:

$ millions	2008	2007	2006
Cash provided by operating activities	**$ 166**	**$ 41**	$ 80
Cash provided by (used in) investing activities	**(112)**	**(132)**	(96)
Cash provided by financing activities	**(10)**	**10**	-
Cash provided (used) during the year	**44**	**(81)**	(16)
Cash and cash equivalents, beginning of the year	**105**	**186**	202
Cash and cash equivalents, end of the year	**$149**	**$105**	$186

Cash provided by operations was $166 million in 2008 compared to $41 million in 2007 and $80 million in 2006. The change year-over-year reflects increased sales volumes, higher realized prices and an insurance settlement in 2006, partially offset by higher operating costs, and increasing working capital levels.

Investing activities in 2008 were $112 million, including $18 million of funds invested in short-term commercial paper, $47 million of sustaining capital and $47 million of growth capital spent at the Kumtor and Boroo mines. The comparative in 2007 of $132 million includes $9.0 million of prior commitments settled in the year and further reflects $25 million of sustaining capital and $91 million of growth capital spent at the Kumtor and Boroo mines and $7 million spent on the acquisition of the non-controlling interest. The $96 million of cash used for investing activities in 2006 reflects $24 million of sustaining capital and $72 million of growth capital spending at the Kumtor and Boroo mines.

Working capital, which consists of accounts receivable, prepaids, inventory, supplies and accounts payable, increased in 2008 by $48 million compared to an increase of $37 million in 2007.

Contractual Obligations

The following table summarizes Centerra's contractual obligations, including payments due for the next five years and thereafter, as of December 31, 2008.

$ millions	Total	Due in Less than One year	Due in 1 to 3 Years	Due in 4 to 5 Years	Due After 5 Years
Kumtor					
Reclamation trust deed (1)	**$11.0**	$ 1.6	$ 5.3	$ 3.3	$ 0.8
Community payment agreement (2)	**0.7**	0.7	-	-	-
Capital equipment (3)	**8.5**	8.5	-	-	-
Operational supplies	**23.3**	23.3	-	-	-
Boroo					
Conservation fund (4)	**0.3**	0.1	0.2	-	-
Corporate					
Program sponsorship (5)	**0.4**	0.1	0.3	-	-
Lease of premises (6)	**2.3**	0.8	1.5	-	-
Total contractual obligations	**$46.5**	$35.1	$7.3	$3.3	$0.8

(1) Centerra's future decommissioning and reclamation costs for the Kumtor mine are estimated to be $24.3 million. In 1998, a reclamation trust fund was established to cover the future costs of reclamation, net of expected salvage value which has been estimated, at $8.4 million. At December 31, 2008, the balance in the fund was $4.9 million, with the remaining $11.0 million to be funded over the life of the mine.

(2) The Company has agreed to loan the government of the Kyrgyz Republic a total of $4.4 million. At December 31, 2008, $0.7 million had yet to be advanced.

(3) Agreement to purchase capital equipment.

(4) The Company has agreed to donate funds to the Tiamen conservation fund in Mongolia.

(5) The Company has entered into a five-year commitment with World Vision Canada to support it's nutritional and health strategy in the Selenge Province of Mongolia. Over the five years commencing in 2006, this commitment will total $700,000 payable in annual installments of $140,000.

(6) Lease of corporate office premises expiring in November 2011.

Non-GAAP Measures

This Management's Discussion and Analysis presents information about total cash cost of production of an ounce of gold and total production cost per ounce 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 includes total cash cost plus depreciation, depletion and amortization divided by gold ounces produced for the relevant period. Total cash cost and total production cost per ounce produced are non-GAAP measures.

Total cash costs include mine operating costs such as mining, processing, administration, royalties and production taxes, but exclude amortization, reclamation costs, financing costs, capital development and exploration. Certain amounts of stock-based compensation have been excluded as well. Total production costs includes total cash cost plus depreciation, depletion and amortization. Total cash cost per ounce produced and total production cost per ounce produced have been included because certain investors use this information to assess performance and also to determine the ability of Centerra to generate cash flow for use in investing and other activities. The inclusion of total cash cost per ounce and total production cost per ounce may enable investors to better understand year-over-year changes in production costs, which in turn affect profitability and cash flow.

Net earnings before unusual items is a non-GAAP measure. It has been included because certain investors use this information to assess how the Company would perform when items not considered to be usual in nature are excluded. This may enable investors to better understand year-over-year changes in income.

Total Cash Cost per Ounce produced and Total Production Cost per Ounce produced can be reconciled as follows:

Centerra Gold Inc.
TOTAL CASH COST&TOTAL PRODUCTION COST RECONCILIATION (unaudited)
($ millions, unless otherwise specified)

	Year ended December 31, 2008	2007
Centerra:		
Cost of sales, as reported	**$ 332.0**	$ 207.3
Adjust for:		
Refining fees & by-product credits	**(0.1)**	0.3
Regional office administration	**18.8**	19.4
Non-operating costs	**1.5**	2.3
Inventory movement	**9.3**	16.3
Total cash cost - 100%	**$ 361.5**	$ 245.6
Depreciation, depletion, amortization and accretion	**78.8**	44.6
Inventory movement - non-cash	**3.4**	5.1
Total production cost - 100%	**$ 443.7**	$ 295.3
Ounces poured - 100% (000)	**748.9**	555.4
Total cash cost per ounce produced	**$ 483**	$ 442
Total production cost per ounce produced	**$ 592**	$ 532
Kumtor:		
Cost of sales, as reported	**$ 273.1**	$ 165.6
Adjust for:		
Refining fees & by-product credits	**(0.2)**	0.1
Regional office administration	**12.1**	10.8
Non-operating costs	**1.3**	2.3
Inventory movement	**1.5**	4.8
Total cash cost - 100%	**$ 287.8**	$ 183.6
Depreciation, depletion, amortization and accretion	**$ 60.0**	$ 28.5
Inventory movement - non-cash	**$ 1.5**	$ 1.6
Total production cost - 100%	**$ 349.3**	$ 213.7
Ounces poured - 100% (000)	**556.3**	300.9
Total cash cost per ounce produced	**$ 517**	$ 610
Total production cost per ounce produced	**$ 628**	$ 710
Boroo:		
Cost of sales, as reported	**$ 58.9**	$ 41.7
Adjust for:		
Refining fees & by-product credits	**0.1**	0.2
Regional office administration	**6.7**	8.6
Non-operating costs	**0.2**	-
Inventory movement	**7.8**	11.5
Total cash cost - 100%	**$ 73.7**	$ 62.0
Depreciation, depletion, amortization and accretion	**18.8**	16.1
Inventory movement - non-cash	**1.9**	3.5
Total production cost - 100%	**$ 94.4**	$ 81.6
Ounces poured - 100% (000)	**192.6**	254.5
Total cash cost per ounce produced	**$ 382**	$ 244
Total production cost per ounce produced	**$ 490**	$ 321

Related Party Transactions

Cameco Corporation

Centerra is 52.7% owned by Cameco Corporation ("Cameco"). Centerra and its subsidiaries maintain inter-company advances to and from Cameco and several of its subsidiaries. Centerra will repay these advances, which are non-interest bearing and payable on demand, in the ordinary course of business.

Costs associated with the enhancement of internal controls over financial reporting at Centerra were shared with Cameco up to February 28, 2007, resulting in a re-imbursement of Cdn$0.3 million for 2007 (Cdn$4.8 million was reimbursed during 2006). The balance payable to Cameco at December 31, 2008 was $0.5 million ($0.9 million at December 31, 2007).

Kyrgyzaltyn and the Government of the Kyrgyz Republic

Revenues from the Kumtor mine are subject to a management fee of $1.50 per ounce based on sales volumes, payable to State-owned Kyrgyzaltyn JSC ("Kyrgyzaltyn"), a significant shareholder of the Company. The table below summarizes the management fees and concession payments paid by Kumtor Gold Company ("KGC"), a subsidiary of the Company, to Kyrgyzaltyn or the Government of the Kyrgyz Republic, and the amounts paid by Kyrgyzaltyn to KGC according to the terms of the Gold and Silver Sales Agreement between Kumtor Operating Company ("KOC"), (a subsidiary of the Company), Kyrgyzaltyn and the Kyrgyz Republic.

	Twelve months ended December 31	
($ thousands)	**2008**	**2007**
Management fees paid by KGC to Kyrgyzaltyn	**$ 828**	$ 451
Concession payments paid by KGC to Kyrgyz Republic	**2,209**	1,202
Total	**$ 3,037**	$ 1,653
Gross gold and silver sales from KGC to Kyrgyzaltyn	**470,759**	210,367
Deduct: refinery and financing charges	**(2,465)**	(1,217)
Net sales revenue received by KGC from Kyrgyzaltyn	**$ 468,294**	$ 209,150

During 2007, the Company paid to the Government $0.7 million and accrued a further $0.7 million, paid January 2009, pursuant to an agreement dated December 7, 2006 between the Government, KGC, Centerra and Kyrgyzaltyn regarding payments in connection with the 1998 Barskoon cyanide spill. The money was distributed to members of the local communities by a Government committee created for such purpose. The total amount advanced to December 31, 2008 is $3.7 million. Pursuant to the Agreement on New Terms with the Kyrgyz Government signed on August 30, 2007, which has since expired, the Company had agreed to consider forgiving the loan portion of this amount ($2.2 million). See "Other Corporate Developments – Kyrgyz Republic". For information on forward-looking information see "Caution Regarding Forward-Looking Information".

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 Gold and Silver Sale Agreement entered into between KOC, Kyrgyzaltyn and the Government of the Kyrgyz

Republic. Under these arrangements, Kyrgyzaltyn is required to prepay for all gold delivered to it, based on the price of gold on the London Bullion Market on the same day on which KOC provides notice that a consignment is available for purchase. Pursuant to an amendment to the Gold and Silver Sale Agreement, effective from December 22, 2005, as amended from time to time since then, Kyrgyzaltyn is permitted, until June 30, 2009, to defer payments for gold for up to 12 calendar days.

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn. As at December 31, 2008, $24.1 million was outstanding under these arrangements (December 31, 2007 - $14.1 million).

Other

Ms Marina Stephens, a lawyer and the spouse of Centerra's former President and Chief Executive Officer, Mr. Len Homeniuk provided certain designated legal and business advisory services related to the Company's international operations under the terms of a consulting contract, which came to an end on June 16, 2008. As a result, payments made to Ms Stephens under this contract totalled Cdn$287,800 in 2008 (2007-Cdn$551,000 and 2006-Cdn$589,455). As of June 16, 2008, Ms Stephens is no longer considered a related party of Centerra.

On June 17, 2008, Centerra announced a re-organization of its senior management team. As a result, the severance payment to Mr. Len Homeniuk, Centerra's former Chief Executive Officer, included the forgiveness of a housing loan in the amount of Cdn$0.25 million.

Other Corporate Developments

Kyrgyz Republic

Centerra continues to hold discussions with Cameco Corporation and a Kyrgyz Republic Government working group with a view to resolving outstanding matters relating to the Kumtor project. The Company believes that it is reasonably likely that these discussions will ultimately result in a mutually acceptable and lasting settlement of all issues.

The following discussion summarizes the legal, arbitration and regulatory proceedings affecting the Company and the Kumtor project since June, 2008, when the previously announced framework agreements among the parties expired. To allow for discussion with Cameco and the Kyrgyz Republic to continue and for the parties to concentrate on resolving the issues, the Company agreed in September 2008 to suspend the international arbitration proceedings previously initiated by it. That suspension continues. The Company believes that all of the proceedings affecting the project will be resolved when the principal matters at issue between Cameco, the Kyrgyz Republic and Centerra have been resolved.

On June 2, 2008, the Company reported that the previously announced framework agreements entered into between the Company, Cameco Corporation and the Government of the Kyrgyz Republic (the "Government") on August 30, 2007 relating to the Kumtor project had not been ratified by the Parliament of the Kyrgyz Republic within the time frame agreed by the parties and had therefore expired.

Under the circumstances and in response to court proceedings described below, on June 4, 2008, the Company resumed international arbitration previously initiated by the Company in accordance with its Investment Agreement, which provides that all disputes with respect to the project are subject to international arbitration. As discussed above, these arbitration proceedings have been suspended to allow for the continuation of discussions with Cameco and the Government regarding outstanding issues related to the project.

A Vice-Speaker of the Parliament, K.S. Isabekov filed two lawsuits in 2008 against the Government of the Kyrgyz Republic seeking to invalidate the licenses and agreements pursuant to which the Kumtor mine is operated. Although the Company and its subsidiary Kumtor Gold Company (KGC), the owner of the project, were not parties to those lawsuits, and despite their objections to the court's jurisdiction on the basis of the Investment Agreement's arbitration clause and the ongoing international arbitration, they were ordered to appear as third parties by the Kyrgyz court.

The Vice-Speaker's lawsuits sought to annul: (i) the Government's decree approving the December 31, 2003 agreements implementing the restructuring of the project (the "2003 Decree"); (ii) the 2003 agreements giving effect to the restructuring, including the Investment Agreement and the Concession Agreement providing for Kumtor's right to explore and develop the main Kumtor deposit within the Kumtor concession; (iii) the exploration license covering all of the Kumtor deposits; (iv) the mining license covering the Southwest Zone; (v) the mining license covering the Sarytor area; (vi) the Government's decree approving the 1993 Concession Agreement (superceded by the 2003 Concession Agreement); and (vii) the 1993 Concession Agreement itself. The Vice-Speaker argued that the 2003 agreements and 1993 Concession Agreement required Parliamentary approval to be effective and that as no such approval was obtained, such agreements are void. He also argued that the licenses were invalid because they were granted without a competition having been held and pursuant to agreements that are themselves invalid for lack of Parliamentary ratification.

On May 12, 2008, the Supreme Court of the Kyrgyz Republic, pending resolutions of the claims before the lower courts, issued an order suspending: the 2003 Decree; the 2003 Concession Agreement; and the mining and exploration licenses. Acting on the order, the State Agency on Geology and Mineral Resources Management notified Kumtor that as issues relating to the 2003 Decree and the Concession Agreement are regulated by "international legislation", operations within the concession area as well as work on the underground decline (to further develop the SB zone) should be continued but that operations on the licenses should be stopped. In response to the notice, Kumtor halted activity on the mining and exploration licenses and suspended development of the Sarytor deposit. All Kumtor mining operations take place in the concession area and have continued uninterrupted.

On June 17, 2008, the Bishkek Inter District Court issued an order invalidating the Southwest and Sarytor mining and Kumtor exploration licenses.

Having been joined involuntarily as third parties, KGC and the Company defended the validity of the agreements, licenses and decrees in the Kyrgyz court actions on procedural and substantive grounds. At the same time, KGC and the Company maintained their position that the Investment Agreement's arbitration clause confers exclusive jurisdiction over questions surrounding the validity of the agreements and licenses on the international arbitration tribunal. With respect to the relevant agreements and decrees, at the time of the 2003 restructuring the

Kyrgyz Ministry of Justice issued various legal opinions repeatedly affirming that the Government had the legal capacity to enter into and perform the agreements.

After reactivating the international arbitration proceedings on June 2, 2008, Centerra and KGC, on June 13, 2008, added claims based on the Vice-Speaker's lawsuits and their consequences. At the initial conference on June 23, 2008, Centerra filed an application for interim relief in the arbitration, requesting that all parties to the arbitration be directed to maintain the *status quo* and treat the licenses, agreements and decrees at issue in the Kyrgyz Republic as valid and enforceable. The Kyrgyz Republic has taken the position in its response to such application that, among other things, the 2003 Investment Agreement required but did not receive Parliamentary approval and therefore is not in effect.

On August 26, 2008, the Bishkek Inter-District Court of the Kyrgyz Republic dismissed the Vice-Speaker's lawsuit relating to the Government decrees and the 2003 Kumtor Agreements. On December 24, 2008, the Supreme Court of the Kyrgyz Republic upheld the dismissal of the Vice-Speaker's lawsuit. The Company cautions that the court's ruling does not resolve the principal matters at issue between the Company and the Kyrgyz Republic. As well, the ruling had no effect on the previously reported court decision (June 17, 2008) to invalidate the exploration and development licenses referred to above.

In January 2009, the Vice-Speaker filed a further lawsuit against the Government seeking to invalidate the 2003 Decree. Although not parties to the lawsuit, Centerra, Cameco and KGC have been ordered to appear as third parties by the Kyrgyz court. The Company does not believe there is any basis for this claim.

In 2008, Kumtor was made the subject of several new tax assessments and other proceedings in the Kyrgyz Republic. These include an investigation by the Kyrgyz Republic financial police into alleged tax evasion in relation to the grant of tax exemptions pursuant to the Investment Agreement governing the Kumtor project and an audit by the state tax inspectorate to determine the amount of taxes that Kumtor would have owed for the years 2005 to 2007 had the Investment Agreement and the Concession Agreement relating to the project not been in effect. The financial police requested, and were provided by Kumtor with, information and documents relating to the project and interviewed senior Kumtor personnel. Kumtor also received assessments from tax authorities relating to value-added taxes, land taxes and customs duties alleged to be owed by Kumtor. Kumtor is continuing to cooperate with the relevant authorities and continues to pay all taxes in accordance with applicable laws and the Investment Agreement and believes that there is no basis for these investigations or assessments.

Mongolia

On June 29, 2008, Mongolia held parliamentary elections. The Mongolian People's Revolutionary Party (MPRP), which held a slight majority in the prior parliament, won 45 of 76 seats and the Mongolian Democratic Party won 28 seats. Although the MPRP won a clear majority, a coalition government was formed and, as a result of government restructuring a new ministry of mining was established. Centerra has resumed negotiations with respect to an investment agreement for the Gatsuurt Project. In December 2008, the Parliament enacted a change to the 68% windfall profits tax in respect to gold sales. A new threshold price in excess of $850 per ounce was enacted, up from $500 per ounce. The windfall profits tax does not apply to Boroo mine as it continues to be taxed under the terms of its existing Stability Agreement, but this tax would apply to the Gatsuurt Project.

For information on forward-looking information see “Caution Regarding Forward-Looking Information”.

Critical Accounting Estimates

Centerra prepares its consolidated financial statements in accordance with Canadian GAAP. In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented and in the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and various other factors believed to be reasonable under the circumstances. In reference to the Company’s significant accounting policies as described in note 3 to the Consolidated Financial Statements management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements.

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

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

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

Significant decommissioning and reclamation activities are often not undertaken until substantial completion of the useful lives of productive assets. Regulatory requirements and alternatives with respect to these activities are subject to change over time. A significant change to either the estimated costs or recoverable reserves would result in a material change in the amount charged to earnings.

If it is determined that carrying values of property, plant and equipment cannot be recovered, then the asset is written down to fair value. Similarly, Centerra tests goodwill at least annually for impairment to ensure that the fair value remains greater than or equal to book value. Any excess of book value over fair value is charged to income in the period in which the impairment is determined. Recoverability and fair value assessments are dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and economically recoverable ore reserves and resources. A material change in assumptions may significantly impact the potential impairment of these assets.

The Company uses the asset and liability method of accounting for future income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future 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. Future 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 our stock-based compensation plans are accounted for in accordance with the fair-value-based method of accounting. For stock-based compensation plans that will settle through the issuance of equity such as stock options, the fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model, while for the cash-settled stock-based compensation, fair value is determined based on the market value of the Company's common shares at the reporting date. In addition, option valuation models require the input of somewhat subjective assumptions including expected share price volatility.

As explained earlier in "Other Corporate Developments – Kyrgyz Republic", the preliminary framework agreement reached in 2007 with the Kyrgyz government was not ratified by the Kyrgyz parliament within the timeframe agreed by the parties and therefore expired. The Company believes that if a settlement with the Kyrgyz Government occurs through ongoing negotiations such a settlement will include the issuance of treasury shares. While the cost cannot be reasonably determined at this time, the Company believes that using the stock price on May 30th 2008, Cdn$8.85, the last day of trading prior to the expiry of the Agreement on New Terms, reflects the minimum amount of a range of possible values required to settle with the government. As a result, an estimate of $89 million has been provided in these statements.

Changes in Accounting Policies [1]

Centerra's audited consolidated financial statements for the year-ended December 31, 2008 were prepared following accounting policies consistent with Centerra's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2007, except for the following changes in accounting policies.

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, Inventories. The adoption of this standard resulted in an increase in inventory with a corresponding recognition in retained earnings of $10.4 million for previously written-off heap leach inventory, plus $10.0 million for mineralized material now reclassified as low-grade ore inventory following the lowering of the cut-off grade ($16.6 million, net of tax in total). Prior periods have not been restated as permitted by the standard.

Effective January 1, 2008, the Company adopted the new recommendations of CICA Handbook Section 1535, Capital Disclosures. The Company has included disclosures recommended by the new section in note 23 of these consolidated financial statements.

Effective January 1, 2008, the Company adopted the new recommendations of CICA Handbook Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments – Presentation. The Company has included disclosures recommended by these new sections in notes 21 and 22 of these consolidated financial statements.

Effective January 1, 2008, the Company adopted the new recommendations of CICA amended Handbook Section 1400, General Standards of Financial Statements Presentation. The Company has included disclosures recommended by the new section in these consolidated financial statements.

On February 1, 2008 the CICA issued Handbook section 3064, Goodwill and Intangible assets. This Section establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company adopted the new standard on January 1, 2009.

On January 20, 2009, the CICA issued EIC 173, Credit risk and the fair value of financial assets and liabilities. This abstract requires companies to take both counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. The Company adopted the new standard on January 1, 2009.

(1) See note 4 to Centerra's financial statements for the twelve months ended December 31, 2008 for a more detailed discussion of the changes in accounting policies.

Status of Centerra's Transition to International Financial Reporting Standards (IFRS)

On February 13, 2008, the CICA Accounting Standards Board (AcSB) confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010. The objective is to improve financial reporting by having one single set of accounting standards that are comparable with other entities on an international basis.

The Company commenced its IFRS conversion project during 2008 and established a formal project governance structure, including an IFRS Steering Committee, to monitor the progress and critical decisions in the transition to IFRS. The Steering Committee consists of senior financial management and an external advisor. An external consultant has been engaged to work with the Company's designated project staff, which consist of employees from Finance, Treasury, Legal, IT, Human Resources, Operations, Internal Audit and Investor Relations, among others to complete the conversion. Regular reporting is provided by the project team to the Steering Committee and the Audit Committee of the Board of Directors.

The Company's conversion plan is comprehensive and consists of four phases: preliminary study, evaluation, development, and implementation. The project plan addresses matters including changes in accounting policy, organizational structure and internal control, the modification of existing systems and the training and awareness of staff, in addition to other related business matters.

During 2008, the Company completed the preliminary study phase which involved a high level review of the major differences between current Canadian GAAP and IFRS as related to the Company's accounting policies. This high level review has provided insight as to the most significant areas of difference applicable to the Company, including assets retirement obligations, impairments, foreign currency translations and share based compensation, as well as more extensive presentation and disclosure requirements under IFRS. As part of the preliminary stage of the IFRS conversion project, a number of milestones have been achieved. These milestones include the configuration of a new IFRS-compliant financial reporting system, the organization of an information and awareness session for senior management and the training of key project team members.

Currently the Company is engaged in the evaluation and development phases of the project. The Company has begun training programs for senior management and Board of Directors, and has begun to perform an in-depth review of accounting policy impact, as well as defining the associated impact of the IFRS transition on financial reporting processes, disclosure controls and procedures and internal controls over financial reporting. The Company's target is to complete the evaluation and development phases by the end of the third quarter of 2009.

The Company continues to monitor standards development as issued by the International Accounting Standards Board and the AcSB, as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of the Company's adoption of IFRS.

The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. As the Company is still in the evaluation and development phases and has not yet selected its accounting policy choices and IFRS 1 exemptions, the Company is unable to quantify the impact of IFRS on its financial statements. The areas of significance identified above are based on available information and the Company's expectations as of the date of this report and thus, are subject to change with new facts and circumstances.

The project team is working through a detailed IFRS transition plan and certain project activities and milestones could change. The Company has begun to highlight certain key activities to provide insights into the IFRS project.

Given the progress of the project and outcomes identified, the Company could change its intentions between the time of communicating these key milestones and the changeover date. Further, changes in regulation or economic conditions at the date of the changeover or throughout the project could result in changes to the transition plan being different from those communicated. The Company will continue to assess the impact of adopting IFRS and will update its MD&A disclosures quarterly to report on the progress of its IFRS changeover plan.

Change in Internal Control over Financial Reporting

Effective September 1, 2008, Centerra began using a new software system to consolidate and report its financial results. The new system has provided added efficiencies particularly in the area of reporting thereby reducing the level of manual intervention and requirement for significant overview. No material impact is expected on the Company's Internal Controls over Financial Reporting.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

As of December 31, 2008, Centerra evaluated its disclosure controls and procedures and internal control over financial reporting, as defined in the rules of the Canadian Securities Administrators. These evaluations were carried out under the supervision of and with the participation of management, including Centerra's president and chief executive officer and the chief financial officer. Based on these evaluations, the president and chief executive officer and chief financial officer concluded that the design and operation of these disclosure controls and procedures and internal control over financial reporting were effective.

Sustainable Development

Centerra believes in the principles of sustainable development. In endeavoring to achieve its strategic objectives, the Company strives to be a leading performer among its peers with regard to shareholder value, business ethics, workplace safety, environmental protection and community economic development. Centerra believes that its strong commitment to these principles, which is supported by its past practices, will further its objective of becoming a sought-after partner for governments and state-owned enterprises in Asia, Central Asia, the former Soviet Union and other emerging markets worldwide.

Outlook for 2009

Centerra expects consolidated gold production of 720,000 to 770,000 ounces in 2009. Total cash cost in 2009 is expected to be between $485 and $525 per ounce. (This includes revenue-based taxes and royalties incurred in the Kyrgyz Republic at the rates fixed under its existing Investment Agreement (2003) of approximately 7.5% of revenue for all of 2009.) Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Production, cost and capital forecasts for 2009 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 under the headings "Risk Factors" and "Caution Regarding Forward-Looking Information".

In particular, material assumptions or factors used to forecast production and costs include the following:

- a gold price of $850 per ounce,
- exchange rates:
    - $1USD:$1.12CAD
    - $1USD:38 Kyrgyz Som
    - $1USD:1,140 Mongolian Tugrik
    - $1USD:0.71 Euro
- diesel fuel price assumption:
    - $0.64/litre at Kumtor
    - $1.03/litre at Boroo

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 $75 per barrel.

Centerra's revenues, earnings and cash flows for 2009 are sensitive to changes in certain variables and the Company has estimated their impact on revenues, net earnings and cash from operations.

Sensitivities

	Change	**Impact on** *($ millions)*			
		Costs	**Revenues**	**Cash flow**	**Earnings**
Gold Price	**$25/oz**	2.9	15.5	12.6	12.6
Diesel Fuel	**10%**	$8/oz	-	5.8	5.8
Kyrgyz som	**1 som**	1.5	-	1.5	1.5
Mongolian tugrik	**25 tugrik**	0.9	-	0.9	0.9
Canadian dollar	**10 cents**	2.5	-	2.5	2.5

Other important assumptions on which the Company's production, cost and capital guidance is based include the following:

- grades and recoveries at Kumtor will increase through the fourth quarter in accordance with the Kumtor mine plan and the block model,
- the planned 2-week shutdown of the Kumtor mill in the third quarter of 2009 to change the ball mill ring gear and to replace the SAG mill liner is successfully completed on time,
- the dewatering and depressurization programs at Kumtor continue to produce the expected results and the water management system works as planned,
- the Boroo ore does not become more refractory in nature affecting mill recoveries,
- no delays in or interruption of scheduled production from our mines, including due to natural phenomena, power interruptions, labour disputes or other development and operation risks,
- prices for reagents and other consumables will remain consistent with Company estimates,
- the final permits and approvals for the Boroo heap leach are obtained as planned, and
- all necessary permits, licences and approvals are received in a timely manner.

For further discussion of the factors that could cause actual results to differ materially, please refer to "Risk Factors" on page 41 of this document and to Centerra's most recently filed Annual Information Form including the section titled "Risk Factors", available on SEDAR at www.sedar.com. For information on forward-looking information see "Caution Regarding Forward-Looking Information".

Mining operations at Kumtor in 2009 will be in the Central Pit where mining will be focused in the high-grade mineralization of the SB Zone. The mill head grade at Kumtor is expected to average 3.97 g/t in 2009 compared to 3.89 g/t in 2008 and mill recovery is expected to average 78.9% compared to 79.7% in 2008. Gold production for the full year 2009 at the Kumtor mine is expected to be in the 560,000 to 600,000 ounce range, which excludes any production from the nearby Sarytor satellite deposit. The 2009 forecast gold production is lower than the

697,000 ounce forecast outlined in the life-of-mine plan in the March 28, 2008 43-101 technical report due to the necessity to accelerate the pre-stripping of the waste dump and glacial till in the SB Zone contributing to a lower overall head grade and the deferral of mining the Sarytor starter pit until 2010. Total cash cost for 2009 is expected to be $485 to $525 per ounce.

On a quarterly basis, Kumtor's 2009 gold production profile will be similar to 2008. The planned mining sequence for the year has approximately 15% of gold production being recovered in the first quarter and 40% in the fourth quarter. Consequently, the Company anticipates first quarter total cash costs to be higher than the annual guidance provided. Mining activity is expected to expose the unfrozen glacial tills in the second quarter of 2009. The depressurization and dewatering programs will need to be fully functional to allow for the geotechnical consolidation of the tills and to mine at the planned pitwall angles in 2009 and thereafter. In the third quarter of 2009, the Company anticipates a 2-week shutdown of the Kumtor mill to replace the ball mill ring gear and the SAG mill liner.

The Company anticipates that, should it be successful in agreeing to a new tax regime with the Kyrgyz Government, and the agreement results in current taxes being replaced with a revenue-based tax, total cash costs would exclude the revenue-based taxes. In such case, the outlook for total cash costs per ounce would be reduced by $86 for Kumtor and $67 for Centerra on a consolidated basis.

At Boroo, 2009 mine production will be sourced from Pit 3. Total gold production for the year, including 40,656 ounces from heap leach production, is expected to be 160,000 to 170,000 ounces, reflecting lower mill head grades and lower mill recoveries. The estimated mill head grade for 2009 is 2.65 g/t with an estimated recovery of 63%. Production in the first quarter of 2009 will be weaker than the following three quarters, due in part to lower recoveries from the heap leach as the result of winter weather related issues. Total cash cost is expected to be $485 to $525 per ounce in 2009.

Centerra's Production and Unit Cost – 2008 and 2009 Forecast
as follows:

Production *Ounces of gold*	**2009** **Forecast**	**2008** **Actual**
Kumtor	560,000 – 600,000	556,251
Boroo	160,000 – 170,000	192,637
Total Consolidated	720,000 – 770,000	748,888

Total Cash Cost (1) *$ per ounce*	**2009** **Forecast**	**2008** **Actual**
Kumtor (2)	485 – 525	517
Boroo	485 – 525	382
Consolidated (2)	485 – 525	483

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

(2) Unit costs reflect revenue-based taxes and royalties for the full year, as described above.

Exploration

Exploration expenditures are expected to total $25 million for 2009.

Capital Expenditures

Capital expenditures in 2009 are estimated to be approximately $100 million, including $49 million of sustaining capital. Growth capital is forecast at about $51 million, which includes $36 million for Kumtor (the largest expenditures will be $17 million for the development of the SB Zone underground decline in 2009 and $12 million has been allocated to phase 2 of the SB underground development to order long lead-time items for infrastructure and mining equipment), $1 million for Boroo and $14 million for Gatsuurt including $10 million for road construction and the balance for site and infrastructure development. Subject to an acceptable investment agreement, the Company has decided to advance the road construction from the Boroo site to the Gatsuurt property, as well as advance the site development, pre-stripping and project development to enable processing of the oxide material from the Gatsuurt deposit. Total approved capital for Gatsuurt in this phase is $20 million, of which $14 million is to be spent in 2009 (described above) and $6 million to be spent in 2010.

Administration

Annual corporate and administration expenses without unusual items are expected to amount to approximately $35 million in 2009.

Exploration and Business Development

One of Centerra's priorities is to continue to add to its reserves and resources base through its exploration program.

The 2009 exploration program will continue the aggressive exploration at the Kumtor mine, target generation programs at the Boroo mine and around the Gatsuurt project and on our extensive land holdings in Mongolia. Target generation programs will continue in Asia, Russia and China. Centerra will continue to fund and earn an interest in joint venture properties and projects in Russia, Turkey and the United States. The Company forecasts $25 million of spending on its program for the year. The forecast includes $11 million for exploration at Kumtor.

Activities are planned as follows:

Kumtor

- Additional drilling programs in the main Kumtor pit to test down dip extensions of the deposit.

Boroo

- Programs will focus on generating and testing targets for additional mineralization around the operating facilities.

Mongolia

- Exploration programs will continue to evaluate Centerra's significant land position.

Russia

- Centerra entered into an option/joint venture agreement with Central Asia Gold AB covering the Kara Beldyr project in the Tyva Republic, Russia. Centerra has the right to earn a 50% interest in the property by spending a total of $2.5 million over three years after which Centerra has a one-time option to earn an additional 20% interest in the property by spending an additional $4 million over a further four-year period. Work continues to compile data and identify drill targets.

Turkey

- Centerra entered into a Joint Venture Agreement with KEFI Minerals covering the Artvin project in northeast Turkey. Centerra has the right to earn a 50% interest in the property by spending a total of $3 million over three years after which Centerra has a one-time option to earn an additional 20% interest in the property by spending an additional $3 million over a further two-year period. Thereafter, Centerra and KEFI shall further fund the exploration and development of the Artvin Property proportionate to their respective interests. The drilling program commenced in 2008 will continue in 2009.

- Centerra entered into a Joint Venture Agreement with Eurasian Minerals (EMX) covering the Akarca, Samli and Elmali projects in northwest Turkey. Centerra has the right to earn a 50% interest in the properties by spending a total of $5.0 million over four years, in addition to a cash payment of $1.0 million at the end of the fourth year after which Centerra has a one-time option to earn an additional 20% interest in the properties by spending an additional $5.0 million over a further two-year period. Thereafter, Centerra and EMX shall further fund the exploration and development of the properties proportionate to their respective interests. Target definition work and drilling to test targets identified will be carried out in 2009.

United States, Nevada

Tonopah Divide

- Centerra has the right to earn a 60% interest in the Tonopah Divide project by spending $2.7 million over five years. Centerra can earn an additional 15% interest by spending a further $5.0 million over four years. Surface mapping and sampling programs will continue on the property and additional drilling is planned for 2009.

REN

- Barrick Gold holds a 37% joint-venture interest in the REN property. Barrick Gold has elected not to participate in further exploration on the REN property in 2009. The Company is considering its options for the property which include selling or joint venturing its interest in the REN project.

The business development program is forecast at $4 million for 2009 to support merger and acquisition initiatives of the Company for the year.

Corporate Income Taxes

The corporate income tax rate for Kumtor for 2008, including the Issyk-Kul Social Fund tax, is 12%, however, pursuant to a Memorandum of Understanding ("MOU") signed in 2007, corporate income tax for Kumtor for 2008 and later years, tax would be computed by reference to proceeds from products sold, rather than by reference to income. As the MOU expired prior to its implementation, terms of Kumtor's existing Investment Agreement with the government of the Kyrgyz Republic continue to apply.

The corporate income tax rate for Centerra's Mongolian subsidiary, Boroo Gold Company, for 2008 and subsequent years, is 25% for taxable income over 3 billion MNT (approximately $2.4 million at the 2008 year end foreign exchange rate) with a tax rate of 10% for taxable income up to that amount.

For information on forward-looking information see "Caution Regarding Forward-Looking Information".

Qualified Person

Reserve and resource estimates for Kumtor, Boroo, Gatsuurt and REN, and the other scientific and technical information contained in this management's discussion and analysis were prepared by Centerra's geological and mining engineering staff under the supervision of Ian Atkinson, Vice-President, Exploration, who is a Qualified Person under NI 43-101.

Risk Factors

Below are some risk factors that Centerra believes can have an adverse effect on its profitability, future cash flows, earnings, results of operations, stated reserves and financial condition. A complete list of the Company's risk factors can be found in Centerra's Annual Information Form which is filed and available on SEDAR at www.sedar.com.

Volatility of Gold Prices

Centerra's revenue is largely dependent on the world market price of gold. The gold price is subject to volatile price movements over time and is affected by numerous factors beyond the Company's control. These factors include global supply and demand; central bank lending, sales and purchases; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; and global or regional political and economic events, including the performance of Asia's economies.

If the market price of gold falls and remains below variable production costs of any of the Company's mining operations for a sustained period, losses may be sustained and, under certain circumstances, there may be a curtailment or suspension of some or all of Centerra's mining and exploration activities. The Company would also have to assess the economic impact of any sustained lower gold prices on recoverability and, therefore, the cut-off grade and level of its gold reserves and resources. These factors could have an adverse impact on its production, future cash flows, earnings, results of operations, stated reserves and financial condition.

Current Global Financial Condition

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing and bank credit has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These and other factors may affect the Company's ability to obtain equity or debt financing in the future on favourable terms. Additionally, these factors, as well as other related factors, may cause decreases in the Company's asset values that may be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, or if more extensive disruptions of the global financial markets occur, the Company's operations could be adversely impacted and the trading price of the Company's shares may be adversely affected.

Currency Fluctuations

Centerra's earnings and cash flow may also be affected by fluctuations in the exchange rate between the US dollar and other currencies, such as the Kyrgyz Som, the Mongolian Tugrik, the Canadian dollar and the Euro. Centerra's consolidated financial statements are expressed in US dollars. Its sales of gold are denominated in US dollars, while production costs and corporate administration costs are, in part, denominated in Kyrgyz Soms, Mongolian Tugriks and Canadian dollars.

Fluctuations in exchange rates between the US dollar and other currencies may give rise to foreign exchange currency exposures, both favourable and unfavourable, which have materially impacted and in the future may materially impact Centerra's future financial results. Although Centerra from time to time enters into short-term forward contracts to purchase Canadian dollars, Centerra does not utilize a hedging program to limit the adverse effects of foreign exchange rate fluctuations. In the case of the Kyrgyz Som and Mongolian Tugrik, Centerra cannot hedge currency exchange risk because such currencies are not freely traded.

Further Ground Movements at the Kumtor Mine

On July 8, 2002, a highwall ground movement at the northern end of the Kumtor pit resulted in the death of one of Centerra's employees and the temporary suspension of mining operations. The movement led to a considerable shortfall in 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible. Consequently, the Company milled lower grade ore and achieved lower recovery rates. In February 2004, there was also movement detected in the southeast wall of the open pit and in February 2006 there was further movement detected.

In July 2006, a pit wall ground movement occurred involving a significant portion of the northeast wall. Kumtor's extensive slope monitoring system was effective, enabling safe advance evacuation of the mining area. The movement occurred above the higher-grade stockwork area which was planned to be mined in 2007. While the stockwork area was not covered, safety concerns identified in our engineering analysis undertaken after the event required new mining sequence, which deferred production from the area. Although extensive efforts are employed by the Company to prevent further ground movement, there is no guarantee against further ground movements. A future ground movement could result in a significant interruption of operations. Centerra may also experience a loss of reserves or material increase in costs, if it is necessary to redesign the open pit as a result of a future ground movement. The consequences of a future ground movement will depend upon the magnitude, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or the mine experiences a significant loss of reserves or materially higher costs of operation, this would have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

As disclosed in the first quarter of 2007, minor slope movement was detected in the waste dump above the SB Zone highwall in the Central Pit. At that time, the waste dump slopes were designed at a 33 degree angle. An initial geotechnical drilling and analysis program was undertaken in the second quarter to determine whether a lower design slope angle would be required to stabilize the waste dump and, if so, to determine the effect on future production.

In a press release issued on July 19, 2007 Centerra reported that independent geotechnical experts had completed their preliminary analysis of the previously reported high wall waste dump movement and the preliminary findings of the glacial till characterization. They subsequently recommended stabilizing the area by using lower slope angles through the underlying till layer and overlying waste dump. The lower slope angles required the removal of more waste than previously planned and delayed access to the SB Zone in 2007.

Further technical assessment in 2007, including additional geotechnical drilling, till analysis, de-watering tests and geophysical surveys now indicates that till layers are approximately 40% thinner than originally thought and that the till appears to be amenable to dewatering and therefore the designed pit wall angle may be able to be steepened to near the original design. A series of geotechnical drill holes converted to pumping wells allowed for two pumping tests to be performed that provided the necessary hydrological information within the warmer and unfrozen tills to conclude that a de-pressurizing and de-watering program may be beneficial to the till consolidation and the slope stability. During 2008, vertical and horizontal drilling established dewatering and depressurization of the till lithography. The dewatering program was established, in consultation with a third-party consultant, to extract perched water and melt waters from the pit. To manage the extraction of all waters within the pit, a water catchment and discharge system has been designed. The pumping system has been purchased and the program will be implemented during the first quarter of 2009. It is expected that the resulting higher strengths in the unfrozen till structure and the dewatered rock structures will improve the geotechnical characteristics in the pit walls as the mine is further developed.

Mining activity is expected to expose the unfrozen glacial tills in the second quarter of 2009. The depressurization and dewatering programs will need to be fully functional to allow for the geotechnical consolidation of the tills and to mine at the planned pitwall angles in 2009 and thereafter. The inability to establish fully effective and efficient depressurization and dewatering programs may have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

In late 2008, the upper high wall of the SB Pit experienced an acceleration of the ice laden waste dumps due to the removal of waste material in the layback that was acting much like a buttress. The movement of the material is manageable with the present mine fleet. The velocity is constant and no catastrophic failure is thought to be imminent. A third party consultant has advised Centerra regarding what actions need to be taken. An adequate layback and catch bench are planned to compensate for the movement and these have been implemented.

Kumtor Ball Mill

In February of 2008, the Kumtor ball mill girth gear had a mechanical failure. Two teeth failed which required them to be removed and then replaced by an expert welding contractor. The mill grinding circuit was altered to bypass the ball mill for a four-week period. The milling operation functioned on a reduced feed rate through the SAG mill but with high grade material from the pit, thereby attaining 90% of the planned production. The girth gear will be replaced in the third quarter of 2009 during a planned maintenance period. There is a risk that the repaired girth gear could fail prior to the delivery and replacement of the girth gear, which would have an adverse impact on production.

The inability to complete a fully effective ball mill girth gear replacement may have an adverse impact on Centerra's production, future cash flows, earnings, results of operations and financial condition.

Political Risk

All of Centerra's current gold production and reserves are derived from assets located in the Kyrgyz Republic and Mongolia, developing countries that have experienced political difficulties in recent years including, in the Kyrgyz Republic, a revolution in March 2005 that resulted in the ouster of the long-time incumbent President. Accordingly, there continues to be a risk of future political instability. Centerra's mining operations and gold exploration activities are affected in varying degrees by political stability and government regulations relating to foreign investment, corporate activity and the mining business in each of these countries. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, civil unrest, extreme fluctuations in currency rates and high inflation in Central Asia and the former Soviet Union.

The relevant governments have entered into contracts with Centerra or granted permits or concessions that enable the Company to conduct operations or development and exploration activities. Notwithstanding these arrangements, Centerra's ability to conduct operations or exploration and development activities is subject to renewal of permits or concessions, changes in government regulations or shifts in political attitudes beyond the Company's control. On June 17, 2008, the Bishkek Inter District Court issued an order invalidating the Company's Southwest and Sarytor mining licenses and exploration license in the Kyrgyz Republic. Consequently, Centerra has ceased operations and development and exploration activities on the affected areas. While the order is under appeal by the Company, and although the Company believes that its current negotiations with the Kyrgyz Republic are reasonably likely to lead to the reinstatement of the licenses, there can be no assurance that operations and development and exploration activities on the licenses will resume. See "Other Corporate Developments – Kyrgyz Republic".

There can be no assurance that industries deemed of national or strategic importance like mineral production will not be nationalized. Government policy may change to discourage foreign investment, re-nationalization of mining industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that the Company's assets will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body. While there are often provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would effectively restore the value of Centerra's original investment. Similarly, the Company's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, wage and benefits requirements, labour legislation, expropriation of property, environmental legislation, mine safety and annual fees to maintain mineral properties in good standing. There can be no assurance that the laws in these countries protecting foreign investments will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above. Furthermore, there can be no assurance that the agreements Centerra has with the governments of these countries, including the Investment Agreement and the Boroo Stability Agreement, will prove to be enforceable or provide adequate protection against any or all of the risks described above.

As the largest foreign investment enterprise in the Kyrgyz Republic, the Kumtor project continues to be the subject of significant political debate. In late March 2007, the Kyrgyz Parliament began to consider draft legislation that, among other things, challenged the legal validity of the Kumtor agreements with the Kyrgyz Republic, proposed recovery of additional taxes on amounts relating to past activities, and provided for the transfer of gold deposits (including Kumtor) to a state-owned entity. If enacted, there would have been a substantial risk of harm to the Company's rights. In response to the draft legislation, Centerra notified the Government that it intended to proceed with the international arbitration proceeding previously commenced by the Company in relation to certain tax disputes with the Government. See "Other Corporate Developments – Kyrgyz Republic". The Company initiated the appointment of an arbitrator and notified the Government that the nationalization bill represented an additional dispute in the arbitration. The arbitration has been suspended twice. Initially, arbitration was suspended in the summer of 2007 pending completion of the Agreement on New Terms entered into between Centerra and Cameco and the Government in August 2007. The arbitration was reactivated on June 2, 2008, after the Agreement on New Terms had not been ratified by the Parliament of the Kyrgyz Republic within the time frame agreed by the parties. The arbitration proceedings were suspended again in September 2008 to allow for the continuation of discussions among Centerra, Cameco and the Government regarding outstanding issues related to the Kumtor project. If these disputes are not resolved to the mutual satisfaction of the various parties to the disputes, the political risks faced by Centerra will increase.

Centerra has made an assessment of the political risk associated with each of its foreign investments and currently has political risk insurance to mitigate a portion of the losses. From time to time the Company assesses the costs and benefits of maintaining such insurance and may not continue to purchase the coverage**.** However, Centerra's political risk coverage provides that on a change of control of Centerra the insurers have the right to terminate the coverage. If that were to happen, there can be no assurance that the political risk insurance would continue to be available on reasonable terms. Furthermore, there can be no assurance that the insurance would continue to be available at any time or that particular losses Centerra may suffer with respect to its foreign investments will be covered by the insurance. These losses could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition if not adequately covered by insurance.

Centerra is a party to legal disputes

Centerra and its Kumtor mine are subject to outstanding or threatened legal proceedings that, if decided adversely, could reasonably be expected to have a material adverse impact on Centerra's financial position or results of operations. See "Other Corporate Developments – Kyrgyz Republic".

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact Centerra's business

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters.

Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays and other effects associated with these laws and regulations may impact Centerra's decision as to whether to continue to operate existing mines, ore refining and other facilities or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, Centerra is unable to predict the ultimate cost of compliance with these requirements or their effect on operations.

In this regard, the Mongolian Parliament has passed a new Minerals Law that, among other things, empowers Parliament to designate mineral deposits that have a potential impact on national security, economic and social development or deposits that have a potential of producing above 5% of the country's GDP as deposits of strategic importance. The state may take up to a 50% interest in the exploitation of a minerals deposit of strategic importance where state-funded exploration was used to determine proven reserves and up to a 34% interest in an investment to be made by a license holder in a mineral deposit of strategic importance where proven reserves were determined through funding sources other than the state budget. The Mongolian Parliament has also passed a new law that imposes a windfall profits tax of 68% when gold prices are in excess of $850 per ounce. While the Boroo Stability Agreement affords Boroo protection against these laws, Centerra's Gatsuurt project does not yet benefit from such status.

Since there is not yet a stability agreement in place for the Gatsuurt project, there is a risk that the Mongolian Parliament could designate it as a strategic deposit and take up to a 34% interest in it under the new Minerals Law. In addition, Gatsuurt may be subject to the windfall profits tax.

The foregoing uncertainties and changes in governments, regulations and policies and practices could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Centerra may be unable to enforce its legal rights in certain circumstances

In the event of a dispute arising at Centerra's foreign operations, Centerra may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Centerra may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

The dispute resolution provisions of the Investment Agreement and the Boroo Stability Agreement stipulate that any dispute between the parties thereto is to be submitted to international arbitration. However, there can be no assurance that a particular governmental entity or instrumentality will either comply with the provisions of these or any other agreements or voluntarily submit to arbitration. Centerra commenced arbitration proceedings in relation to the Kyrgyz Republic which have been suspended pending completion of negotiations. See "Other Corporate Developments". Centerra's inability to enforce its rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

Centerra's Production and Cost Estimates May Be Inaccurate

Centerra prepares estimates of future production and future production costs for particular operations. No assurance can be given that production and cost estimates will be achieved. These production and cost estimates are based on, among other things, the following factors: the accuracy of reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; equipment and mechanical availability; labour availability; access to the mine; facilities and infrastructure; sufficient materials and supplies on hand; and the accuracy of estimated rates and costs of mining and processing, including the cost of human and physical resources required to carry out Centerra's activities. Failure to achieve production or cost estimates, or increases in costs, could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Actual production and costs may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, floods, earthquakes, pit wall failures and cave-ins; and unexpected labour shortages or strikes. Costs of production may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade metallurgy, labour costs, costs of supplies and services (such as, for example, fuel and power), general inflationary pressures and currency exchange rates.

Failure to achieve production estimates could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Gold Mining is Subject to a Number of Operational Risks and Centerra May Not Be Adequately Insured for Certain Risks

Centerra's business is subject to a number of risks and hazards, including environmental pollution, accidents or spills; industrial and transportation accidents; unexpected labour shortages, disputes or strikes; cost increases for contracted and/or purchased goods and services; shortages of required materials and supplies; electrical power interruptions; mechanical and electrical equipment failure; labor disputes; changes in the regulatory environment; natural phenomena, such as inclement weather conditions, floods, earthquakes, pit wall failures, tailings dam failures and cave-ins; encountering unusual or unexpected climatic conditions that may or may not result from global warming; and encountering unusual or unexpected geological conditions.

While Centerra takes measures to mitigate these risks and hazards, there is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's gold properties, personal injury or death, environmental damage, delays in or interruption of or cessation of production from its mines or in its exploration or development activities, costs, monetary losses and potential legal liability and adverse community and/or governmental action, all of which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Although the Company maintains insurance to cover some of these risks and hazards in amounts it believes to be reasonable, its insurance may not provide adequate coverage in all circumstances. No assurance can be given that insurance will continue to be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards.

Centerra may also be subject to liability or sustain losses in relation to certain risks and hazards against which it cannot insure or, for which it may elect not to insure. The occurrence of operational risks and/or a shortfall or lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

The Kumtor tailings dam design has been approved by the Kyrgyz authorities to elevation 3,670 metres and is sufficient to contain all the tailings generated in the current life-of-mine. The tailings dam crest is currently at elevation 3,661 metres. The next tailings dam raising is scheduled for 2010 which will raise the elevation of the tailings dam to 3,664 metres. Kumtor is required to obtain additional permits in connection with the raising and the operation of the tailings facility. If all necessary permits and authorizations are not obtained delays in, or interruptions or cessation of Centerra's production from Kumtor may occur.

Environmental, Health and Safety Risks

Centerra expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, guidelines, regulations and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of different jurisdictions. Centerra believes it is in material compliance with these laws. The Company anticipates that it will be required to continue to do so in the future as the historical trend toward stricter such laws is likely to continue. The possibility of more stringent laws or more rigorous enforcement of existing laws exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining sites, the release of emissions and other environmental matters, each of which could have a material adverse effect on the Company's exploration, operations and the cost or the viability of a particular project.

Centerra's facilities operate under various operating and environmental permits, licenses and approvals that contain conditions that must be met and the Company's right to continue operating its facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties, all of which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. Centerra is unable to quantify the costs of such a failure.

Decommissioning and Reclamation Costs May be Difficult to Predict Accurately

At each of Centerra's mine sites the Company is required to establish a decommissioning and reclamation plan. Provision must be made for the cost of decommissioning and reclamation. These costs can be significant and are subject to change. The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If Centerra is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Reduced Liquidity and Difficulty in Obtaining Future Financing

The further development and exploration of mineral properties in which Centerra holds or acquires interests may depend upon the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that it will be successful in obtaining required financing as and when needed. Volatile gold and capital markets may make it difficult or impossible for Centerra to obtain debt financing or equity financing on favourable terms or at all. The Company's principal operations are located in, and its strategic focus is on, Central Asia and the former Soviet Union, developing areas that have experienced past economic and political difficulties and may be perceived as unstable. This may make it more difficult for Centerra to obtain debt financing from project or other lenders. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties or joint ventures or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Caution Regarding Forward-Looking Information

Statements contained in this Annual Management Discussion and Analysis (MD&A) including those under the heading "Outlook for 2009", and the documents incorporated by reference herein, contain statements which are not current statements or historical facts and are "forward-looking information" within the meaning of applicable Canadian securities laws. All statements, other than statements of historical fact, contained or incorporated by reference in this news release constitute forward-looking information. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "forecasts", "projections", "anticipate" or "does not anticipate", "believe", "intent", "potential", "strategy", "schedule", "estimates" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved 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, future growth, results of operations (including, without limitation, future production and sales, and operating and capital expenditures), performance (both operational and financial), business and political environment and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities.

Although the forward-looking information in this Annual MD&A reflects Centerra's current beliefs on the date of this MD&A is based upon 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. By its very nature, forward-looking information necessarily involves significant known and unknown risks, assumptions, uncertainties and contingencies that may cause Centerra's actual results, assumptions, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking information. These risks and uncertainties include, among other things, risks relating to the outcome of litigation commenced in the Kyrgyz Republic by Vice Speaker Isabekov and of the international arbitration commenced by Centerra (suspended in September 2008 to allow for discussions with Cameco and the Government), both of which are described above under the heading "Other Corporate Developments – Kyrgyz Republic", gold prices, replacement of reserves, reduction in reserves related to geotechnical risks, ground movements, political risk, nationalization risk, changes in laws and regulations, civil unrest, labour unrest, legal compliance costs, reserve and resource estimates, production estimates, exploration and development activities, competition, operational risks, environmental, heath and safety risks, costs associated with reclamation and decommissioning, defects in title, seismic activity, cost and availability of labour, material and supplies, increases in production and capital costs, permitting and construction to raise the tailings dam height and increase the capacity of the existing Kumtor tailing dam, illegal mining, enforcement of legal rights, decommissioning and reclamation cost estimates, future financing and personnel. 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 and Annual Management's Discussion and Analysis available on SEDAR at www.sedar.com.

Reserve and resource figures included 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 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.

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

A mineral reserve is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Centerra reports mineral reserves separate from mineral resources.

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 resources figures included herein in consideration of these risks and, therefore, Centerra can give no assurances that any resource estimate will ultimately be reclassified as proven and probable reserves.

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

Centerra estimates the future mine life of its operations. 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 news release. 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 March 5, 2009. 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.