

Centerra Gold Inc.
Management's Discussion and Analysis
For the fiscal year ended December 31, 2007

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The following discussion has been prepared as of March 6, 2008, 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, 2007 and results of operations in comparison with those as at and for the financial year of the Company ended December 31, 2006. This discussion should be read in conjunction with the Company’s audited financial statements and notes thereto for the year ended December 31, 2007 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, 2007, 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 growth-oriented Canadian-based gold company, focused on acquiring, exploring, developing and operating gold properties in Central 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 Gatsuert property both located in Mongolia, and a 63% interest in the REN property in 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 Gatsuert property is in the development phase. The REN property is in the exploration phase.

In 2007, the Company’s two mines produced a total of 555,000 ounces of gold, ranking Centerra as an intermediate-sized North American-based gold producer.

The average spot price for gold in 2007 increased 16% over the average in 2006. This follows year-over-year increases of 35% in 2006 and 9% in 2005. The average realized price of gold received by Centerra increased because of the higher spot price for gold. A number of factors continue to support the strengthening gold price, including the weakness in the U.S. dollar, geopolitical uncertainties, and an increase in the demand for gold for investment purposes (see the discussion below under “Gold Industry and Key Economic Trends”).

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 also 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 its annual reclamation budget into a government account and recovers this money when the annual reclamation commitments are implemented.

Gold Industry and Key Economic Trends

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 material 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 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. Centerra believes the most important of these recently has been 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. The Company regards this strong inverse correlation and the recent extended period of U.S. dollar weakness as the single most important positive factor driving the gold price recovery over the last two years.

Other factors that have impacted the gold price recently include an increase in the demand for gold for investment purposes, jewelry demand, growing popularity of exchange-traded gold futures (ETF), the Washington Accord, which has limited central bank gold sales, and a general increase in global geopolitical tensions.

Centerra expects the industry trends discussed above to continue to provide upward pressure on the gold price. The Company also expects increased competition for new reserves in all regions, including its principal area of geographic focus in Central Asia and the former Soviet Union and other emerging markets world-wide. 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 2005, 2006 and 2007:

Quarter	Average Gold Price (\$)
2005 Q1	427
2005 Q2	427
2005 Q3	440
2005 Q4	485
2006 Q1	554
2006 Q2	628
2006 Q3	622
2006 Q4	606
2007 Q1	650
2007 Q2	667
2007 Q3	680
2007 Q4	788

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, adjacent and regional exploration;

- advancing late stage exploration properties through drilling and feasibility studies, as warranted; and
- actively pursuing selective acquisitions primarily in Central Asia, the former Soviet Union and other emerging markets worldwide.

During 2007, the Company continued its exploration drilling activities in and around its two mine sites. In February 2008, the Company announced its 2007 year-end reserves estimate of 7.0 million ounces of contained gold in proven and probable reserves replacing, in aggregate, reserves mined in 2007. The 2007 year-end reserves and resources were estimated using a gold price of \$550 per ounce compared to \$475 per ounce in 2006. (See the “2007 Year-end Reserve and Resource Summary” table).

At Kumtor, 578,000 contained ounces of reserves were added before accounting for mining 421,000 of contained ounces in 2007. Measured and indicated resources increased by approximately 170,000 ounces of contained gold and inferred resources decreased slightly by 27,000 ounces of contained gold. The increase in reserves is a result of the lowering of the cut off grade and changes in pit design. The reserve grade decreased from 4.7 g/t gold to 4.0 g/t gold due to the lowering of the cut off grade from 1.3 g/t gold to 1.0 g/t gold, reflecting the higher gold price used in estimating the reserves. The current 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 has been designed and will be implemented in 2008. This methodology has not previously been tested at Kumtor; therefore, to reflect the geotechnical risks and the technical risks associated with implementing the depressurization program at Kumtor, all of the mineral reserves affected by these risks have been classified as probable reserves. This involves a total of 18 million tonnes containing 2.5 million ounces of gold including 6.4 million tonnes containing 0.9 million ounces of gold previously classified as proven reserves. The mineral reserves affected by these risks represent 57 percent of the contained ounces of the Central Pit proven and probable reserves.

At Boroo, 111,000 contained ounces of reserves were added, before accounting for mining 297,000 of contained ounces in 2007. The change in reserves is a result of a slight increase in the size of the pit design.

At Gatsuert reserves were unchanged as the benefit of the increased gold price was offset by increases in estimated operating costs and royalties. Material increases in potential production costs at Gatsuert could impact the economic recovery of ore from this deposit and ultimately result in a reclassification of reserves.

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.
2007 Year-end Reserve and Resource Summary
(as of December 31, 2007)

Reserves ⁽¹⁾ (Tonnes and ounces in thousands) ⁽¹¹⁾⁽¹²⁾											
Property	Proven			Probable			Total Proven and Probable Reserves				
	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
Kumtor ⁽⁶⁾	9,888	3.8	1,223	28,546	4.0	3,679	38,434	4.0	4,902	4,902	OP
Boroo ⁽⁸⁾	3,684	2.5	291	20,405	1.2	757	24,089	1.4	1,048	1,048	OP
Gatsuurt ⁽⁹⁾	-	-	-	9,101	3.4	1,005	9,101	3.4	1,005	1,005	OP
Total	13,572	3.5	1,514	58,052	2.9	5,441	71,624	3.0	6,955	6,955	

Measured and Indicated Resources ⁽²⁾ (Tonnes and ounces in thousands) ⁽¹¹⁾⁽¹²⁾											
Property	Measured			Indicated			Total Measured and Indicated Resources				
	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
Kumtor ⁽⁵⁾⁽⁶⁾	18,770	3.2	1,931	19,323	2.8	1,741	38,093	3.0	3,672	3,672	OP
Boroo ⁽⁵⁾⁽⁸⁾	452	2.0	29	5,016	1.4	225	5,468	1.5	254	254	OP
Gatsuurt ⁽⁵⁾⁽⁹⁾	-	-	-	6,238	3.0	607	6,238	3.0	607	607	OP
REN ⁽¹⁰⁾	-	-	-	2,991	12.7	1,220	2,991	12.7	1,220	767	UG
Total	19,222	3.2	1,960	33,568	3.5	3,793	52,790	3.4	5,753	5,300	

Inferred Resources ⁽²⁾ (Tonnes and ounces in thousands) ⁽¹¹⁾⁽¹²⁾					
Property	Inferred			Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
	Tonnes	Grade (g/t)	Contained Gold (oz)		
Kumtor ⁽⁵⁾⁽⁶⁾	778	1.8	46	46	OP
Kumtor SB Underground ⁽⁷⁾	2,796	20.0	1,797	1,797	UG
Boroo ⁽⁵⁾⁽⁸⁾	7,723	1.0	239	239	OP
Gatsuurt ⁽⁹⁾	2,437	3.3	256	256	OP
REN ⁽¹⁰⁾	835	16.1	432	272	UG
Total	14,569	5.9	2,770	2,610	

- (1) The reserves have been estimated based on a gold price of \$550 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 \$550 per ounce.
- (6) The open pit reserves and resources at Kumtor are estimated based on a cutoff grade of 1.0 gram per tonne and includes the Central Pit and the Southwest and Sarytor deposits.
- (7) Underground resources occur below the Central pit shell and are estimated based on a cutoff grade of 7.0 grams per tonne.
- (8) The reserves and resources at Boroo are estimated based on a variable cutoff grade depending on the type of material and the associated recovery. The cutoff grades range from 0.2 gram per tonne to 0.8 gram per tonne.
- (9) The reserves and resources at Gatsuurt are estimated using either a 1.2 or 1.9 grams of gold per tonne cutoff grade depending on the type of material and the associated recovery.
- (10) The resources at REN are estimated based on a cutoff grade of 8.0 grams per tonne.
- (11) A conversion factor of 31.10348 grams per ounce of gold is used in the reserve and resource estimates.
- (12) Numbers may not add up due to rounding.

Reconciliation of Gold Reserves and Resources
(in thousands of ounces of contained gold)⁽⁸⁾

	December 31 <u>2006</u> ⁽¹⁾	2007 <u>Throughput</u> ⁽²⁾	2007 <u>Addition</u> <u>(Deletion)</u> ⁽³⁾	December 31 <u>2007</u>	Centerra's <u>Share</u> December 31 <u>2007</u> ⁽⁴⁾
Reserves – Proven and Probable					
Kumtor ⁽⁵⁾	4,745	421	578	4,902	4,902
Boroo	1,234	297	111	1,048	1,048
Gatsuurt ⁽⁷⁾	<u>1,005</u>	<u>0</u>	<u>0</u>	<u>1,005</u>	<u>1,005</u>
Total Proven and Probable Reserves	<u>6,984</u>	<u>718</u>	<u>689</u>	<u>6,955</u>	<u>6,955</u>
Resources – Measured and Indicated					
Kumtor ⁽⁶⁾	3,502	0	170	3,672	3,672
Boroo	285	0	(31)	254	254
Gatsuurt ⁽⁷⁾	607	0	0	607	607
REN	<u>1,220</u>	<u>0</u>	<u>0</u>	<u>1,220</u>	<u>767</u>
Total Measured & Indicated Resources	<u>5,614</u>	<u>0</u>	<u>139</u>	<u>5,753</u>	<u>5,300</u>
Resources – Inferred					
Kumtor ⁽⁶⁾	40	0	6	46	46
Kumtor SB Underground	1,830	0	(33)	1,797	1,797
Boroo	240	0	(1)	239	239
Gatsuurt ⁽⁷⁾	256	0	0	256	256
REN	<u>432</u>	<u>0</u>	<u>0</u>	<u>432</u>	<u>272</u>
Total Inferred Resources	<u>2,798</u>	<u>0</u>	<u>(28)</u>	<u>2,770</u>	<u>2,610</u>

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

- (1) Reserves and resources as reported in Centerra's 2006 AIF.
- (2) Corresponds to millfeed. The discrepancy between the 2007 millfeed and 2007 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, 2007, 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 main pit and the Southwest Zone and Sarytor satellite deposits.
- (7) Gatsuurt reserves and resources include the Central Zone and Main Zone deposits.
- (8) Numbers may not add up due to rounding.

During 2008, exploration will continue with budgeted expenditures of \$25 million.

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,		
	2007	2006	2005
Revenue	\$373	\$365	\$339
Cost of sales	227	237	186
Depreciation, depletion and amortization	44	40	61
Accretion and reclamation expenses	1	(2)	(1)
Exploration and business development	20	26	30
Other income and expenses	(5)	(23)	(4)
Administration	25	27	18
Earnings before unusual items, income taxes and non-controlling interest	312	305	290
Unusual items ⁽³⁾	61	60	49
Income tax expense (recovery)	132	-	-
Non-controlling interest	19	(6)	5
Net earnings (loss)	3	5	2
Earnings (loss) per common share (basic and diluted) - \$/share	\$(93)	\$61	\$42
Total assets	\$814	\$794	\$699
Long-term debt, provision for reclamation and future income taxes	\$21	\$17	\$18
Operating Highlights			
Sales volume – ounces	540,645	610,441	781,274
Ounces poured	555,410	586,384	787,275
Average realized price – \$/oz	\$691	\$597	\$433
Gold spot market price – \$/oz ⁽¹⁾	\$696	\$602	\$444
Cost of sales - \$/oz sold	\$419	\$388	\$238
Total cash cost – \$/oz produced ⁽²⁾	\$442	\$386	\$241

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

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

⁽³⁾ See page 9 for a discussion of unusual items.

Results

Overview of 2007 Versus 2006

For accounting purposes, Centerra's 2007 and 2006 results reflect fully consolidated interests in the Kumtor and Boroo mines, a 63% proportional consolidated interest in the REN property and a fully consolidated interest in the Gatsuurt property.

Revenue for 2007 increased by \$9.0 million, or 2%, to \$373.5 million compared to \$364.5 million in the same period of 2006 due to higher gold prices which was partially offset by lower gold production and sales. Gold production of 555,410 ounces in 2007 was lower than the 586,384 ounces reported in 2006 due to lower production at Boroo from lower mill grades and recoveries resulting from an increase in mining of transition ore. Gold sold in 2007, which totalled 540,645 ounces (300,474 ounces from Kumtor and 240,171 ounces from Boroo) was lower than 2006 ounces sold of 610,441 (329,534 ounces from Kumtor and 280,907 ounces from Boroo) due to lower ounces produced at Boroo resulting from lower grade ore, lower recoveries, and the timing of year-end shipments at Boroo and Kumtor. The average realized gold price for 2007 was \$691 per ounce compared to \$597 per ounce in the same period of 2006 reflecting higher spot prices for gold throughout the year.

The initial outlook for 2007 consolidated gold production of 700,000 - 720,000 ounces was revised on July 19, 2007 to 550,000 - 560,000 ounces a result of the delayed access to the SB Zone. See "Waste Dump Movement at Kumtor". Gold production in 2007 of 555,410 ounces of gold was consistent with this revised guidance.

Cost of sales was \$226.7 million in 2007 compared to \$236.9 million in 2006. The decrease resulted from fewer ounces sold. This was partially offset by increased costs as described in the "Results of Operating Segments" for Kumtor and Boroo. Cost of sales per ounce was \$419 in 2007 compared to \$388 in 2006. The increase resulted primarily from reduced ounces sold (540,645 ounces in 2007 compared to 610,441 ounces in 2006).

Total cash costs per ounce produced for 2007 increased to \$442 compared to \$386 per ounce in 2006 (Total cash cost per ounce is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost"). This increase primarily reflects a decrease in produced ounces along with increased costs of maintenance and major mine and mill reagents and consumables as discussed in the "Results of Operating Segments" for Kumtor and Boroo.

The original outlook for 2007 for total cash cost per ounce of \$375 to \$385 was revised on July 19, 2007 to \$430 to \$440 per ounce due to the projected decrease in ounces expected to be produced and increased operating costs. Total cash cost of \$442 per ounce in 2007 was slightly above the revised guidance as a result of increased costs of production as noted above.

Income tax in the amount of \$19.3 million was expensed during 2007 compared to a recovery of \$5.8 million 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 income tax rate applicable to Kumtor throughout 2007 was 10%. The Company has entered into an agreement (the "Agreement on New Terms") with the Government of the Kyrgyz Republic, pursuant to which the parties agreed on revised terms with respect to Kumtor, effective January 1, 2008. The Agreement on New Terms, which is subject to the satisfaction of certain conditions and the negotiation and signing of definitive agreements, provides that effective January 1, 2008, Kumtor will be subject to tax on proceeds from products sold, rather than income, at the rate of 11% in 2008, 12% in 2009, and 13% thereafter. Subject to the terms of the definitive agreement to be completed, the future tax asset recorded by Kumtor as at December 31, 2007 may not be realizable in which case there will be a charge to future earnings of \$5.6 million.

Unusual items relate primarily to the Agreement on New Terms. In connection with the Agreement on New Terms, the Company entered into an agency agreement with Cameco Corporation ("Cameco"), the majority shareholder of the Company, on August 30, 2007 (the "Agency Agreement") which provides for the issuance of 10 million treasury shares (the "Treasury Shares") to Cameco. Based on the closing price of the Company's shares on December 31, 2007, the Treasury Shares will result in an estimated expense of \$126.8 million. The issuance of the Treasury Shares is subject to completion of the transactions and agreements contemplated by the Agreement on New Terms. See "Other Corporate Developments – Kyrgyz Republic". The final cost of the Treasury Shares, once the transactions and agreements have been completed, will be equal to the closing price of the Company's shares on the date of issuance. In addition, a provision of \$1.8 million concerning a loan to state-owned Kyrgyzaltyn JSC ("Kyrgyzaltyn") which may be forgiven pursuant to the Agreement on New Terms was recognized in the third quarter of 2007. In Mongolia, the Company has agreed in principle, subject to definitive agreement, on settlement terms with Gatsuurt LLC (which holds a net smelter royalty interest in the Gatsuurt project) which had challenged Centerra's title to the project in the Mongolian national arbitration court. In anticipation of a possible settlement, Centerra Gold Mongolia LLC, a subsidiary of the Company ("CGM"), has made a \$3 million provision against earnings.

Net loss for 2007 was \$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 above) recorded in the third and fourth quarters of 2007, Boroo's taxable status in 2007, lower ounces sold for the year and increased costs, partially offset by higher gold prices.

Cash flow provided from operations for 2007 was \$41.3 million compared to \$80.3 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. Cash used in investing activities totaled \$132.4 million in 2007 compared to \$96.6 million in the prior year, reflecting increased spending on growth projects at Kumtor and the purchase for \$7.0 million of the 5% non-controlling interest in Boroo. In addition to the purchase of the non-controlling interest an additional \$1.3 million was spent to purchase the net profits interest in the Ikh Dashir alluvial deposit near the Boroo mine. Growth capital for 2007 totalled \$95.5 million and sustaining or maintenance capital totalled \$25.3 million for the year. Net cash decreased to \$105.5 million from \$186.2 million at the prior year-end.

Capital expenditures in 2007 of \$120.8 million (including \$25.3 million of maintenance capital) was above the Company's 2007 guidance of \$110 million (including \$26 million of maintenance capital) due to an additional \$20 million for equipment originally scheduled for

delivery in 2006 but received in the first quarter of 2007, additional pre-stripping of \$16 million but less \$25 million not spent at the Gatsuurt Project due to the delay in the negotiation of an investment agreement with the Government of Mongolia.

During the second quarter of 2007 CGM, entered into a \$10 million demand loan facility with HSBC. Funds drawn may be used for the proposed development of the Gatsuurt gold project in Mongolia. The loan is secured by the Gatsuurt mining licenses and related assets, and is guaranteed by Centerra Gold Inc. As at December 31, 2007, the full amount available under the facility was drawn. Interest accrues at LIBOR plus 250 basis points.

The price of gold is a significant factor in determining profitability and cash flow from the Company's operations. The spot market gold price was approximately \$834 per ounce at the end of 2007, which was also the high for the year. For 2007, the gold price averaged \$696 per ounce compared to \$602 per ounce for the same period in 2006.

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 2007 denomination of the currencies of Centerra's operating costs and capital expenditures were approximately 41% Kyrgyz som, 34% Mongolian tugrik and 14% Canadian dollars. In 2007, the U.S. dollar fell against the currencies of the Kyrgyz Republic and Canada by about 2.1% and 7.9%, respectively, and appreciated against the Mongolian tugrik by 0.5%. The impact of these movements over the twelve months to December 31, 2007 has been to increase costs by an estimated \$2.7 million after allowing for the natural hedge provided by the Canadian dollars held by the Company since the end of the prior year. The Company also purchased for the twelve months to December 31, 2007 approximately 7.1% and 2.5% of its operating supplies from Europe and Australia, respectively. Although these purchases are denominated in U.S. dollars, changes in the value of the U.S. dollar have an impact on the price of those goods. This impact cannot be quantified due to other market forces affecting the prices.

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 subsequent to October 17, 2007 when Centerra purchased the remaining 5% of Boroo. See “Other Corporate Developments – Mongolia”.

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 6.2 million ounces of gold to December 31, 2007.

	Twelve months ended December 31			
Kumtor Operating Results	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>% Change</u>
Gold sold – ounces	300,474	329,534	(29,060)	(9%)
Revenue - \$ millions	209.1	195.9	13.2	7%
Average realized price - \$/oz	696	594	102	17%
Cost of Sales - \$ millions	176.4	177.2	(0.8)	-
Cost of sales - \$/oz sold	587	538	49	9%
Tonnes mined - 000s	114,781	85,421	29,360	34%
Tonnes ore mined - 000s	5,132	3,887	1,295	33%
Tonnes milled - 000s	5,545	5,696	(151)	(3%)
Average mill head grade - g/t ⁽¹⁾	2.36	2.27	0.09	4%
Recovery - %	72.7	73.0	(0.3)	-
Gold produced – ounces	300,862	303,582	(2,720)	(1%)
Total cash costs - \$/oz produced ⁽²⁾	610	544	66	12%
Capital expenditures - \$ millions	87.7	95.0	(7.3)	(8%)

⁽¹⁾ g/t means grams per tonne.

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

Revenue and Gold Production

Revenue in 2007 was \$209.1 million compared to \$195.9 million in 2006. Higher revenue is due primarily to a higher average realized gold price of \$696 per ounce in 2007 compared to the average 2006 price of \$594 per ounce. This was partially offset by the lower volume of gold sold in 2007 (29,060 ounces lower than in 2006). The higher average realized gold price per ounce for 2007 was due to higher gold spot prices over the year.

Gold production at Kumtor was relatively unchanged from 2006. Tonnes of ore mined in 2007 were higher than 2006 due to the low level of activity following the pit wall failure in July 2006. During this time the mine processed stockpiled ore.

Kumtor’s initial 2007 production guidance of 450,000 to 460,000 ounces of gold was revised on July 19, 2007 to 300,000 ounces of gold as a result of the delayed access to the SB Zone.

See “Waste Dump Movement at Kumtor”. Gold production of 300,862 ounces in 2007 was consistent with the revised guidance for the year.

Cost of sales

The cost of sales at Kumtor for 2007 was \$176.4 million compared to \$177.2 million in 2006. Total costs incurred (including mine operating costs such as mining, processing, administration, royalties and production taxes) at Kumtor increased \$23.8 million for the year compared to the same period of 2006. The impact on cost of sales of the increase in aggregate costs was offset by reduced gold sales. Costs increased primarily due to higher mine fleet maintenance costs (\$36.0 million compared to \$25.6 million), higher costs of major mine and mill reagents and consumables (including fuel) (\$63.7 million compared to \$46.2 million), and higher expenditures on labour (\$51.1 million compared to \$46.1 million). Mine fleet maintenance costs increased due to ageing of the equipment requiring more maintenance to help ensure availability of the fleet, as well as the costs of maintaining additional new equipment including thirty 785 CAT haul trucks and four Liebherr shovels. Major mine and mill reagents and consumables costs increased primarily due to higher prices and higher consumption resulting from increased material movement. 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. The increase in cash cost per ounce in 2007 was largely due to lower production resulting from lower mill throughput and lower average recoveries in the year and increased costs of production as noted above. (Total cash cost per ounce is a non-GAAP measure and is discussed under “Non-GAAP Measure – Total Cash Cost”.) On a unit cost basis, cost of sales per ounce sold was \$587 for 2007 compared to \$538 for 2006 and cash cost per ounce was \$610 compared to \$544 per ounce in 2006.

The initial 2007 guidance for total cash cost of \$440-\$450 per ounce was revised on July 19, 2007 to \$580 per ounce as a result of the delayed access to the SB Zone. See “Waste Dump Movement at Kumtor”. Total cash cost of \$610 per ounce in 2007 was above the revised guidance due to increased costs of production as noted above.

Exploration

Exploration expenditures totalled \$11.7 million for the year, compared to \$13.9 million in the same period in 2006. The expenditures relate primarily to ongoing drilling at the northeastern end of the Central Pit and at the Sarytor and Southwest deposits, along with reconnaissance drilling at the Northeast and Bordoo prospects.

Capital Expenditures

Capital expenditures of \$87.7 million in 2007 included \$18.4 million to sustain current operations and \$69.3 million invested in growth capital including spending on underground development (\$13.7 million), new mobile mine equipment (\$21.5 million) and capitalization of pre-stripping (\$28.3 million). Growth capital in 2007 of \$69.3 million was above the \$39 million initial 2007 guidance due to additional pre-stripping (\$16.3 million) and \$20 million for equipment originally scheduled for delivery in 2006 received in the first quarter of 2007.

Reserves and Resources

At Kumtor, 578,000 contained ounces of reserves were added before accounting for mining of 421,000 contained ounces in 2007. At December 31, 2007, for the Kumtor mine, proven and probable reserves were estimated to be 38.4 million tonnes averaging 4.0 g/t gold for a total of

4,902,000 ounces of contained gold, compared to 31.4 million tonnes averaging 4.7 g/t gold for a total of 4,745,000 ounces of contained gold as at the end of 2006 as reported in the Company's 2006 AIF. The increase in reserves is a result of lowering of the cut off grade and changes in pit design. The reserve grade decreased from 4.7 g/t gold to 4.0 g/t gold due to the lowering of the cut off grade from 1.3 g/t gold to 1.0 g/t gold, reflecting the higher gold price used in estimating the reserves.

Measured and indicated resources increased by approximately 170,000 ounces of contained gold and inferred resources decreased slightly by 27,000 ounces of contained gold. Measured and indicated resources are within an area between the bottom of the designed pit and a larger unengineered pit shell. They are estimated at 38.1 million tonnes averaging 3.0 g/t gold for a total of 3,672,000 ounces of contained gold.

The current 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 has been designed and will be implemented in 2008. This methodology has not previously been tested at Kumtor; therefore, to reflect the geotechnical risks and the technical risks associated with implementing the depressurization program at Kumtor, all of the mineral reserves affected by these risks have been classified as probable reserves. This involves a total of 18 million tonnes containing 2.5 million ounces of gold including 6.4 million tonnes containing 0.9 million ounces of gold previously classified as proven reserves. The mineral reserves affected by these risks represent 57 percent of the contained ounces of the Central Pit proven and probable reserves.

The Kumtor deposit is described in the Company's most recent Annual Information Form (the "AIF") and a technical report dated March 9, 2006 prepared in accordance with National Instrument 43-101 Standards for Disclosure for Mineral Projects ("NI 43-101"). An updated Technical Report (the 2006 report and the updated report together the "Kumtor Technical Reports"), on the Kumtor Gold Mine, Kyrgyz Republic is being prepared by Strathcona Mineral Services and will be filed on SEDAR in March 2008. The Kumtor Technical Reports describe 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 Reports. A copy of the Kumtor Technical Reports can be obtained from 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, 2007 has produced over 1 million ounces of gold since commencing commercial production in 2004. The Company now owns 100% of Boroo after it purchased the remaining 5% interest in the fourth quarter of 2007.

Boroo Operating Results	Twelve months ended December 31			
	2007	2006	Change	% Change
Gold sold – ounces	240,171	280,907	(40,736)	(15%)
Revenue - \$ millions	164.4	168.6	(4.2)	(3%)
Average realized gold price - \$/oz	684	600	84	14%
Cost of sales - \$ millions	50.3	59.7	(9.4)	(16%)
Cost of sales - \$/oz sold	210	213	(3)	(1%)
Tonnes mined - 000s ⁽¹⁾	21,159	18,577	2,582	14%
Tonnes mined heap leach – 000s	3,601	-	3,601	100%
Tonnes ore mined direct millfeed - 000s	2,362	3,082	(720)	(23%)
Tonnes milled - 000s	2,549	2,387	162	7%
Average mill head grade - g/t ^{(2), (3)}	3.62	4.25	(0.63)	(15%)
Recovery - % ⁽²⁾	85.3	87.0	(1.7)	(2%)
Gold produced – ounces	254,548	282,802	(28,254)	(10%)
Total cash cost - \$/oz produced ⁽⁴⁾	244	217	27	12%
Capital expenditures - \$ millions	31.9	13.5	18.4	136%

(1) Includes heap leach material of 3,601,144 tonnes with an average grade of 0.92 g/t 2007.

(2) Excludes heap leach ore.

(3) g/t means grams per tonne.

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

Revenue and Gold Production

Revenues for 2007 were \$164.4 million, compared to \$168.6 million in 2006, reflecting the higher year-over-year realized gold price offset by lower sales volume. Gold production in 2007 was 254,548 ounces, compared to 282,802 ounces in 2006, 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 2007 of approximately 255,000 ounces of gold was in line with the 2007 guidance of 250,000-260,000 ounces of gold issued in the beginning of 2007.

Cost of sales

The cost of sales at Boroo for 2007 was \$50.3 million, compared to \$59.7 million in 2006, resulting primarily from a decrease in ounces sold (240,171 ounces in 2007 compared to 280,907 in 2006) partially offset by increased costs. Total costs incurred (including mine operating costs such as mining, processing, administration, royalties and production taxes) for

the year at Boroo increased by \$6.0 million compared to 2006. Increases resulting from higher mine fleet maintenance costs (\$9.0 million in 2007 compared to \$5.3 million in 2006) due to the aging equipment fleet and higher major mine and mill reagents and consumables costs, (\$19.9 million compared to \$16.6 million) due to higher prices, increased mill reagent usage, and higher royalties paid in respect of the Boroo operation (\$5.7 million compared to \$4.3 million). Higher royalties result from amendments in the third quarter of 2007 to the Stability Agreement with the Mongolian Government which increased the royalty rate from 2.5% to 5% effective August 3, 2007. 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 \$210 for 2007 compared to \$213 for 2006.

Total cash costs per ounce produced increased to \$244 per ounce for 2007 compared to \$217 per ounce in 2006. This increase primarily reflects mining costs incurred in 2007 on non-producing heap leach material, a decrease in produced ounces along with increased costs of maintenance and 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 Measure – Total Cash Cost"). Total cash cost of \$244 per ounce in 2007 was better than the 2007 guidance of \$250-\$260 per ounce issued in the beginning of 2007.

Exploration

Exploration expenditures at Boroo totaled \$1.1 million during 2007 compared to \$1.0 million in 2006. Total expenditures for Mongolia, including Boroo site exploration, for 2007 was \$2.6 million compared to \$4.0 million in 2006.

Capital Expenditures

Capital expenditures of \$31.9 million in 2007 included \$6.5 million to sustain current operations and \$25.4 million invested in growth capital primarily related to the construction of the heap leach facility (\$15.3 million). Growth capital in 2007 of \$25.4 million was lower than the \$44 million 2007 guidance issued in the beginning of 2007 due to no capital expenditures during the year for the Gatsuurt Project since no Investment Agreement has been signed and lower capital spending of \$4 million on the Boroo heap leach facility.

Reserves and Resources

The updated reserve estimate at December 31, 2007 was prepared using a gold price of \$550 per ounce and variable cut-off grades ranging from 0.2 g/t gold to 0.8 g/t gold depending upon the type of material and the associated gold recovery. The proven and probable reserves, including the stockpiles, are estimated at 24.1 million tonnes averaging 1.4 g/t gold for a total of 1,048,000 ounces of contained gold, compared to 24.5 million tonnes averaging 1.6 g/t gold for a total of 1,234,000 ounces of contained gold as at the 2006 year-end. In 2007, ore with 297,000 ounces of contained gold was fed to the mill, and 111,000 ounces of contained gold were added to the reserves. The change in reserves is also influenced a result of a slight increase in the size of the pit design.

Measured and indicated resources are estimated at 5.5 million tonnes averaging 1.5 g/t gold for a total of 254,000 ounces of contained gold using the same variable cut-off grades as the reserve estimate. These resources are in addition to the proven and probable reserves. This is a decrease of about 31,000 ounces of contained gold from the 2006 year-end measured and indicated resources.

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. Material increases in potential production costs at Gatsuurt could impact the economic recovery of ore from this deposit and ultimately result in a reclassification of reserves.

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".

Pursuant to an agreement between Centerra Gold Mongolia LLC ("CGM") and Gatsuurt LLC, an arm's length Mongolian limited liability company, under which CGM acquired the Gatsuurt licenses, CGM agreed to transfer the license that covers the Central Zone of the Gatsuurt property to Gatsuurt LLC if CGM did not complete a feasibility study by December 31, 2005. CGM completed a feasibility study in December 2005. In early 2006 Gatsuurt LLC informed Centerra that it does not believe that CGM complied with its obligation. Gatsuurt LLC began proceedings in the Mongolian National Arbitration Court ("MNAC") alleging non-compliance by CGM and seeking the return of the license. The Company has agreed in principle, subject to definitive agreement, on settlement terms with Gatsuurt LLC. Proceedings in the MNAC have been suspended. See note 14 (b) to the Company's audited financial statements for the fiscal year ended December 31, 2007.

On March 13, 2007, Centerra suspended its development operations at Gatsuurt, 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 and

resolution of the Gatsuurt LLC claim. As at December 31, 2007, the Company has expended an aggregate of \$19 million on the exploration and development of Gatsuurt project of which \$2.3 million has been capitalized. In addition, a further \$2.4 million was expended and capitalized on the acquisition of the Gatsuurt mining licenses. Upon a satisfactory investment agreement being reached and the final settlement of the Gatsuurt LLC claim, the Company expects to begin the development of Gatsuurt. The Company's reported mineral reserves and resources for the Gatsuurt property are not materially affected by any of the legal, title, taxation or socio-political issues discussed above and elsewhere in this management's discussion and analysis. Material increases in potential production costs at Gatsuurt could impact the economic recovery of ore from the deposit and ultimately a decision to develop the project.

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 2007

Gold Production and Revenue

Revenue in the fourth quarter of 2007 increased slightly to \$89.4 million from \$88.4 million in the same quarter of 2006 due to higher gold price prices mostly offset by fewer ounces sold (113,264 ounces in the fourth quarter of 2007 compared with 146,254 ounces in the same period of 2006). The Company produced 132,530 ounces of gold in the fourth quarter of 2007 which was less than the 142,291 ounces of gold reported in the fourth quarter of 2006. The lower gold production was mainly due to reduced gold production at the Boroo mine, partially offset by higher production at the Kumtor mine. Lower gold production at Boroo was primarily attributable to milling of lower ore grades averaging 3.21 g/t in the fourth quarter of 2007 compared to the 4.82 g/t milled in same quarter of 2006.

Centerra realized an average gold price of \$789 per ounce for the fourth quarter of 2007, an increase of 31% from the \$604 per ounce realized in the same quarter of 2006. Since Centerra's gold production is unhedged and gold is sold at the prevailing spot price, the increase in average realized gold price was due to higher spot gold prices which averaged \$788 per ounce for the period.

Cost of sales

Cost of sales was \$56.3 million in the fourth quarter of 2007, which is lower than the same quarter of 2006 (\$66.9 million) due to reduced gold sold partially offset by increased costs.

Quarter over quarter costs (including mine operating costs such as mining, processing, administration, royalties and production taxes) have increased by approximately \$10.3 million. At Kumtor, quarter over quarter, costs increased by \$7.6 million due to higher costs for mine fleet maintenance, major mine and mill consumables and reagents and labour. The mine fleet maintenance cost increased due to the ageing condition of the CAT 777 truck fleet, which requires additional maintenance to keep operational, and the additional costs of maintaining the new equipment, which includes thirty 785 CAT haul trucks and four Liebherr shovels. 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. Expenditures on labour have increased predominantly as a result of the collective bargaining agreement that was entered into in the first quarter of 2007, including the high altitude coefficient adjustment, which increases wages paid to employees working at the mine site.

Costs (including mine operating costs such as mining, processing, administration, royalties and production taxes) at Boroo were up \$2.7 million quarter over quarter due primarily to an increase in the cost of mine and mill consumables and reagents, royalties and maintenance partially offset by insurance refunds received related to prior year premiums. Royalties paid in respect of the Boroo operation increased as a result of amendments in the third quarter of 2007 to the Stability Agreement with the Mongolian Government, which increased the royalty rate from 2.5% to 5% effective August 3, 2007. Maintenance costs have increased as a result of wear and tear component replacement and the implementation of an asset management program. 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 2007 was \$497 compared to \$457 reflecting a reduction in ounces sold in fourth quarter of 2007 compared to the same period of 2006. Total cash cost per ounce was \$585 for the fourth quarter, compared to \$473 recorded in the same period of 2006. The increase mainly reflects increased input costs (\$21 per ounce), which are generally pervasive in the industry, combined with lower gold production which increased unit cash costs by \$35 per ounce. (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 2007 decreased to \$10.5 million from \$11.1 million in the same quarter of 2006, mainly due to the reduced ounces sold in 2007. This was partially offset by the higher depreciation of Kumtor's truck fleet resulting from capital purchases at Kumtor. On a per unit basis, depreciation, depletion and amortization for the fourth quarter of 2007 was \$93 per ounce sold compared to \$76 per ounce sold in the same quarter of 2006, reflecting the addition of capital equipment at Kumtor.

Unusual Items

In connection with the Agreement on New Terms, the Company entered into an agency agreement with Cameco Corporation ("Cameco"), the majority shareholder of the Company, on August 30, 2007 (the "Agency Agreement") which provides for the issuance of 10 million treasury shares (the "Treasury Shares") to Cameco. Based on the closing price of the Company's shares on December 31, 2007, the Treasury Shares resulted in an additional estimated expense of \$36.5 million in the fourth quarter (\$126.8 million total for the year). The issuance of the Treasury Shares is subject to completion of the transactions and agreements contemplated by the Agreement on New Terms. See "Other Corporate Developments – Kyrgyz Republic. The final cost of the Treasury Shares, once the transactions

and agreements have been completed, will be equal to the closing price of the Company's shares on the date of issuance.

Net Earnings (loss)

There was a net loss for the fourth quarter of 2007 of \$26.7 million, or \$0.12 per share, compared to net earnings of \$1.9 million, or \$0.01 per share, for the same quarter of 2006, reflecting the impact of the unusual items discussed above.

Quarterly Results – Last Eight Quarters

Over the last eight quarters, Centerra's results reflect the positive impact of rising gold prices, offset by the rising cash costs and reduced production at Kumtor due to the pitwall movement in July 2006 and subsequent change in the mine plan. The results for the third and fourth quarters of 2007 reflect the impact of \$95.2 million and \$36.5 million of unusual charges. Quarterly results in 2006 also include the impact of special items at Kumtor such as the insurance settlement from the 2002 pitwall movement insurance claim (third quarter), accrual of costs related to the high altitude coefficient settlement and land tax and the recognition of tax benefits (all fourth quarter). The quarterly financial results from 2007 and 2006 are shown below:

Key results by quarter

<i>\$ millions, except per share data</i>	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	89	98	104	82	88	76	107	93
Net earnings (loss)	(27)	(90)	19	6	2	12	29	18
Earnings (loss) per share (basic and diluted)	(0.12)	(0.42)	0.09	0.03	0.01	0.05	0.13	0.08

Overview of 2006 Versus 2005

Net earnings for the year ended December 31, 2006, were \$60.6 million or \$0.28 per share. The comparative results were net earnings of \$42.4 million or \$0.20 per share in 2005. The higher net earnings was a result of higher realized gold prices, the receipt in the third quarter of a one-time \$13.6 million insurance settlement related to the 2002 pit wall failure at Kumtor, and a tax recovery of \$5.8 million resulting primarily from tax benefits recognized at Kumtor. This was partially offset by lower production at Kumtor and an accrual of \$5.7 million for the high altitude co-efficient settlement to be paid to Kumtor mine employees.

Gross profit, defined as revenue less cost of sales, depreciation, depletion, amortization, accretion and reclamation, was \$90 million in 2006 compared to \$93 million in 2005. This decrease was attributable to:

- Increases in the cost of sales to \$237 million in 2006 from \$186 million in 2005. This results primarily from higher labour costs (increased number of staff along with \$5.7 million for the high altitude settlement at Kumtor) and higher consumables costs generally. On a unit basis, the total cash cost per ounce in 2006 was \$386 compared to \$241 in 2005. The increase mainly reflects lower

production at Kumtor as a result of lower head grade, lower recovery and the impact of cost settlements in the Kyrgyz Republic in 2006.

- Partly offsetting the increase in cost of sales were revenues which for the year ended December 31, 2006 increased by \$26 million over 2005 on account of significantly higher realized gold prices, which more than offset decreased ore mined and lower grades at Kumtor, and lower recoveries at Boroo. The higher realized gold prices resulted from an increase in the spot market prices. Average realized prices were \$597 per ounce in 2006 compared to \$433 in 2005. 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.
- Depreciation, depletion, amortization, accretion and reclamation decreased to \$38 million from \$60 million in 2005 due primarily to the reduced volumes at Kumtor in 2006. On a per unit basis, depreciation, depletion, amortization, accretion and reclamation amounted to \$63 per ounce sold in 2006 compared to \$77 per ounce sold in 2005. Unit costs are lower in 2006 due to the impact of the significant reserve increase at Kumtor in 2005 which, according to Centerra's policy, impacts the years that follow the reserve announcement.

Interest and other income amounted to \$23 million compared to \$5 million in 2005. This change is primarily due to the receipt of a one-time \$13.8 million insurance settlement related to the 2002 pitwall failure at Kumtor. The Company had no outstanding interest-bearing debt at the end of 2006.

Administration costs were \$27 million in 2006 compared with \$18 million in 2005, reflecting increased staffing and higher stock-based compensation.

A tax recovery of \$6 million was recorded in 2006 compared to a tax expense of \$5 million in 2005. 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.

Non-controlling interest expense of \$5 million in 2006 compared with an expense of \$2 million in 2005. The change over the previous year reflects higher profitability at Boroo due mainly to higher realized prices.

Cash provided by operations in 2006 was \$80.4 million compared to \$83.4 million in 2005. This change is primarily the result of reduced working capital levels at Kumtor.

Balance Sheet

Inventory

Total inventory at December 31, 2007 of \$124 million (\$84 million at December 31, 2006) includes gold inventory of \$45 million (\$21 million in 2006) and supplies inventory of \$79 million (\$63 million in 2006). The major increases in gold inventory in 2007 include an increase in heap leach material at Boroo of \$10 million, an increase in stockpile inventory at Kumtor of \$7 million and increased finished gold at Boroo of \$5 million due to the timing of

shipments at the end of the year. The increase in supplies inventory is mainly at Kumtor due to the additional requirements in spare parts for the increased fleet.

Property, Plant and Equipment

The aggregate book value of property, plant and equipment at December 31, 2007 of \$374 million is allocated as follows: Kumtor \$273 million, Boroo \$99 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. As a result of the acquisition of the minority interest in Boroo Gold Company Limited, the residual book value of the non-controlling interest of \$6.0 million was applied against goodwill. Goodwill as at December 31, 2007 is allocated as follows: Kyrgyz Republic \$130 million, Mongolia \$19 million.

Share capital

As of March 6, 2008, Centerra had 216,318,188 shares outstanding and options to acquire 962,028 common shares outstanding under its stock option plan with exercise prices ranging between Cdn\$5.17 and Cdn\$12.78 per share, and with expiry dates ranging between 2012 and 2015.

Under the terms of the preliminary agreements between Cameco, Centerra and the Government of the Kyrgyz Republic, as disclosed in the Company's news release of August 30, 2007, the Company has agreed to issue 10 million treasury shares to Cameco in connection with the transfer of Centerra shares by Cameco to the Government of the Kyrgyz Republic. See "Other Corporate Developments – Kyrgyz Republic".

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.

In 2004, all forward sales agreements were closed and all related credit support, previously provided by Cameco, was removed. Centerra currently intends that its gold production will remain unhedged. The deferred charges, net of deferred revenue, related to the closing of the hedges, were recognized in the periods 2007, 2006 and 2005. During 2007, in the first quarter a \$0.6 million charge 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. During 2005, a \$5.8 million charge was recorded on the income statement in relation to the early closure of these hedges. As at December 31, 2007, there are no more deferred charges related to the closing of the forward sales agreements on the balance sheet.

Liquidity and Capital Resources

Cash on hand was \$105.5 million on December 31, 2007. Centerra believes it has sufficient cash to carry out its business plan in 2008, including its exploration plans. To the extent that new property is acquired and/or developed, additional financing may be required. 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	2007	2006	2005
Cash provided by operating activities	\$ 41	\$ 80	\$ 83
Cash provided by (used in) investing activities	(132)	(96)	(34)
Cash provided by financing activities	10	-	-
Cash provided (used) during the year	(81)	(16)	49
Cash and cash equivalents, beginning of the year	186	202	153
Cash and cash equivalents, end of the year	\$105	\$186	\$202

Cash provided by operations was \$41 million in 2007 compared to \$80 million in 2006 and \$83 million in 2005. The change year-over-year resulted from declining production volumes, higher operating costs, receipt of an insurance settlement in 2006, which was partially offset by higher realized gold prices and high working capital levels.

Investing activities in 2007 were \$132 million, including \$9.0 million of prior commitments settled in the year. These amounts reflect \$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 non-controlling interest. The comparative in 2006 of \$96 million reflects \$24 million of sustaining capital and \$72 million of growth capital spent at the Kumtor and Boroo mines. The \$34 million of cash used for investing activities in 2005 reflects \$15 million of sustaining capital and \$19 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 2007 by \$37 million compared to an increase of \$15 million in 2006.

In December 2007, Centerra concluded indicative terms for a \$100 - \$150 million revolving credit facility intended to supplement the Company's liquidity. HSBC Bank is the arranging bank for the facility and will act as administrative agent. Closing of the facility is subject to syndication and definitive loan documentation.

Contractual Obligations

The following table summarizes Centerra's contractual obligations, including payments due for the next five years and thereafter, as of December 31, 2007.

\$ 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⁾	\$ 1.2	\$ 0.1	\$ 0.4	\$ 0.4	\$ 0.3
Community payment agreement ⁽²⁾	0.7	0.7	-	-	-
Capital equipment ⁽³⁾	1.4	1.4	-	-	-
Operational supplies	19.6	19.6	-	-	-
Social development fund ⁽⁴⁾	0.7	0.7	-	-	-
Corporate					
Program sponsorship ⁽⁵⁾	0.5	0.1	0.3	0.1	-
Lease of premises ⁽⁶⁾	3.1	0.8	1.6	0.7	-
Total contractual obligations	\$27.2	\$23.4	\$2.3	\$1.2	\$0.3

(1) Centerra's future decommissioning and reclamation costs for the Kumtor mine are estimated to be \$21.0 million. In 1998, a reclamation trust fund was established to cover the future costs of reclamation, net of expected salvage value which was estimated, at \$14.9 million. At December 31, 2007, the balance in the fund was \$4.9 million, with the remaining \$1.2 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, whereby under certain conditions this loan would be forgiven. At December 31, 2007, \$0.7 million had yet to be loaned.

(3) Agreement to purchase capital equipment.

(4) The Company entered into a funding agreement with local authorities in the Kyrgyz Republic to fund a diagnostic clinic and social development program.

(5) The Company has entered into a five-year commitment with World Vision Canada to support its 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 Measure - Total Cash Cost

This Management's Discussion and Analysis presents information about total cash cost of production of an ounce of gold for the operating properties of Centerra. Except as otherwise noted, total cash cost per ounce is calculated by dividing total cash costs, by gold ounces produced for the relevant period.

Total cash costs is defined as including mine operating costs such as mining, processing, administration, royalties and production taxes, but excludes amortization, reclamation costs, financing costs and capital, development and exploration. Certain amounts of stock-based compensation are excluded as well.

Total cash cost per ounce has been included in this management's discussion and analysis 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 may enable investors to better understand year-over-year changes in production costs, which in turn affect profitability and cash flow.

Total Cash Cost per Ounce can be reconciled as follows:

Centerra Gold Inc.		
TOTAL CASH COST	Year ended	
RECONCILIATION (unaudited)	December 31,	
(\$ millions, unless otherwise specified)	2007	2006
<i>Centerra:</i>		
Cost of sales, as reported	\$ 226.7	\$ 236.9
Adjust for:		
Refining fees & by-product credits	0.3	0.3
Non-operating costs	2.3	(4.8)
Inventory movement	16.3	(5.8)
Total cash cost - 100%	<u>\$ 245.6</u>	<u>\$ 226.6</u>
Ounces poured - 100% (000)	555.4	586.4
Total cash cost per ounce	\$ 442	\$ 386
<i>Kumtor:</i>		
Cost of sales, as reported	\$ 176.4	\$ 177.2
Adjust for:		
Refining fees & by-product credits	0.1	(0.1)
Non-operating costs	2.3	(4.6)
Inventory movement	4.8	(7.4)
Total cash cost - 100%	<u>\$ 183.6</u>	<u>\$ 165.1</u>
Ounces poured - 100% (000)	300.9	303.6
Total cash cost per ounce	\$ 610	\$ 544
<i>Boroo:</i>		
Cost of sales, as reported	\$ 50.3	\$ 59.7
Adjust for:		
Refining fees & by-product credits	0.2	0.4
Non-operating costs	-	(0.2)
Inventory movement	11.5	1.6
Total cash cost - 100%	<u>\$ 62.0</u>	<u>\$ 61.5</u>
Ounces poured - 100% (000)	254.5	282.8
	\$ 244	\$ 217

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 at Centerra were shared with Cameco up to February 28, 2007, resulting in a re-imbusement of Cdn\$0.3 million for 2007 (Cdn\$4.8 million was reimbursed during 2006). The balance payable to Cameco at December 31, 2007 was \$0.9 million (\$3.3 million was receivable at December 31, 2006).

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 (a subsidiary of the Company), Kyrgyzaltyn and the Kyrgyz Republic.

(\$ thousands)	Twelve months ended December 31	
	2007	2006
Management fees paid by KGC to Kyrgyzaltyn	451	494
Concession payments paid by KGC to Kyrgyz Republic	1,202	1,318
Total	1,653	1,812
Gross gold and silver sales from KGC to Kyrgyzaltyn	210,367	198,906
Deduct: refinery and financing charges	(1,217)	(1,480)
Net sales revenue received by KGC from Kyrgyzaltyn	209,150	197,426

During 2007, the Company paid to the Government \$0.7 million and accrued a further \$0.7 million 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, 2007 was \$3.7 million. Pursuant to the Agreement on New Terms with the Kyrgyz Government signed on August 30, 2007, the Company has agreed to consider forgiving the loan portion of such amount (\$2.2 million). See “Other Corporate Developments – Kyrgyz Republic”. For information on forward-looking information see “Caution Regarding Forward-Looking Information”.

Kyrgyzaltyn and KGC have agreed, pursuant to a Gold Payment Agreement effective December 22, 2005 as amended (the “GPA”) and extended most recently effective November 15, 2007, that until the earlier of (i) May 15, 2008 and (ii) the date on which at least \$12 million of proceeds from the sale of common shares of Centerra currently owned by Kyrgyzaltyn have been deposited into a special purpose gold payment account of Kyrgyzaltyn, Kyrgyzaltyn will have 12 days to pay for gold shipped from the Kumtor mine. Kyrgyzaltyn is required to pay interest on unpaid amounts equal to one half of LIBOR plus 0.125%. Commencing November 15, 2007, Kyrgyzaltyn shall sell as soon as practicable the number of Centerra common shares required to yield gross proceeds from sales of those shares of not less than \$12.0 million. Sales of the Centerra common shares shall in any event be completed by May 15, 2008 or such other date as may be agreed by the parties. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility, which facility will be used by Kyrgyzaltyn to resume the prior practice of pre-paying for gold. While the GPA is in effect the obligations of Kyrgyzaltyn to Kumtor are secured by a pledge of Centerra common shares owned by Kyrgyzaltyn. As at December 31, 2007, \$14.1 million was outstanding under this agreement.

Other

Centerra paid approximately Cdn\$551,000 for the twelve months ended December 31, 2007 (compared to Cdn\$590,000 for the corresponding period in 2006) to Ms. Marina Stephens, a lawyer and the spouse of the President and Chief Executive Officer of the Company, Mr. Leonard Homeniuk. Ms. Stephens provides independent legal and business advisory services related to the Company's international operations under the terms of a consulting contract.

As at December 31, 2007, a relocation loan in the amount of Cdn\$250,000 was outstanding with Mr. Homeniuk. The principal amount of the loan is payable in September 2010, while interest is treated as a taxable benefit to Mr. Homeniuk.

Other Corporate Developments

Kyrgyz Republic

The political situation continues to evolve and there continues to be a risk of future political instability. During the first quarter of 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.

Centerra, Cameco and the Kyrgyz Government held discussions in Bishkek from July 16 to 20, 2007. The Government's working group, chaired by the Minister of Finance, and including members of the government, representatives from the Kyrgyz Parliament and from civil society, presented their views of the Kumtor project and their positions regarding material economic terms for settlement of all disputes.

In August, Centerra, Cameco and the Government of the Kyrgyz Republic entered into preliminary agreements on certain outstanding issues regarding the Kumtor project.

The Government submitted the preliminary agreements for parliamentary approval in early September 2007. Parliament began to deliberate the issue during the first half of October and scheduled its final vote on the issue for October 22, 2007. On October 21, 2007, the citizens of the Kyrgyz Republic voted in a referendum on drafts of a new constitution and new electoral law proposed by the President of the Kyrgyz Republic. On October 22, 2007, the President dismissed the parliament effective that day. The President signed the new constitution and electoral law into law on October 23, 2007. On October 31, 2007 Centerra, Cameco and the Government agreed to extend the deadline for closing the transactions contemplated by the agreements from October 31, 2007 to February 15, 2008. On February 13, 2008, the Company and Cameco received a letter from the Prime Minister of the Kyrgyz Republic requesting an extension of the deadline for completion of the transactions contemplated by the preliminary framework agreements on the Kumtor Project from February 15, 2008 to April 30, 2008. The request is a result of the deliberations of the Parliamentary Committee on International Affairs and Inter-Parliamentary Cooperation, which has primary responsibility for presenting the agreements for Parliamentary ratification.

The Parliamentary Committee reached the decision (1) to request that the Government provide definitive agreements with Centerra and Cameco Corporation for the Committee's review; (2)

to request that the Government provide to the Committee additional financial and technical information and documents relating to the Kumtor Project, Centerra's non-Kyrgyz Republic assets and other matters; and (3) to recommend to the Government that it request an extension until April 30, 2008 for the ratification of the proposed transactions with Centerra and Cameco Corporation relating to the Kumtor Project.

On February 15, 2008, at the request of the Government, the Company and Cameco agreed to extend the deadline for completion of the transactions contemplated by the preliminary framework agreements from February 15, 2008 to April 30, 2008.

On February 5, 2008, Centerra issued a press release responding to media reports of a criminal tax evasion investigation by Kyrgyz authorities against it and its subsidiary Kumtor Gold Company ("KGC"). KGC is cooperating with the Kyrgyz financial police with respect to their investigation. The Kyrgyz Republic financial police have requested information and documents with respect to the Kumtor project and have interviewed Kumtor personnel. The Kyrgyz Republic State Tax Inspectorate recently completed audits on KGC for 2003 and 2004 and no material disagreement regarding payable taxes by KGC were identified. KGC continues to pay all taxes in accordance with local laws and its investment agreement and believes there is no basis for the investigation.

The preliminary framework agreements are subject to the satisfaction of certain conditions, including approval of the Parliament of the Kyrgyz Republic, Centerra's board of directors and Cameco's board of directors, the negotiation and signing of definitive agreements among Centerra, Cameco and the Government and any required regulatory or other approvals. The terms of Centerra's preliminary agreement with the Government (the "Agreement on New Terms") were disclosed in the Company's news release of August 30, 2007. The Agreement on New Terms between Centerra and the Government provides for the Government's full commitment to and support for Centerra's continuing long-term operation and development of the Kumtor project, provides that Kumtor's current tax regime will be replaced, effective January 1, 2008, with a simplified new tax rate for the Kumtor project applied to proceeds from products sold at the rate of 11% in 2008, 12% in 2009 and 13% thereafter and enlarges the Company's existing concession area by over 25,000 hectares to include all territory covered by the current exploration license. The revised tax regime is expected to provide more cash flow certainty to the Kyrgyz Republic (because taxes will be based on revenue and not income), to be beneficial to the Kumtor project at current gold prices and to reduce the administrative burden to both parties by significantly reducing the complexity of calculating and administering taxes.

Upon the satisfaction of the conditions to completion, Cameco will transfer 32.3 million common shares of Centerra to the Kyrgyz Government; 17.3 million of such shares will be held in escrow to be released within four years subject to earlier release in certain circumstances. The Company has entered into an agreement with Cameco to issue 10 million treasury common shares of Centerra to Cameco after the transfer of common shares by Cameco to the Government. After completion of the transactions, the Kyrgyz Government will own 29.3% of Centerra, Cameco will own 40.5% and the balance, 30.2%, will be held by public shareholders.

Pursuant to an agreement dated December 7, 2006 between the Kyrgyz Government, Kumtor Gold Company (KGC), Centerra and Kyrgyzaltyn relating to payments in connection with the 1998 Barskoon cyanide spill, KGC has advanced to the government a total of \$3.7 million of the total agreed amount of \$4.4 million and accrued the balance of \$0.7 million. This money has been distributed to members of the local communities by a government committee created for such purpose. As part of the new Kumtor Agreement, Centerra has agreed to reconsider the terms of the agreement with a view to forgiving the Government's debt.

Mongolia

The Mongolian Parliament continues to debate changes to mining legislation and the applicability of the windfall profit tax as well as State participation in various mining projects. The windfall tax applies at the rate of 68% on sales of gold above \$500 per ounce. Under the new minerals law, a deposit may be deemed to be a mineral deposit of strategic importance. If a deposit is deemed strategic, the state may take up to a 34% interest in those strategic deposits in respect of which exploration was funded privately, or a 50% interest in those strategic deposits in respect of which exploration was funded by Mongolia. Neither the windfall profit tax nor the strategic deposit provisions will apply to the Boroo mine (which benefits from a stability agreement with the Mongolian Government); however, the Mongolian Government has not yet agreed to provide similar status to the Company's Gatsuurt project and may yet determine Gatsuurt to be of strategic importance.

Centerra received approvals for Gatsuurt in-situ reserves and resources from the Government of Mongolia on December 27, 2007. This paves the way to commencement of negotiations of a definitive investment agreement with the Government. However, the political situation in the country continues to be unsettled, which may affect the negotiation process. The country is preparing for Parliamentary elections to be held in June of 2008. For further discussion of the Gatsuurt project see "Results – Results of Operating Segments – Gatsuurt Project" above.

On October 17, 2007, Centerra completed the acquisition, for \$8.3 million, of the remaining indirect 5% non-controlling interest in Boroo Gold Company and a net profits interest in the Ikh Dashir alluvial deposit in the vicinity of the Boroo mine.

The Company has negotiated a collective agreement, effective December 10, 2007 with the newly formed union representing Boroo employees. The collective agreement expires February 1, 2010.

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

Waste Dump Movement at Kumtor

As disclosed in the first quarter of 2007, minor slope movement was detected in the waste dump above the SB Zone highwall in the South 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 slope angle design 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.

Further technical assessment since July of 2007, including additional geotechnical drilling, till analysis, de-watering tests and geophysical surveys now indicates that the till layer is 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 program may be beneficial to the till consolidation and the slope stability. A till de-pressurizing program has been initiated with guidance from a third party consulting firm and will be undertaken in 2008. If successful, this program will allow for the steepening of the pit wall slope angle to near its original design and the removal of much less waste than originally expected in July may have the impact of lowering costs in future years and maximizing the extraction of the open pit SB Zone ores.

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. Management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements.

Depreciation and depletion of property, plant and equipment directly involved in 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 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 preliminary framework agreement reached in 2007 with the Kyrgyz government, as explained earlier in the “Other Corporate Developments – Kyrgyz Republic”, requires the valuation of ten million contingent issuable common shares to be made at the current share price at each reporting date until the definitive agreement is signed and the shares fully issued. In addition, the implementation of the final agreement may render the future tax asset at Kumtor unrealizable, which would result with a charge to earnings of \$5.6 million.

Changes in Accounting Policies ⁽¹⁾

Centerra's audited consolidated financial statements for the year-ended December 31, 2007 were prepared following accounting policies consistent with Centerra's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2006, except for the following changes in accounting policies.

In July 2006, the Accounting Standards Board issued a replacement of The Canadian Institute of Chartered Accountants' Handbook, Section 1506, Accounting Changes. Adoption of Section 1506 had no impact on the Company's results of operations and financial condition.

Effective on January 1, 2007, the Company adopted the recommendation of The Canadian Institute of Chartered Accountants' Handbook Section 1530, Comprehensive Income and Section 3855, Financial Instruments - Recognition and Measurement. The adoption of these new standards translated into an increase in accumulated other comprehensive income of \$0.6 million relating to deferred hedging losses at January 1, 2007. These amounts were recognized in earnings during the three months ended March 31, 2007.

Effective January 1, 2007, the Company adopted the new recommendation of The Canadian Institute of Chartered Accountants' Handbook 3831, Non-monetary Transactions prospectively. The adoption of this standard had no impact on the Company's financial statements.

Effective January 1, 2007, the Company adopted the recommendations of The Canadian Institute of Chartered Accountants' Handbook section 3251, "Equity" prospectively.

Effective January 1, 2007, the Company adopted the CICA Emerging Issues Committee Abstract 160 (EIC-160), “Stripping Costs Incurred in the Production Phase of a Mining Operation”. Application of this new accounting policy did not have a material impact on the financial statements.

In June 2007, the CICA issued new Handbook Section 3031, Inventories which provides guidance on the determination of cost, defines the costs formulas that are to be used to assign costs to inventories and presents considerations with the recording of any write-downs. The effective date of this new standard applies to fiscal years beginning January 1, 2008.

On December 1, 2006, the CICA issued Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1535, Capital Disclosures. Section 3862 on financial instrument disclosures, provides guidance on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed and is consistent with Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity’s objectives, policies and processes for managing capital. The Company adopted these standards on January 1, 2008.

On February 1, 2008 the CICA issued section 3064, Goodwill and Intangible assets. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The effective date of this new standard applies to fiscal year beginning January 1, 2009.

⁽¹⁾ See note 4 to Centerra’s financial statements for the twelve months ended December 31, 2007 for a more detailed discussion of the changes in accounting policies.

Change in Internal Control over Financial Reporting

Effective June 1, 2007, Boroo Gold Company began using a new software system to maintain its accounting balances. The new system is highly automated whereas Boroo’s prior system required significant management overview.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

As of December 31, 2007, Centerra evaluated its disclosure controls and procedures as defined in the rules of the Canadian Securities Administrators. This evaluation was carried out under the supervision of and with the participation of management, including Centerra’s president and chief executive officer (the “CEO”) and the chief financial officer (the “CFO”). Based on that evaluation, the president and chief executive officer and chief financial officer concluded that the design and operation of these disclosure controls and procedures were effective.

The CEO and CFO are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. The CEO and CFO have certified that the internal controls over financial reporting of Centerra were suitably designed to achieve this objective as of December 31, 2007.

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 partner of choice for governments and state-owned enterprises in Central Asia, the former Soviet Union and other emerging markets world-wide.

Outlook

For 2008, Centerra is forecasting consolidated gold production of 770,000 to 830,000 ounces, more than 40% higher than 2007 production levels. Centerra's overall total cash cost is forecast to be \$420 to \$460 per ounce. This forecast assumes completion of definitive agreements and transactions with the Kyrgyz Republic concerning Kumtor (discussed above in "Other Corporate Developments – Kyrgyz Republic) with effect from January 1, 2008. This forecast treats the proposed new Kumtor revenue-based tax as a royalty and therefore includes it in total cash costs. If the new Kumtor revenue-based tax is treated similar to a tax on income and excluded from total cash cost per ounce, the consolidated unit cost would be forecast to be \$360 to \$400 per ounce.

The production and cost forecasts for 2008 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially 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 \$800 per ounce (for purposes of estimating revenue-based taxes),
- Exchange rates:
 - \$1USD:\$1CAD
 - \$1USD:34.5 Som
 - \$1USD:1,127 Tugrik
- prices for fuel oil, reagents and other consumables will remain consistent with current levels,
- production at the Kumtor pit being maintained at current levels ensuring access to the SB Zone as planned,
- the temporary shutdown of the Kumtor ball mill for repair of the ball mill gear and replacement of the ball mill shell described below proceeding as planned,
- the operation of the reconfigured grinding circuits of the Kumtor mill as described below performing as expected,
- no delays in or interruption of scheduled production from our mines, including due to natural phenomena, labour disputes or other development and operation risks,
- the Company's schedule for permitting and approvals and start-up of the Boroo heap leach is achieved as planned,
- definitive agreements and transactions with the Kyrgyz Government are completed as anticipated, 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" in this management's discussion and analysis and to Centerra's 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 2008 will be primarily in the Central Pit where mining will be focused in the south section targeting the high-grade mineralization of the SB Zone. The mill head grade at Kumtor is expected to increase to average 4.11 g/t in 2008 compared to 2.36 g/t in 2007 and mill recovery is expected to average 82.6% compared to 72.7% in 2007. Production from the mine is expected to increase to between 580,000 and 620,000 ounces of gold at a total cash cost of \$350 to \$390 per ounce, excluding the new revenue based tax (\$430 - \$470 per ounce if the new revenue based tax is reflected as a royalty and included in total cash cost). The majority, greater than 70%, of the ounce production is planned for the second half of 2008 once the high-grade SB Zone is exposed and being mined. The establishment of the depressurization and dewatering programs do not impact the production guidance for 2008. But, as the warmer un-frozen tills are exposed by mining activities in 2009, the depressurization program will need to be fully functional to allow the geotechnical consolidation of the till and to mine at the planned pit wall angles in 2009 and there after.

On February 26, 2008, the ring gear on the ball mill at the Kumtor mine failed, requiring the mill to be shut down for seven days. After considering various alternatives, the Company implemented on March 4, 2008 a bypass of the ball mill using the existing SAG mill and regrind mill circuits. The mine continues to process ore at a reduced mill throughput rate. With the ball mill idle, Kumtor has accelerated its planned replacement of the ball mill shell, a defect in which is believed to have contributed to the failure of the ring gear. Kumtor has retained an experienced contractor to repair the ring gear immediately. The ring gear repair and shell replacement is expected to be completed and the ball mill returned to operation by mid-April, 2008. This temporary shutdown of the ball mill and the operation of the reconfigured grinding circuits of the Kumtor mill are not expected to affect the Company’s 2008 guidance on gold production or cash costs. While the Company believes the repair will be successful, if the ball mill ring gear cannot be repaired, the Company currently anticipates operating the Kumtor mill without the ball mill until a new ring gear can be procured and installed, which is currently estimated to occur by the end of 2008. While this would result in significantly reduced mill throughput, the Company currently expects that it would achieve its gold production and cost guidance by processing higher grade ore and stockpiling lower grade ore that was scheduled to have been processed in 2008.

No work is planned to be carried out in the north section of the Central Pit in 2008.

At Boroo, 2008 mine production will be sourced from Pit 3 and Pit 6. Total gold production, including heap leach production, for the year is expected to be 190,000 to 210,000 ounces. The estimated mill head grade is 2.78 g/t with an estimated recovery of 78.8%. A total of 3.0 million tonnes of lower grade material (0.69 g/t) will be stacked for leaching on the newly constructed heap leach pads. The stacking of the leach pad began in the last quarter of 2007 and the first cell will be ready for solution application in the first quarter of 2008. Total cash cost for the Boroo site in 2008 is expected to be \$380 to \$420 per ounce.

Centerra's Production and Unit Cost – 2007 and 2008 Forecast
as follows:

Production <i>Ounces of gold</i>	2008 Forecast	2007 Actual
Kumtor production (100%)	580,000 – 620,000	300,862
Boroo production (100%)	190,000 – 210,000	254,548
Total production (100%)	770,000 – 830,000	555,410

Total Cash Cost ⁽¹⁾ <i>\$ per ounce</i>	2008 Forecast	2007 Actual
Kumtor ⁽²⁾	350 – 390	610
Boroo	380 – 420	244
Consolidated ⁽²⁾	360 – 400	442

(1) Total cash cost is a non-GAAP measure. See “Non-GAAP Measure - Total Cash Cost” above.

(2) Excludes proposed revenue-based tax at Kumtor.

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 2008 exploration program will continue the 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 Central Asia, Russia and China. The Company forecasts \$25 million of spending on its program for the year. The forecast includes \$15 million for exploration at Kumtor.

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

Kumtor

- Additional drilling programs in the vicinity of the main Kumtor pit to test the northeasterly strike extension of the deposit.
- Exploration work will continue on other target areas such as the Northeast prospect, Bordoo and Akbel.

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.

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. 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 \$5 million for 2008 to support merger and acquisition initiatives of the Company for the year.

Administration

Annual corporate and administration expenses are expected to amount to approximately \$36 million in 2008. The forecast includes increased costs for securing a credit facility and the continued implementation and maintenance costs of regulatory standards.

Corporate Income Taxes

The corporate income tax rate for Boroo for 2007, and subsequent years, is 25% pursuant to an amended Stability Agreement entered into in the third quarter of 2007. Boroo's corporate income tax exemption ended on December 31, 2006.

The corporate income tax rate for Kumtor for 2007 is 10%, however, pursuant to an agreement with the Government of the Kyrgyz Republic entered into in the third quarter of 2007, taxes for Kumtor for 2008 and later years will be computed by reference to proceeds from products sold, rather than by reference to income, at the rate of 11% of revenues in 2008, 12% in 2009 and 13% thereafter. The implementation of the agreement with Government of the Kyrgyz Republic is subject to completion of definitive agreements, Kyrgyz Parliamentary approval as well as Centerra's board approval.

Capital Expenditures

The capital requirement in 2008 is estimated to be \$65 million, including \$36 million of maintenance capital. Growth capital is forecast at \$29 million, which includes \$21 million for Kumtor (\$15 million for the development of the SB Zone underground decline and \$4 million for two additional haul trucks) and \$8 million for Boroo (\$6 million for the pre-strip of Pit 3). The development of the SB Zone underground decline at Kumtor and pre-stripping of Pit 3 at Boroo will be capitalized and amortized on a units of production basis consistent with the Company's accounting policies.

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

Sensitivities

Centerra's revenues, earnings and cash flows are sensitive to changes in the gold price. The Company estimates that a \$25 per ounce change in the spot price of gold would change the Company's aggregate revenues in 2008 by approximately \$21 million, net earnings by \$17.3 million and cash provided by operations by approximately \$17.3 million. A 10% change in the cost of diesel fuel results in an estimated \$6 per ounce impact on total cash cost per ounce. See "Caution Regarding Forward-Looking Information".

Qualified Person

Reserve and resource estimates for Kumtor, Boroo, Gatsurt 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. 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 future cash flows, earnings, results of operations, stated reserves and financial condition.

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.

Further technical assessment since July of 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. A till de-pressurizing and till de-watering program has been initiated with guidance from a third party consulting firm and will be undertaken in 2008. If successful, this program will allow the steepening of the pit wall slope angle to near its original design and the removal of much less waste than originally expected in July, which may have the impact of lowering costs in future years and maximizing the extraction of the open pit SB Zone ores.

The establishment of the depressurization and dewatering programs does not impact the Company's gold production guidance for 2008. But, as the warmer un-frozen tills are exposed by mining activities in 2009, the depressurization and dewatering programs will need to be fully functional to allow the geotechnical consolidation of the tills and to mine at the planned pit wall 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.

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. 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 changes in government regulations or shifts in political attitudes beyond the Company's control.

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, renationalization 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 provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would be effective to 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, 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 existing or future agreements Centerra has with the governments of these countries will prove to be enforceable or provide adequate protection against any or all of the risks described above.

Centerra has made an assessment of the political risk associated with each of its foreign investments and currently has political risk insurance to mitigate losses as deemed appropriate. The Company regularly assesses the costs and benefits of maintaining such insurance to determine whether or not to continue to purchase the coverage. Additionally, the 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'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.

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; mechanical and 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; 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 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 loss for certain risks and hazards against which it cannot insure or which it may elect not to insure. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Environmental, Health and Safety Risks

Centerra expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of different jurisdictions. 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 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, the cost or the viability of a particular project, future cash flows, earnings, results of operations and financial condition.

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 the 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.

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 interests or which it acquires 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 financial 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 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 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

Certain information contained or incorporated by reference herein which are not historical facts is "forward-looking information" for the purposes of certain securities laws, including the Securities Act (Ontario). Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. All

information, other than statements of historical fact, is forward-looking information. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking information. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking information. Material assumptions used to forecast production and costs include those described in the "Outlook" section of this management's discussion and analysis. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; procurement of required capital equipment and operating parts and supplies; increases in production and capital costs; increase in production and capital costs; equipment failure; unexpected geological or hydrological conditions; inability to enforce legal rights; defects in title; litigation or arbitration proceedings in which third parties claim title to properties or assets of the Company; imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; environmental and safety risks including increased regulatory burdens; seismic activity, weather and other natural phenomena; the speculative nature of exploration and development, including the risks of obtaining necessary permits and approvals from government authorities; changes in national and local government legislation, taxation, controls, regulations, policies and political or economic developments in Canada, the United States, Mongolia, Kyrgyzstan, or other countries in which we do or may carry on business in the future; employee relations; and other development and operating risks.

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, reduced recovery rates or changes in mineral laws and taxes 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.

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