

Centerra Gold Inc.
Management's Discussion and Analysis
For the fiscal year ended December 31, 2009

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The following discussion has been prepared as of February 23, 2010, 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, 2009 and results of operations in comparison with those as at and for the financial year of the Company ended December 31, 2008. This discussion should be read in conjunction with the Company’s audited financial statements and notes thereto for the year ended December 31, 2009 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 (U.S.) dollars, except as otherwise indicated. Additional information about Centerra, including the Company’s annual information form for the year ended December 31, 2009, is available on the Company’s website at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com.

Centerra’s Business

Centerra is a Canadian-based gold company, focused on acquiring, exploring, developing and operating gold properties in Asia, the former Soviet Union and other emerging markets worldwide. Centerra’s common shares are listed for trading on the Toronto Stock Exchange. As of February 23, 2010, being the date of this Management’s Discussion and Analysis (“MD&A”), there are 234,857,228 common shares issued and outstanding.

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 64% interest in the REN property in Nevada. On February 4, 2010 a US subsidiary of the Company (“Centerra Gold (US) Inc.”) and Rye Patch Gold Corp. and its US subsidiary (collectively, “Rye Patch”) entered into a purchase agreement whereby, subject to the satisfaction of certain condition precedents, Centerra US has agreed to transfer its 64% interest in the REN joint venture to Rye Patch’s US subsidiary (see “Other Corporate Developments”). Additionally, the Company is earning an interest in joint venture exploration properties located in Russia, Turkey, the United States (Nevada) and Mongolia.

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 refining agreement with Johnson Matthey Limited. Both sales agreements are based on spot gold prices. The Gatsuert property is in the development phase. The REN and other United States, Russia, Turkey and Mongolia properties are in the exploration phase.

In 2009, the Company’s two mines produced a total of 675,592 ounces of gold, ranking Centerra as an intermediate-sized North American-based gold producer.

The average spot price for gold in 2009 based on the London PM fix was \$973 per ounce, an increase of 11% over the average in 2008. This follows year-over-year increases of 25% in 2008 and 16% in 2007. The average realized price of gold received by Centerra in 2009 was \$1,013 per ounce. Historically, gold has been seen to be a hedge against inflation and U.S.

dollar weakness. A number of factors continue to support the strengthening of the gold price, including a general fear surrounding the solvency of the world's banking system, fears over the stability of the U.S. dollar, inflation, record-setting equity market volatility and an increase in the demand for gold for investment purposes (see the discussion below under "Gold Industry, Key Economic Trends and Recent Market Uncertainty"). This is partially offset by the recent decline in demand for jewelry.

The Company's costs are comprised primarily of the cost of producing gold from its two mines, administrative costs from the Toronto, Bishkek and Ulaanbaatar offices 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 ore grade and the metallurgical characteristics of the ore which can impact gold recovery. For example, a higher grade ore would typically contribute to a lower unit production cost. The significant costs of milling are reagents, consumables, mill maintenance and energy.

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

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

Gold Industry, Key Economic Trends and Recent Market Uncertainty

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

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

Global gold industry production is expected to grow at modest rate for the next few years after significant growth from 1995 to 2001 followed by flat production levels through to 2008. The growth in 2009 and in the coming few years is a function of a higher gold price which has made previously marginal deposits economically viable. In addition, Centerra believes the cost of gold production in U.S. dollar terms is rising globally due primarily to a declining quality of reserves at producing mines, higher costs of construction and equipment and higher cost of labour and certain consumables. There has been significant consolidation among senior gold producers since 2002. 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. One of these important factors is the trade-weighted U.S. dollar exchange rate. Historically, with the exception of 2005, there has been a strong inverse correlation between the trade-weighted U.S. dollar exchange rate and the gold price resulting in a positive gold price trend during extended periods of U.S. dollar weakness. Another factor affecting the gold price which has gained in importance is the activity of gold exchange traded funds ("ETF's") which allow investors to more directly invest in gold without holding the physical asset. In 2009, globally investment demand through ETF's was 100% higher than in 2008 and represented 15% (600 tonnes) of total global demand for gold (3,925 tonnes), up from 8% in 2008. Investor sentiment towards gold, as reflected in ETF activity, can thus have a material impact on the gold price.

Other factors that have impacted the gold price include jewelry demand, global macro-economic concerns, the Central Bank Gold Agreement which has limited central bank gold sales (and related central bank gold sales/purchases) and producer hedging/de-hedging activity.

Financial liquidity represents the Company's ability to fund future operating activities and investments. Centerra has two operating mines located in Kyrgyzstan and Mongolia. Centerra generated \$245.6 million in cash from operations in 2009 and has a balance of cash and short-term investments of \$322.9 million at December 31, 2009. The Company's policy focuses on cash preservation, while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company manages counterparty credit risk, in respect of short-term investments, by maintaining bank accounts with highly-rated U.S. and Canadian banks and investing only in highly-rated Canadian and U.S. Government bills, term deposits or banker's acceptances with highly-rated financial institutions and corporate direct credit issues that can be promptly liquidated. The Company has no outstanding debt and it is expected that all planned capital and operating expenditures can be funded out of cash flow for 2010. See "Caution Regarding Forward-Looking Information".

Continued uncertainty in global financial markets has constrained the ability of most companies to access capital markets funding. Although Centerra has no current requirements for such funding, financial markets have retained an interest in gold producers and, under the right conditions, equity issues of many of these producers have been well received. With the conclusion in 2009 of the New Terms Agreement with the Kyrgyz Republic, and the divestiture by Cameco Corporation of its interest in Centerra, Centerra is well positioned to

grow the company and may contemplate an equity issue to support growth initiatives. See “Caution Regarding Forward-Looking Information”.

The Company believes that fundamentals remain positive for gold in the coming year. The strong inverse correlation with the U.S. dollar will remain an important positive factor supporting the gold price. Notwithstanding expectations of some strengthening in the U.S. dollar in the early part of 2010, the following factors favour gold in 2010: the anticipated maintained accommodative monetary policy by the U.S. Federal Reserve, along with heightened concerns with respect to the pace of global economic recovery and the sustainability of sovereign debt levels.

The Company believes that strong gold prices will foster increased exploration spending in all regions 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 2007, 2008, and 2009:

Quarter	Average Gold Price (\$)
2007 Q1	650
2007 Q2	667
2007 Q3	680
2007 Q4	788
2008 Q1	927
2008 Q2	896
2008 Q3	872
2008 Q4	795
2009 Q1	908
2009 Q2	922
2009 Q3	960
2009 Q4	1,100

Growth and Strategy

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

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

Centerra’s growth strategy could be impacted by the risk factors described on page 51.

During 2009, the Company continued its exploration drilling activities in and around its two mine sites. In December 2009, the Company updated its life-of-mine plans for its operating mines and released the resulting estimates on the Company’s reserves and resources as of October 31, 2009. After accounting for the production in the last two months of the year and further updating reserve and resource estimation for the Sarytor, Southwest and Gatsuurt deposits, the 2009 year end reserves were estimated and released in February 2010. Overall,

the Company's reserves estimate increased by 26% in 2009 to 7.3 million ounces of contained gold in proven and probable reserves. This represents an increase of 2.4 million contained ounces before accounting for the processing of 930,000 million contained ounces processed at Kumtor and Boroo or placed on Boroo's heap leach pad during 2009. The 2009 year-end reserves and resources were estimated using a gold price of \$825 per ounce compared to \$675 per ounce in 2008. (See the "2009 Year-end Reserve and Resource Summary" table.)

Reserves:

At Kumtor, before accounting for the processing of 695,000 contained ounces during 2009, proven and probable reserves increased by 2.1 million contained ounces. The increase is a combination of reserve increases in the Central Pit as described in the Company's news release of December 7, 2009 (adjusted for production in November and December 2009) and a year-end increase of the Sarytor and Southwest reserves.

As described in the December 2009 news release, the increase in the Central Pit reserves is the result of successful exploration drilling, changes in the life-of-mine plan as a result of the gold price increase and an expansion of the mining fleet at Kumtor to complete the North Wall expansion. With this fleet expansion there will be excess mining equipment capacity in the latter years of the Central Pit life-of-mine plan which could be deployed for the mining of satellite deposits. At year-end, a further review of the Sarytor and Southwest reserves and resources using the higher gold price of \$825 per ounce and the availability of the excess mining equipment capacity has led to pit expansions at both the Sarytor and Southwest satellite deposits. At Sarytor, proven and probable reserves increased by 442,000 contained ounces of gold to total 814,000 contained ounces of gold. At the Southwest deposit, proven and probable reserves increased by 394,000 contained ounces of gold to total 394,000 contained ounces. The Kumtor life-of-mine plan has been revised and extended a further two years to 2019 from the life-of-mine plan described in the December 2009 news release. Kumtor's life-of-mine plan is based only on the open pit reserves and resources, and no provision has been made for production from the underground development activities.

As reported in Centerra's third quarter disclosure, an approximate 800 metre section of the historical waste dump and original glacial ice continues to creep at rates as high as 50 mm/h (36m/month) into the SB Zone section of the Central Pit. These levels of creep movement were not anticipated in the life-of-mine plan contained in the March 2008 Kumtor technical report. During 2009, mining capacity had to be diverted to manage the creep movement, which has resulted in a delay in reaching the high-grade SB Zone ore. The average rates of movement in this area have reduced, likely due to seasonal reductions in melt water, unloading of the waste dump material and the positive impacts of increased depressurization and dewatering efforts. However, Centerra believes that creeping of this section of the pit wall will continue for the next several years and has thus developed plans to manage the anticipated movement.

In response to this anticipated continued creep movement, the updated life-of-mine plan allocates significant levels of mining capacity ranging from 20 to 60 thousand tonnes per day for the period from 2010 to 2012 to a geotechnical remediation plan for the removal and management of this section of historical waste dump and glacial ice.

Kumtor's life-of-mine plan is based only on the open pit reserves and resources, and no provision has been made for production from the underground development activities.

In November, 2006, SRK Consulting (Canada) Inc. (SRK) completed a Scoping Study to evaluate the potential of mining Kumtor's deep SB Zone using underground mining methods. The Scoping Study demonstrated that underground mining of the deep SB Zone at Kumtor had the potential to be a viable project. A second study was undertaken by SRK in 2008 (the "2008 SRK Study") to review the available technical information and site-specific facilities and infrastructure that would be required to develop the proposed underground mining operations to exploit the SB Zone. The 2008 SRK Study reviewed in detail geological and geotechnical information to evaluate a proposal to construct a second access to the underground SB Zone. Included in the study were various mining method options, the related ventilation requirements and mining equipment, as well as metallurgical characteristics and surface plant requirements. The 2008 SRK Study concluded with a Preliminary Economic Assessment (PEA), completed in September 2009, which advanced the mining method options and the data gaps from the Scoping Study. Included in the PEA was a review of the available technical information and site-specific facilities and infrastructure that would be required to develop the proposed underground mining operations to exploit the SB Zone. There are currently two declines in development to access the SB Zone. In the 2010 capital budget, \$34.2 million has been budgeted to advance the two underground declines. In addition, \$3.4 million has been budgeted for delineation drilling in the SB Zone and the Stockwork Zone. The resources in the SB Zone and Stockwork Zone are in the inferred category. Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assured that all or part of the inferred resources will ever be upgraded to a higher category.

At Boroo, before accounting for the processing of 235,000 contained ounces during 2009 in the Boroo mill and heap leach pad, proven and probable reserves increased by 24,000 contained ounces. In addition a technical report was finalized to include heap leach processing in the life-of-mine plan at Boroo.

At Gatsurt, proven and probable reserves increased by 275,000 contained ounces due to an expanded pit as a result of the higher gold price and a resulting lowering of the cut-off grades.

Resources:

As of December 31, 2009, on a 100% project basis, Centerra's measured and indicated resources decreased by 791,000 ounces over the December 31, 2008 figures to total 4.1 million ounces of contained gold (Centerra's share is 3.7 million ounces), compared to 4.9 million ounces (Centerra's share was 4.5 million ounces) as of December 31, 2008. The decrease from the 2008 year-end measured and indicated resources is largely attributable to conversion of resources into reserves at Kumtor and Gatsurt as a result of using a higher gold price for reserve estimation.

The Company's inferred resources, on a 100% project basis increased by 218,000 contained ounces year-over-year. At Kumtor, the inferred resources in the high-grade SB Zone increased to 1.8 million contained ounces of gold with an average grade of 17.0 g/t, as a result of the successful 2009 drilling of the southwest extension of the SB Zone. The strike length of the deposit was extended by a further 350 metres to the southwest of the 2008 year-end resource model. A significant portion of the new ounces identified by this drilling, 341,000 ounces of contained gold, fall within the new Kumtor open pit design and therefore are included in the new in-pit proven and probable reserves.

In addition, this southwest expansion of the Central Pit also captured 155,000 ounces of contained gold that were previously classified as part of the high-grade underground SB Zone inferred resource, that is now within the new open pit design, and therefore is included in the Kumtor central pit proven and probable reserves. The shallow drilling also identified an estimated 313,000 new ounces of contained gold beneath the 2008 open pit design that were added to the 2008 year-end high-grade underground SB Zone inferred resource. This addition, offset by the 155,000 ounces of contained gold reclassified as open pit reserves, has resulted in a net increase of an estimated 158,000 ounces of contained gold to the high-grade underground SB Zone inferred resource.

At the Sarytor and Southwest deposits, measured and indicated resources increased due to the expansion of the mineralization identified as having a reasonable expectation of economic extraction using the \$825 per ounce gold price. In addition inferred resources increased at the Sarytor and Southwest deposits.

Centerra reports reserves and resources separately. The amount of reported resources does not include those amounts identified as 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.
2009 Year-end Reserve and Resource Summary
(as of December 31, 2009)

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 ⁽¹⁾⁽⁶⁾⁽¹³⁾	1,659	2.1	113	54,201	3.1	5,361	55,860	3.0	5,474	5,474	OP
Boroo ⁽¹⁾⁽⁸⁾	10,674	0.9	295	4,777	1.8	272	15,451	1.1	567	567	OP
Gatsuurt ⁽¹⁾⁽⁹⁾	-	-	-	13,850	2.9	1,280	13,850	2.9	1,280	1,280	OP
Total	12,333	1.0	408	72,828	3.0	6,913	85,161	2.7	7,321	7,321	

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⁾⁽¹³⁾	18,480	2.4	1,441	10,372	2.3	760	28,852	2.4	2,201	2,201	OP
Boroo ⁽⁵⁾⁽⁸⁾	452	2.2	32	4,464	1.5	210	4,916	1.5	242	242	OP
Gatsuurt ⁽⁹⁾	-	-	-	5,751	2.6	480	5,751	2.6	480	480	OP
REN ⁽¹⁰⁾⁽¹⁵⁾	-	-	-	2,990	12.7	1,220	2,990	12.7	1,220	781	UG
Total	18,932	2.4	1,473	23,577	3.5	2,670	42,509	3.0	4,143	3,704	

Inferred Resources ⁽²⁾⁽¹⁴⁾ (Tonnes and ounces in thousands) ⁽¹¹⁾⁽¹²⁾					
Property	Inferred				
	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
Kumtor ⁽⁵⁾⁽⁶⁾⁽¹³⁾	3,793	2.5	309	309	OP
Kumtor Stockwork Underground ⁽⁷⁾	1,700	11.4	621	621	UG
Kumtor SB Underground ⁽⁷⁾	3,203	17.0	1,751	1,751	UG
Boroo ⁽⁵⁾⁽⁸⁾	7,323	1.0	233	233	OP
Gatsuurt ⁽⁹⁾	2,260	2.4	177	177	OP
REN ⁽¹⁰⁾⁽¹⁵⁾	835	16.1	432	277	UG
Total	19,114	5.7	3,523	3,368	

- (1) The reserves have been estimated based on a gold price of \$825 per ounce.
- (2) Mineral resources are in addition to reserves. Mineral resources do not have demonstrated economic viability.
- (3) Centerra's equity interests are: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 64%.
- (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 \$825 per ounce.
- (6) The open pit reserves and resources at Kumtor are estimated based on a cutoff grade of 1.0 gram of gold per tonne and includes the Central Pit and the Southwest and Sarytor deposits.
- (7) Underground resources occur below the Central pit and are estimated based on a cutoff grade of 7.0 grams of gold per tonne.
- (8) The reserves and resources at Boroo are estimated based 0.5 gram of gold per tonne cutoff grade.
- (9) The reserves and resources at Gatsuurt are estimated using either 1.2, 1.4 or 1.5 grams of gold per tonne cutoff grade depending on ore type and process method.
- (10) The resources at REN are estimated based on a cutoff grade of 8.0 grams of gold per tonne.
- (11) A conversion factor of 31.10348 grams per ounce of gold is used in the reserve and resource estimates.
- (12) Numbers may not add up due to rounding.
- (13) Kumtor reserves and resources include Sarytor and Southwest reserves of 15.1 million tonnes grading 2.5 g/t for 1,208,000 contained ounces, Sarytor and Southwest indicated resources of 4.8 million tonnes grading 2.1 g/t for 325,000 contained ounces and Sarytor and Southwest inferred resources of 3.7 million tonnes grading 2.5 g/t for 303,000 contained ounces.
- (14) Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or part of the inferred resources will ever be upgraded to a higher category.
- (15) Centerra's interest in the REN joint venture is subject to a purchase agreement. Upon payment in full of the purchase price, Centerra will transfer its interest to the acquiring party, Rye Patch Gold Inc. See "Exploration Update – United States – REN".

Reconciliation of Gold Reserves and Resources (in thousands of ounces of contained gold ⁽⁸⁾ ⁽⁹⁾)

	December 31 <u>2008</u> ⁽¹⁾	2009 <u>Throughput</u> ⁽²⁾	2009 Addition <u>(Deletion)</u> ⁽³⁾	December 31 <u>2009</u>	Centerra's <u>Share</u> December 31 <u>2009</u> ⁽⁴⁾
Reserves – Proven and Probable					
Kumtor ⁽⁵⁾	4,025	695	2,144	5,474	5,474
Boroo	778	235	24	567	567
Gatsuurt ⁽⁷⁾	<u>1,005</u>	<u>0</u>	<u>275</u>	<u>1,280</u>	<u>1,280</u>
Total Proven and Probable Reserves	<u>5,808</u>	<u>930</u>	<u>2,443</u>	<u>7,321</u>	<u>7,321</u>
Resources – Measured and Indicated					
Kumtor ⁽⁶⁾	2,865	0	(664)	2,201	2,201
Boroo	242	0	0	242	242
Gatsuurt ⁽⁷⁾	607	0	(127)	480	480
REN	<u>1,220</u>	<u>0</u>	<u>0</u>	<u>1,220</u>	<u>781</u>
Total Measured & Indicated Resources	<u>4,934</u>	<u>0</u>	<u>(791)</u>	<u>4,143</u>	<u>3,704</u>
Resources – Inferred ⁽¹⁰⁾					
Kumtor ⁽⁶⁾	34	0	275	309	309
Kumtor Stockwork Underground	757		(136)	621	621
Kumtor SB Underground	1,593	0	158	1,751	1,751
Boroo	233	0	0	233	233
Gatsuurt ⁽⁷⁾	256	0	(79)	177	177
REN	<u>432</u>	<u>0</u>	<u>0</u>	<u>432</u>	<u>277</u>
Total Inferred Resources	<u>3,305</u>	<u>0</u>	<u>218</u>	<u>3,523</u>	<u>3,368</u>

- (1) Reserves and resources as reported in Centerra's Annual Information Form filed in March 2009.
- (2) Corresponds to mill and heap leach pad feed. The discrepancy between the 2009 throughput and 2009 ounces of gold produced is due to gold recovery in the mill and heap leach pad.
- (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, 2009, were as follows: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 64%.
- (5) Kumtor reserves include the Central Pit and the Southwest and Sarytor Deposits.
- (6) Kumtor open pit resources include the Central Pit and the Southwest Deposit and Sarytor Deposit.
- (7) Gatsuurt reserves and resources include the Central Zone and Main Zone deposits.
- (8) Centerra reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves.
- (9) Numbers may not add up due to rounding.
- (10) Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or part of the inferred resources will ever be upgraded to a higher category.
- (11) Centerra's interest in the REN joint venture is subject to a purchase agreement. Upon payment in full of the purchase price, Centerra will transfer its interest to the acquiring party, Rye Patch Gold Inc. See "Exploration Update – United States – REN".

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. Some of the information discussed below are non-GAAP measures. See “Non-GAAP Measures”.

\$ millions, unless otherwise specified	Year Ended December 31,		
	2009	2008	2007
Revenue	\$ 685	\$ 636	\$ 373
Cost of sales	296	332	207
Mine standby costs	4	-	-
Regional administration	23	19	20
Depreciation, depletion and amortization	104	78	44
Accretion and reclamation expenses	2	1	1
Revenue-based taxes	60	-	-
Exploration and business development	26	24	20
Impairment charge	-	19	-
Other income and expenses	(2)	5	(5)
Administration	33	27	25
Earnings before unusual items, income taxes and non-controlling interest	547	505	312
	139	131	61
Unusual items ⁽³⁾	49	(38)	132
Income tax expense	29	34	19
Non-controlling interest	-	-	3
Net earnings (loss)	\$ 60	\$ 135	\$ (93)
Earnings per common share before unusual items (basic and diluted) - \$/share ⁽²⁾	\$ 0.48	\$ 0.45	\$ 0.18
Earnings (loss) per common share (basic and diluted) - \$/share	\$ 0.27	\$ 0.62	\$ (0.43)
Total assets	\$ 1,074	\$ 941	\$ 814
Long-term debt, provision for reclamation and future income taxes	\$ 21	\$ 30	\$ 21
Operating Highlights			
Gold sold – ounces	676,394	745,730	540,645
Gold produced - ounces poured	675,592	748,888	555,410
Average realized price – \$/oz sold	\$ 1,013	\$ 853	\$ 691
Gold spot market price – \$/oz ⁽¹⁾	\$ 973	\$ 870	\$ 696
Cost of sales - \$/oz sold	\$ 438	\$ 445	\$ 384
Total cash cost – \$/oz produced ^{(2) (4)}	\$ 459	\$ 423	\$ 404
Total production cost – \$/oz produced ^{(2) (4)}	\$ 611	\$ 533	\$ 494

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

⁽²⁾ Total cash cost, total production cost and earnings per share before unusual items are non-GAAP measures and are discussed under “Non-GAAP Measures”.

⁽³⁾ See page 13 for a discussion of unusual items.

⁽⁴⁾ As a result of Kumtor's Restated Investment Agreement, total cash cost and total production cost per ounce measures for 2009 and the comparative years have been restated to exclude operating and revenue-based taxes. See “Other Corporate Developments”.

Results

2009 In Review:

- Completed an Agreement on New Terms and new project agreements with respect to the Kumtor Project,
- Mining and milling operations at Boroo were temporarily suspended as a result of a labour dispute with the Boroo mine Trade Union which started on May 26, 2009 and was settled on June 16, 2009,
- On July 27, 2009 the Boroo operating licenses for mining and milling were re-instated after a suspension thereof which occurred on June 12, 2009. Discussions with the Mongolian authorities regarding the issuance of a permanent heap leach permit for Boroo progressed from the time of the expiry of the temporary permit in April until the end of the year.
- Ice and waste movement in the South East high-wall at Kumtor accelerated during 2009. The Company put in place remedial measures to manage the movement and revised Kumtor's life of mine plan to incorporate these measures,
- Exploration drilling extended Kumtor's SB Zone 350 metres to the southwest of previous exploration drilling,
- Increased proven and probable reserves by 2.1 million ounces and extended Kumtor mine life by 5 years,
- Kumtor achieved record fourth quarter gold production of 247,095 ounces at total cash costs of \$245 per ounce,
- Successfully completed a secondary offering of 88,618,472 Centerra common shares held by Cameco Corporation, which were sold to the public at C\$10.25 per share along with the transfer by Cameco of 25,300,000 common shares to Kyrgyzaltyn,
- Expanded the Board of Directors to eleven members with the appointment of John W. Lill, Aleksei A. Eliseev and Iurii I. Kosvin to the Board.

Overview of 2009 Versus 2008

For accounting purposes, Centerra's 2009 and 2008 results reflect fully consolidated interests in the Kumtor and Boroo mines, a fully consolidated interest in the Gatsuert property and a 64% proportional consolidated interest in the REN property.

For the year ended December 31, 2009, the Company recorded net earnings of \$60.3 million or \$0.27 per share, compared to net earnings of \$134.8 million or \$0.62 per share in 2008. The decrease reflects a 9% decrease in the ounces sold for the year, a 19% increase in realized gold price and the impact of unusual items (described below) which resulted in a significant charge in 2009 as opposed to a gain in 2008. During 2009, the Company's net earnings reflected unusual items of \$49.3 million (loss) relating to the issuance of common shares and other related costs pursuant to the Agreement on New Terms signed with the Kyrgyz Government during the second quarter of 2009. Before allowing for unusual items, earnings in 2009 were \$109.6 million or \$0.48 per share. During 2008, the Company recorded a write-down of \$18.8 million to the goodwill of the Mongolia reporting unit and unusual items of \$37.7 million (gain) relating to the reduction to fair value recorded in the second quarter of 2008 of the contingent share obligation under the expired preliminary framework agreement with the Kyrgyz Government. Before allowing for unusual items, earnings in 2008 were \$97.1 million or \$0.45 per share.

During 2009, the Company's gross profit was \$256 million, compared to \$206 million in 2008. Gross profit is defined as revenue less cost of sales, mine standby costs, regional office administration, depreciation, depletion, amortization, accretion and reclamation.

Revenue:

Revenue for 2009 increased by \$49.5 million, or 8%, to \$685.5 million compared to \$636.0 million in the same period of 2008 due to a 19% increase in realized gold price partially offset by a 9% decrease in ounces sold. Gold production of 675,592 ounces in 2009 was 10% lower than the 748,888 ounces reported in 2008. This results from a 6% decrease in gold production at Kumtor mostly due to a delay in mining activities necessary to expose high-grade SB ore and mining benches, primarily due to the need to dedicate mining equipment to address the accelerated movement of ice and waste in the southeast high wall of the Central Pit above the SB zone. In addition, there was a 22% decrease in gold production at Boroo as a result of a nine week operational shutdown due to an employee strike followed by a temporary suspension of the Boroo operating permit. Grades and recoveries are decreasing at Boroo as the operation nears the end of its mine life and the ore is becoming increasingly refractory. Gold sold in 2009 totalled 676,394 ounces (511,092 ounces from Kumtor and 165,302 ounces from Boroo) which was lower than 2008 ounces sold of 745,730 (552,253 ounces from Kumtor and 193,477 ounces from Boroo). The average realized gold price for 2009 was \$1,013 per ounce compared to \$853 per ounce in the same period of 2008 reflecting higher spot prices for gold throughout the year and the concentration of sales during the fourth quarter of 2009 when gold prices were higher.

The initial outlook for 2009 consolidated gold production of 720,000 - 770,000 ounces was revised on September 24, 2009 to 620,000 - 630,000 ounces. The resulting guidance change was due to the delay in mining activities necessary to expose the next series of high-grade benches in the SB zone discussed above. As mining commenced in the higher grade portion of the SB Zone in late October, better than expected grades were encountered in the zone, resulting in Kumtor exceeding the revised guidance for the year. The Kumtor milling operation also exceeded the planned operating capacity that was thought to be more limiting when processing high-grade ores. In addition, the Boroo operation recovered more gravity gold than previously planned and exceeded guidance in the late fourth quarter period. Consolidated gold production in 2009 of 675,592 ounces of gold exceeded the revised guidance.

Cost of sales:

Cost of sales was \$295.9 million in 2009 compared to \$332.0 million in 2008. The decrease is a result of fewer ounces sold as well as decreased costs as described in the "Results of Operating Segments" for Kumtor and Boroo. Cost of sales per ounce sold was \$438 in 2009 compared to \$445 in 2008.

Total cash cost per ounce produced for 2009 increased to \$459 compared to \$423 per ounce in 2008 (Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".) As a result of the Restated Investment Agreement signed in June 2009 (as described below), cash cost per ounce at Kumtor for 2009 and its comparative years now exclude operating and revenue-based taxes. The increase in 2009 reflects the impact of lower production partially offset by lower operating costs at Kumtor and Boroo as discussed in the "Results of Operating Segments" for Kumtor and Boroo.

The original 2009 outlook for total cash cost per ounce of \$418 to \$458 was revised to \$465 to \$485 at the end of the third quarter due to the projected decrease in ounces expected to be produced. Total cash cost of \$459 per ounce in 2009 was lower than the revised guidance due to higher than expected production at both sites in the fourth quarter.

Depreciation, Depletion and Amortization:

Depreciation, depletion and amortization expense of \$103.7 million was recorded in 2009, compared to \$78.3 million in the prior year. Kumtor recorded an increase of \$14.3 million due to the additional depreciation caused by the componentization adjustment for mobile equipment recorded in 2008, which resulted in an increase in the rate of amortization for certain mobile equipment. Boroo recorded an increase of \$11.3 million due to the additional amortization of the pit 3 pre-strip costs capitalized in 2008.

Taxes:

Income tax in the amount of \$29.2 million was expensed in 2009, compared to \$34.1 million in 2008. The net decrease of \$4.9 million represents a reduction in the income tax expense at Kumtor of \$14.3 million, as a result of the agreement between Centerra, Cameco and the Kyrgyz Government (as described below). This was partially offset by an increase in the income tax expense at Boroo of \$9.4 million mainly resulting from the impact of the weakened Mongolian Tugrik during 2009.

Pursuant to the Restated Investment Agreement between Centerra, Kumtor Gold Company CJSC (“KGC”), Kumtor Operating Company CJSC (“KOC”) and the Government of the Kyrgyz Republic (the “Government”), dated as of June 6, 2009, the tax regime previously applicable to the Kumtor project was replaced by a simplified regime with effect from January 1, 2008. Under this simplified regime, tax is paid at a rate of 13% of gross revenue. In addition, with effect from January 1, 2009, Kumtor makes a monthly contribution of 1% of gross revenue to the Issyk-Kul Oblast Development Fund. This new regime, which was approved by the Kyrgyz Parliament on April 30, 2009 (considered the date of substantial enactment for accounting purposes) replaced a number of taxes including income tax (10% of taxable income), mineral resource tax (5% of revenue), emergency fund tax (1.5% of revenue), road tax (0.8% of revenue), withholding taxes (10-30% depending on the nature of the payment), the Issyk-Kul Social Fund tax (2-4% of taxable income), all customs duties and certain other taxes. The relevance of the date of substantial enactment is that, from an accounting and reporting perspective, the old tax regime is applied to the period prior to date of substantial enactment, even though the Restated Investment Agreement specifies that the new regime is applicable from January 1, 2008. Payments made, and refunds received with respect to the period between January 1, 2008 and April 30, 2009, are accounted for in Unusual Items on the financial statements. Tax balances as at April 30, 2009, accruing under the prior regime were written off, either through Unusual Items (current taxes), or in Income Tax Expense (future tax asset).

The Restated Investment Agreement further provides for an annual payment of 4% of gross revenue against which all capital and exploration expenditures incurred by the Company in the Kyrgyz Republic are credited. Expenditures not applied for credit in the year are carried forward for credit in future years. As at December 31, 2009, the excess expenditure in the Kyrgyz Republic on capital and exploration over 4% of gross revenue is \$65.3 million. This excess amount is subject to audit by the Kyrgyz authorities.

For Boroo Gold Company, the tax regime is governed by a Stability Agreement with the Government of Mongolia. That agreement was amended August 3rd, 2007 to amend, effective from January 1, 2007, the income tax rate to 25% of taxable income over 3 billion MNT (approximately \$2.1 million at the 2009 year-end exchange rate) with a tax rate of 10% applicable to taxable income up to that amount.

Losses incurred by Centerra's entities in the North American segment were not tax effected.

Goodwill:

During the year ended December 31, 2009, the Company undertook its normal annual review of goodwill. As a result, management concluded that current circumstances did not indicate that the carrying value of the Kyrgyz reporting unit exceeded its fair value. At December 31, 2008, the Company recorded an impairment charge for the full value of its Mongolian goodwill (\$18.8 million). The carrying value of the Mongolian reporting unit exceeded its fair value as Boroo was approaching the end of its mine life.

Other Impacts on 2009 of the Agreement on New Terms:

On April 24, 2009, the Company announced that an agreement (the "Agreement on New Terms") had been reached between Centerra, Cameco Corporation ("Cameco"), the Government, Kyrgyzaltyn JSC ("Kyrgyzaltyn"), KOC and KGC that provides for the Government's full commitment to and support for Centerra's continuing long-term development of the Kumtor project. The parties subsequently executed restated project agreements (including the Restated Investment Agreement, all are dated as of June 6, 2009) which incorporate the provisions of the Agreement on New Terms, including the settlement of all outstanding claims as well as replacing the tax regime applicable to the Kumtor project with a revenue-based tax regime (see "Taxes" above). Pursuant to the Agreement on New Terms, Centerra agreed to issue 18,232,615 common shares from its treasury to Kyrgyzaltyn, a company indirectly wholly-owned by the Government. Cameco agreed to transfer to the Government between 14.1 million and 25.3 million common shares of Centerra, which were to be released to the Government upon the satisfaction of certain conditions. On December 30, 2009, Cameco released and transferred to the Government 25.3 million common shares of Centerra as a result of these conditions being met. See "Other Corporate Developments".

The transactions contemplated by the Agreement on New Terms including the execution of the Restated Investment Agreement closed on June 11, 2009. On closing, the Company issued from treasury 18,232,615 common shares of Centerra at the closing share price of \$6.62 (Cdn.\$7.30) to Kyrgyzaltyn.

As a result of the issuance of shares from treasury on June 11, 2009, the Company recorded an addition to share capital of \$120.7 million. The previously recorded liability, contingent common shares issuable of \$89.1 million, was drawn down to zero and an additional expense (Unusual Item) of \$31.6 million was recorded in the second quarter of 2009.

Pursuant to the Agreement on New Terms, the Company also paid and expensed (Unusual Item) \$1.75 million in full satisfaction of all liabilities or claims of any governmental authority against Centerra or any of its affiliates in respect of any matter arising before the closing of the transactions contemplated by the Agreement on New Terms.

The Company and the Government also agreed to replace the former tax regime applicable to the Kumtor project with a simplified tax regime whereby income and operational taxes are replaced with a revenue-based tax with effect from January 1, 2008.

During the second quarter 2009, the Company recorded an expense (Unusual Item) for the tax settlement in the amount of \$15.0 million including the 2008 settlement, 2009 differences between the new tax regime and the former regime to the end of April 2009 and various adjustments to the Company's tax accounts balances recorded to April 30, 2009. (See "Other Corporate Developments - Kyrgyz Republic".)

Exploration:

Exploration expenditures for 2009 totalled \$25 million, an increase over the 2008 expenditures of \$23.5 million.

Exploration expenditures at Kumtor totalled \$11.8 million where work focused on drill testing the strike and dip extension of the SB, Stockwork, Saddle and Northeast Extension zones around the Kumtor Central Pit. This work had positive results which contributed to the reserve and resource increases published by the Company in December 2009. Regional exploration at Kumtor was restarted in June 2009 and drilling was completed at the Northeast and Petrov prospects and the Sarytor and Southwest deposits. Results from the work have been encouraging and additional drilling is planned for these areas in 2010.

In Mongolia, 2009 exploration expenditures totalled \$3.4 million compared to \$3.2 million in 2008. Exploration work focused on definition and drilling of targets on the Company's extensive land holdings around the Boroo operation and along the Yerogool trend. Drilling was carried out at the Gatsuurt, Biluut, Khar Mod, Khuder and Ulan Bulaag properties. . Results continue to be encouraging and additional work is planned for 2010.

Expenditures in Russia were \$2.5 million in 2009 with the focus being drilling of targets identified on the Kara Beldyr JV in the Tyva republic. This work is continuing in 2010. A new joint venture was started in the third quarter of 2009 covering the Illich property in the Amur region of eastern Russia. Trenching and target definition work were completed in the fourth quarter and drilling is planned for 2010.

In Turkey two new joint ventures were added in 2009 to bring the total number of joint ventures to four. Expenditures totalled \$2.3 million compared to \$1.7 million in 2008. Drilling was completed on all four joint ventures and this work will continue in 2010.

In the United States 2009 expenditures were \$3.1 million with work focused on drilling activities on the Tonopah Divide and Hice projects in Nevada.

Generative work continued in China and other prospective regions in Asia in 2009.

Cash Flow:

Cash flow provided from operations for 2009 was \$245.6 million compared to \$166.3 million in 2008, primarily as a result of reduced working capital levels, mainly lower inventories and higher payables, at the end of the year. Cash used in investing activities totaled \$220.2 million in 2009 compared to \$112.2 million in the prior year. Investments in capital projects of \$92 million were similar in both years, while investments in short-term financial instruments were

significantly higher in 2009 due to the increase in available cash in 2009 (2009 investments totaled \$128 million compared to \$18 million invested in 2008). Investments in growth capital for 2009 totalled \$52.0 million, while \$40.0 million was invested in sustaining capital.

Net cash and short-term investments increased to \$322.9 million from \$167.4 million at the prior year-end.

Capital:

Capital expenditures in 2009 were \$89.8 million as compared to \$94.5 million spent and accrued in the prior year. Sustaining capital in 2009 of \$40.1 million, which includes \$36.5 million spent and accrued at Kumtor and \$3.3 million at Boroo, compares to \$47.5 million spent and accrued in total in 2008 (\$34.4 million at Kumtor and \$12.3 million at Boroo). The reduced spending on sustaining capital at Boroo reflects the relatively short mine life remaining. Growth capital spending of \$49.7 million in 2009, compared to \$47.0 million the prior year, reflects \$14.2 million increased spending at Kumtor mainly on the underground project, \$12.2 million increased spending on the development of the Gatsuurt project, partially offset by lower spending at Boroo in 2009 of \$23.7 million. The higher growth spending at Boroo in 2008 reflected the completion of the heap leach facility (\$10.6 million) and Pit 3 pre-stripping (\$13.2 million).

Credit and Liquidity:

During the third quarter of 2008, the Company paid down a \$10 million revolving credit facility arranged in 2007. As at December 31, 2009, the Company has no outstanding debt, however the full amount of the facility is available for future use until its expiry May 30, 2010.

A significant factor in determining profitability and cash flow from the Company's operations is the price of gold. The spot market gold price based on the London PM fix was approximately \$1088 per ounce at the end of 2009. For 2009, the gold price averaged \$973 per ounce compared to \$872 per ounce for the same period in 2008.

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 2009, the Company incurred operating and capital costs totaling roughly \$520 million. Approximately \$305 million of this (59%) was in currencies other than the U.S. dollar. The percentage of Centerra's non-U.S. dollar costs, by currency was, on average, as follows: 49% in Kyrgyz soms, 23% in Mongolian tugriks, 15% in Euros, 11% in Canadian dollars, and approximately 2% in Australian dollars, British pounds, and Swiss Franc combined. In 2009, the average value of the currencies of the Kyrgyz Republic, Mongolia, and the Eurozone declined against the U.S. dollar by approximately 8.8%, 13.0%, and 0.5%, respectively, from their value at December 31, 2008. The average exchange rate in 2009 for the Australian dollar, the British pound and the Canadian dollar versus the U.S. dollar appreciated by 10.0%, 6.5%, and 6.4% respectively. The net impact of these movements in 2009, after taking into account currencies held at the beginning of the year, was to reduce operating and capital costs by \$19.8 million.

Results of Operating Segments

Centerra owns 100% of Kumtor and 100% of Boroo.

Kumtor

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based producer. It has been operating since 1997 and has produced over 7.2 million ounces of gold to December 31, 2009.

Kumtor Operating Results	Year Ended December 31			
	2009	2008	Change	% Change
Gold sold – ounces	511,092	552,253	(41,161)	(7%)
Revenue - \$ millions	523.7	468.3	55.4	12%
Average realized price - \$/oz sold	1,025	848	177	21%
Cost of sales - \$ millions ⁽¹⁾	236.5	273.1	(36.6)	(13%)
Cost of sales - \$/oz sold	463	495	(32)	(7%)
Tonnes mined - 000s	115,544	115,548	(4)	(0%)
Tonnes ore mined - 000s	4,464	4,967	(503)	(10%)
Tonnes milled - 000s	5,780	5,577	203	4%
Average mill head grade - g/t ⁽²⁾	3.74	3.89	(0.15)	(4%)
Recovery - %	76.7	79.7	(3.0)	(4%)
Gold produced – ounces	525,042	556,251	(31,209)	(6%)
Total cash costs - \$/oz produced ⁽³⁾⁽⁴⁾	460	438	22	5%
Total production cost - \$/oz produced ⁽³⁾⁽⁴⁾	593	548	45	8%
Capital expenditures - \$ millions	73.4	57.1	16.3	28%

- (1) Cost of sales for 2009 and its comparative years exclude regional office administration.
- (2) g/t means grams per tonne.
- (3) Total cash cost and total production cost are non-GAAP measures and are discussed under “Non-GAAP Measures”.
- (4) As a result of Kumtor's Restated Investment Agreement, total cash cost and total production cost per ounce measures for 2009 and the comparative years have been restated to exclude operating and revenue-based taxes.

Revenue and Gold Production:

Revenue in 2009 increased to \$523.7 million from \$468.3 million in the same period of 2008 primarily as a result of the higher realized gold price (\$1,025 average realized price for 2009 compared to \$848 in the same period of 2008). Kumtor produced 525,042 ounces of gold for 2009 compared to 556,251 ounces of gold in the same period of 2008. The decrease results primarily from delayed access to higher grade ore of the SB zone as described below, along with lower ore grades and recovery compared to 2008, which was partially offset by increased throughput. The ore grade averaged 3.74 g/t with a recovery of 76.7% for 2009, compared to 3.89 g/t with a recovery of 79.7% in the same period of 2008.

The higher average realized gold price per ounce for 2009 was due to higher gold spot prices over the year.

Kumtor's initial 2009 production guidance of 560,000 to 600,000 ounces of gold was revised to 500,000 ounces of gold at the end of the third quarter. The resulting guidance change was due to the delay in mining activities necessary to expose the next series of high grade benches, primarily due to the deviation of mining capacity to address the accelerated movement of ice and waste in the southeast high wall of the Central Pit. As mining commenced in the higher grade portion of the SB Zone in late October, better than expected head grades were

encountered in the zone. These two factors resulted in Kumtor exceeding the revised guidance for the year. The Kumtor milling operation also exceeded the planned operating capacity that was thought to be more limiting when processing high grade ores.

Cost of sales:

Cost of sales at Kumtor for 2009 was \$236.5 million compared to \$273.1 million in the same period of 2008. This reduction is primarily due to the elimination of production taxes at Kumtor as a result of the new agreement and also lower operating costs in 2009 compared to 2008.

Overall, operating costs at Kumtor, after the removal of production taxes, decreased by \$5.0 million for the year. This results from the following:

Mining costs in 2009 decreased by 8% to \$132.2 million, \$12.2 million lower than 2008. This was primarily because of lower diesel fuel costs (\$13.1 million), decreased equipment maintenance costs (\$4.8 million), and reduced geotechnical drilling (\$1.6 million). This was partially offset by increased spending on explosives and blasting accessories (\$3.7 million), increased usage of equipment services (\$1.5 million), higher labor costs (\$1.3 million), and higher spending on lubricants (\$0.8 million).

Milling costs were \$54.7 million, \$4.4 million or 9% higher than 2008. The higher costs were due to increases in the prices for major mill consumables and reagents (\$2.2 million), and increased consumption (\$2.1 million) due to higher ore throughput.

Site administration costs in 2009 were \$39.2 million, \$3.2 million or 9% higher than 2008 primarily due to increased labour and equipment rentals costs.

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

Total cash cost per ounce produced was \$460 compared to \$438 per ounce in 2008. The increase in cash cost per ounce in 2009 was largely due to lower production partially offset by lower operating costs. As disclosed previously, the majority of taxes at Kumtor have been replaced with a revenue-based tax, which is excluded from the total cash costs. With the changes in the tax regime at Kumtor resulting from the Revised Investment Agreement, cash cost per ounce produced now excludes operating and revenue-based taxes. As a result, the cash cost per ounce measure for 2008 has been restated to \$438 per ounce (from \$495 per ounce reported previously). (Total cash cost per ounce produced is a non-GAAP measure and is discussed under “Non-GAAP Measure – Total Cash Cost.”)

Total cash cost of \$460 per ounce produced in 2009 was lower than the revised guidance of \$465 to \$485 per ounces due to higher than expected production in the fourth quarter.

Cost of sales per ounce sold decreased to \$463 compared to \$495 for the same period in 2008. This reflects the removal of operating and revenue-based taxes at Kumtor and reduced operating costs, partially offset by lower volumes.

Kumtor Regional Administration:

Regional administration costs for Kumtor in 2009 totalled \$15.3 million compared to \$12.2 million in 2008. The increase is primarily due to higher labour costs (\$3.8 million), partially offset by lower legal fees (\$0.4 million) and insurance fees (\$0.1 million).

Depreciation and Amortization:

Depreciation and amortization costs increased by \$14.3 million to \$73.5 million in 2009 due to the additional depreciation caused by the adjustment in second half of 2008 for componentization of certain mobile equipment and the accelerated depreciation of the major overhaul components.

Exploration:

Exploration expenditures totalled \$11.8 million for the year, compared to \$13.7 million in the same period in 2008. The expenditures relate primarily to ongoing drilling to test the southwestern extension of the SB Zone, the down dip extension of the Stockwork Zone and northeastern extensions of the Central Pit. In addition in the second half of 2009 drilling was also carried out to test the down dip extensions of the Sarytor and Southwest deposits and targets on the Northeast and Petrov prospects.

Capital Expenditures:

Capital expenditures of \$73.4 million in 2009 included \$36.5 million to sustain current operations, including the replacement of heavy equipment, tailings dam build-up, the major overhauls of haul trucks and shovels, and the purchase of spare ball and regrind bull gear as insurance spares. Consistent with the 2009 guidance, growth capital totalled \$36.9 million including \$33.4 million for the underground development, \$2.1 million for the purchase and installation of the modular mining dispatch system, and \$1.2 million for the purchase of a Liebherr crane. In 2009, Kumtor commenced the Phase II of the underground development project and initiated purchasing of the additional mobile equipment and the construction of infrastructure around the second portal area.

The Kumtor pit high wall has been studied extensively since the SB Zone was developed in 2007. During 2008 and 2009, vertical and horizontal drilling established dewatering and depressurization of the till lithography, the waste dumps and the basement rock formations. The dewatering program was established, in consultation with a third-party consultant, to extract perched water and melt waters from the pit. The resulting higher strengths in the unfrozen till structure and the dewatered rock structures improved the geotechnical characteristics in the pit walls. In 2009, an extensive dewatering / depressurizing program was successful in capturing and managing the resulting water. The southeast section of the high wall was more difficult to dewater because of the high movement rate observed in the second quarter. The mine has initiated a plan to minimize the movement rate by unloading the ice and waste from this area.

The SB Zone underground decline has advanced to a total 680 metres. The ground conditions are fluctuating between good and poor, with the poor ground associated with structural faults.

As planned, a second portal and drift were initiated from the Central Pit and the program has been altered to allow access to the ore bodies at the same time. Exploration and delineation drilling of the two resources (SB Zone and Stockworks Zone) is still planned for 2010.

The second portal and the associated mining equipment and infrastructure have been completed and mining development is underway as per the development plan.

See “Risk Factors” and “Caution Regarding Forward-Looking Information”.

The Kumtor deposit is described in the Company’s Annual Information Form for the year ended December 31, 2009 (the “AIF”) and technical report dated December 16, 2009 (the “Kumtor Technical Report”) prepared in accordance with National Instrument 43-101 Standards for Disclosure for Mineral Projects (“NI 43-101”). The Kumtor Technical Report describes the exploration history, geology and style of gold mineralization at the Kumtor deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kumtor site and satellite deposits are described in the Kumtor Technical Report. A copy of the Kumtor Technical Report can be obtained on SEDAR at www.sedar.com.

Boroo

Located in Mongolia, this open pit mine was the first hard rock gold mine in Mongolia and by December 31, 2009 has produced approximately 1.35 million ounces of gold since commencing commercial production in 2004.

Boroo is nearing the end of its mine life and the Company anticipates the cessation of mining activity at the end of 2010. Remaining refractory ore will likely be processed upon completion of the bio-oxidation facility to be developed for Gatsuert at the Boroo facility. Development of the bio-oxidation facility is subject to an acceptable investment agreement that the Company is currently negotiating with the Government of Mongolia.

	Year Ended December 31			
	2009	2008	Change	% Change
Boroo Operating Results				
Gold sold – ounces	165,302	193,477	(28,175)	(15%)
Revenue - \$ millions	161.8	167.7	(5.9)	(4%)
Average realized gold price - \$/oz sold	979	867	112	13%
Cost of sales - \$ millions ⁽¹⁾	59.4	58.9	0.5	1%
Cost of sales - \$/oz sold	360	304	56	18%
Tonnes mined - 000s ⁽²⁾	12,396	21,450	(9,054)	(42%)
Tonnes mined heap leach – 000s	3,481	3,629	(148)	(4%)
Tonnes ore mined direct mill feed -000s	2,913	2,416	497	21%
Tonnes ore milled - 000s	2,077	2,496	(419)	(17%)
Average mill head grade - g/t ^{(3), (4)}	2.56	2.69	(0.13)	(5%)
Recovery - % ⁽³⁾	72.9	77.7	(4.8)	(6%)
Gold produced – ounces	150,550	192,637	(42,087)	(22%)
Total cash cost - \$/oz produced ⁽⁵⁾	456	382	74	19%
Total production cost - \$/oz produced ⁽⁵⁾	673	490	183.2	37%
Capital expenditures - \$ millions	3.3	35.9	(32.6)	(91%)

(1) Cost of sales for 2009 and its comparative years exclude regional office administration.

(2) Includes heap leach material of 3,481,093 tonnes with an average grade of 0.73 g/t in 2009.

(3) Excludes heap leach ore.

(4) g/t means grams per tonne.

(5) Total cash cost and total production cost are non-GAAP Measure and are discussed under “Non-GAAP Measures”.

Revenue and Gold Production:

Revenues for 2009 were \$161.8 million, compared to \$167.7 million in 2008, reflecting lower sales volume partially offset by the higher year-over-year realized gold price. The lower ounces sold resulted from lower production of gold in 2009 mainly due to the operational shutdown resulting from a labour strike and the suspension of Boroo's mining license. Together, these issues resulted in the operation being shutdown from May 26, 2009 to July 27, 2009. (See "Other Corporate Developments – Mongolia".)

Gold production at Boroo was 150,550 ounces in 2009, a reduction of 42,087 ounces of gold produced as compared to 2008. This is mainly due to the lost production as a result of the operational shutdown due to the labour strike and the license suspension, the suspension of operations of the heap leach facility, a lower plant recovery caused by increased fresh ore in the mill feed and lower head grade.

Gold production of 150,550 ounces in 2009 was higher than the guidance of 120,000-130,000 ounces of gold for the year due to higher than expected mill performance in the fourth quarter, higher than expected head grades and better recoveries, specifically in the coarse gold recovery circuit within the grinding circuit.

Cost of sales:

The cost of sales at Boroo for 2009 was \$59.4 million, compared to \$58.9 million in 2008. Although the number of ounces sold decreased by 28,175 ounces, the cost of ounces sold was higher due mainly to the lower grades and recoveries resulting in more effort required to produce each ounce. The cost per ounce sold of \$360 per ounce in 2009 (\$304 per ounce in 2008) was higher due to the decrease in the gold production partially offset by lower operating costs. The lower cost per ounce in 2008 also benefited from the capitalization of costs associated with pre-stripping activities in pit 3, which ended by the end of 2008.

The operating costs (including costs such as mining, processing, site administration, royalties and production taxes) for the year at Boroo decreased by \$6.3 million compared to 2008.

Mining costs in 2009 decreased 24% to \$20.0 million, \$6.2 million lower than in 2008. The costs were lower mainly due to the reduced mining activity resulting from the strike and the license suspension, as well as a decision to lower the production rate to 40,000 tonnes per day in 2009 from 60,000 tonnes per day in 2008. As a result of the reduced mining activity, the costs of diesel fuel were lower by \$8.1 million, equipment rental by \$4.5 million, blasting by \$2.8 million, maintenance by \$1.6 million, and other consumables by \$0.8 million. These cost savings were partially offset by no credit for allocation to the capitalized pre-stripping in 2009, while the 2008 mining costs had an \$11.6 million credit for allocation to the capitalized pre-stripping. The diesel costs were also lower due to the decrease in the unit cost of diesel to \$0.72/liter in 2009 from \$1.12/liter in 2008.

Milling costs in 2009 decreased 4% to \$17.8 million, \$0.7 million lower than in 2008. The costs were lower mainly due to cost savings on power, which were lower by \$0.8 million, as a result of the weakness of the Mongolian Tugrik exchange rate against the U.S. dollar and the plant shutdown.

Heap leaching costs in 2009 increased to \$6.7 million compared to \$4.2 million in 2008. In 2009 most of the costs were related to the crushing and stacking activities as the mine stopped adding cyanide to the heap leach pad at the end of April 2009 due to the expiry of the temporary operating permit for the heap leach operation. However, the crushing and stacking activities continued throughout 2009 and were significantly higher compared to the prior year (tonnes crushed increased by 825% and tonnes stacked by 466%). As a result of the increased crushing and stacking activities, the labour costs in 2009 were higher by \$0.4 million, maintenance costs by \$1.3 million, and diesel costs by \$0.9 million.

Site administration costs in 2009 decreased 15% to \$8.0 million, \$1.4 million lower than in 2008. This is mainly due to lower local labour costs (\$0.7 million) as a result of the weakening of the Mongolian Tugrik against the U.S. dollar, lower expatriate labour costs due to the reduction in the expatriate personnel (\$0.2 million), and lower camp catering contractor costs (\$0.5 million) due to the reduction in the number of employees working and residing at the mine site.

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

Total cash costs per ounce produced increased to \$456 per ounce for 2009 compared to \$382 per ounce in 2008. This increase reflects the 22% decrease in produced ounces partially offset by the decrease in the operating costs described above. (Total cash cost per ounce is a non-GAAP measure and is discussed under “Non-GAAP Measures”.) Total cash cost of \$456 per ounce produced in 2009 was lower than the guidance of \$495-\$535 per ounce produced due to higher than expected gold production in the fourth quarter.

Mine Standby Costs:

Standby costs at the Boroo mine in 2009 totalled \$4.1 million as a result of the temporary suspension of mine operations. The suspension was due to a strike initiated on May 26, 2009 followed by the temporary suspension of Boroo’s main operating licenses by the Mongolian authorities on June 12, 2009. The strike ended on June 17, 2009 and the main operating licenses were reinstated on July 27, 2009. The standby costs incurred during this period were classified on a separate line on Centerra’s income statement. Refer to “Other Corporate Developments”.

Boroo Regional Administration:

Regional administration costs at Boroo in 2009 were \$8.0 million compared to \$6.7 million in 2008. The year-over-year increase was mainly due to higher stock-based compensation (\$0.8 million) due to the increase in the price of the Centerra stock, and higher other operating costs (\$0.5 million).

Depreciation and Amortization:

Depreciation and amortization costs were \$29.5 million in 2009, \$11.3 million or 62% higher than in 2008 due to the amortization of the pit 3 pre-strip costs capitalized in 2008. In 2009, the entire mine production came from pit 3.

Exploration:

No exploration expenditures were incurred at the Boroo mine site in 2009 compared to \$0.9 million in 2008. Total expenditures for Mongolia in 2009 were \$3.4 million compared to \$3.2 million in 2008. During 2009 exploration work focused on target definition and drilling of targets on the Company's extensive land holdings around the Boroo operation and along the Yerogool trend. Drilling was carried out at the Gatsuurt, Biluut, Khar Mod, Khuder and Ulan Bulaag properties. Results continue to be encouraging and additional work is planned for 2010.

Capital Expenditures:

Capital expenditures were \$3.3 million in 2009 incurred entirely to sustain current operations. No growth capital expenditures were incurred in 2009. (See "Risk Factors" and "Caution Regarding Forward Looking Information".)

The Boroo deposit is described in the Company's AIF for the year ended December 31, 2009 and a technical report dated December 17, 2009 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

As at December 31, 2009, Proven and Probable reserves for the Gatsuurt Project are estimated at 13.9 million tonnes averaging 2.9 g/t for a total of 1.28 million ounces of contained gold. Measured and Indicated resources are estimated at 5.8 million tonnes averaging 2.6 g/t for a total of 480,000 ounces of contained gold.

In December 2005, a feasibility study was completed with the conclusion that mining and processing of the Gatsuurt Project ores was technically and economically feasible. The plan proposed in the feasibility study is to mine the Gatsuurt Project ores by open pit mining methods and to transport the mined ore to the Boroo processing plant for gold extraction and the production of doré bars for sale. The mined waste will be stored at the Gatsuurt site in areas designated for that purpose.

The Gatsuurt Project will be developed and mined in two stages. The first stage envisions construction of the haulage road between the Gatsuurt Project area and the Boroo processing plant, construction of a service and administrative center at the Gatsuurt Project site, the development and mining of the Gatsuurt Project oxide and transitional ores, and the construction of a camp and other required infrastructure at the Gatsuurt Project site. The second stage envisions the mining of the Gatsuurt Project sulphide ores, which are refractory in nature, and the construction of a flotation and bio-oxidation facility at the Boroo processing plant to process the Gatsuurt Project sulphide ores, which are refractory in nature.

The Company anticipates overall gold leach recovery of 87% for the Gatsuurt Project oxide ore, and 73% for the transitional ore, using the existing Boroo processing facility. Pilot plant test results have confirmed that an overall gold leach recovery of 87% is achievable for the refractory sulphide ore utilizing BIOX[®] technology followed by cyanide leaching.

As at December 31, 2009, stage 1 construction is in progress with substantial completion, and initiation of oxide and transitional ore delivery to the Boroo site, expected by mid-2010. This schedule is dependent on continuing to receive the required permits and government approvals in a timely manner.

With respect to stage 2, SNC-Lavalin of Toronto, Canada, has been retained by the Company to provide engineering, procurement and construction management services for the construction of the BIOX[®] facility. The preparation of the site location for the facility is currently being constructed adjacent to the Boroo processing plant. It is anticipated that the BIOX[®] facility will be commissioned by the early fourth quarter of 2011, in time for a smooth transition from processing the Gatsuurt Project oxide/transitional ores to the refractory sulphide ores. This schedule is also dependent on continuing to receive the required permits and government approvals in a timely manner. Stage 2 and the associated capital investment will also be dependent on obtaining an acceptable investment agreement for Gatsuurt with the Government of Mongolia.

Golder Associates of Vancouver, Canada, have been retained to design and construct an expanded tailings facility at the Boroo site to contain the Gatsuurt ores. Construction of the expanded facility is scheduled to begin in April 2010.

The total capital cost required to complete construction of the Gatsuurt Project is estimated at \$108 million. As of December 31, 2009, \$15.8 million has been spent and capitalized on the project. (See “Risk Factors” and “Caution Regarding Forward Looking Information”.)

The Gatsuurt deposit is described in the Company’s AIF for the year ended December 31, 2009 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 Results

Financial and Operating Summary	Three Months Ended December 31			
	2009	2008	Change	% Change
Revenue - \$ millions	323.9	241.3	82.6	34%
Cost of sales - \$ millions	74.1	113.4	(39.3)	(35%)
Impairment charge - \$ millions	-	18.8		100%
Net earnings - \$ millions	140.0	42.6	97.3	228%
Earnings per common share - \$ basic and diluted	0.60	0.20	0.40	200%
Cash provided by operations - \$ millions	188.6	103.3	85.3	83%
Capital expenditures - \$ millions	28.7	27.3	1.4	5%
Average realized gold price - \$/oz sold	1,129	806	323	40%
Gold sold – ounces	286,888	299,242	(12,354)	(4%)
Cost of sales - \$/oz sold	258	379	(121)	(32%)
Gold produced – ounces	296,048	284,045	12,003	4%
Total cash cost - \$/oz produced ⁽¹⁾	276	316	(39)	(12%)
Total production cost - \$/oz produced ⁽¹⁾	393	437	(43)	(10%)

(1) Total cash cost and total production cost are non-GAAP measures and are discussed under “Non-GAAP Measures”. As a result of Kumtor's Restated Investment Agreement, total cash cost and total production cost per ounce measures for 2009 and the comparative years have been restated to exclude operating and revenue-based taxes.

Overview

In the fourth quarter of 2009, the Company recorded net earnings of \$140.0 million or \$0.60 per common share, compared to net earnings of \$42.6 million (\$0.20 per common share) after the write-down of the Mongolian goodwill of \$18.8 million.

Revenue and Gold Production:

Revenue in the fourth quarter of 2009 increased to \$323.9 million compared to \$241.3 million during the same period one year earlier. Fourth quarter 2009 revenue reflects a 40% increase in the realized gold price (\$1,129 per ounce in the fourth quarter of 2009 versus \$806 per ounce in the fourth quarter of 2008). Ounces sold in fourth quarter 2009 of 286,888 were 4% lower than the same period of the prior year due to the destocking in the fourth quarter of 2008 of gold inventory built-up from the mining of high grade material in the preceding quarter at Kumtor. The Company produced 296,048 ounces in the fourth quarter of 2009, up from the 165,883 ounces of gold in the third quarter of 2009 and 12,003 ounces more than the 284,045 ounces of gold produced in the fourth quarter of 2008. The higher gold production was primarily due to the higher grade and higher recovery of the SB Zone ore processed at the Kumtor mine during the fourth quarter of 2009 compared to those in the same period of the prior year.

Cost of sales:

Cost of sales of \$74.1 million in the fourth quarter of 2009 was \$39.3 million lower than the same quarter of 2008 (\$113.4 million) due to decreased operating costs (\$9.2 million), the elimination of production taxes at Kumtor (\$18.1 million in the fourth quarter of 2008), increased efficiencies of fixed costs due to higher production (\$8.1 million), and lower sales volumes (\$3.9 million).

Fourth quarter operating costs in 2009 compared to 2008 (including costs such as mining, processing, site administration, royalties and production taxes) have decreased by approximately \$9.2 million. At Kumtor, quarter over quarter, operating costs decreased by \$7.1 million primarily due to lower mining costs as a result of lower purchase prices for diesel fuel and lower costs for maintenance materials and supplies. The average diesel unit cost of \$0.81/Lt in the fourth quarter of 2008 was almost double of the average diesel unit cost of \$0.44/Lt in the same period of 2009.

Operating costs at Boroo were down \$2.1 million quarter over quarter due primarily to lower costs of mine, mill and heap leach consumables partially offset by higher royalty tax expense as a result of the higher gold sales revenue.

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 2009 was \$258 compared to \$379 for the same period of 2008 reflecting a decrease in the operating costs, the elimination of production taxes at Kumtor and an increase in efficiencies of fixed costs due to higher production resulting from higher grades and recoveries, as described above. Total cash cost per ounce produced was \$276 in the fourth quarter of 2009. As described previously, the majority of taxes at Kumtor have been replaced with a revenue-based tax, which is excluded from the total cash costs. With the changes in the tax regime at Kumtor resulting from the Restated Investment Agreement, cash cost per ounce produced now excludes operating and revenue-based taxes. As a result, the cash cost per ounce measure for the fourth quarter 2008 has been restated to \$316 per ounce (from \$379 per ounce reported previously). The year-over-year decrease in unit cash costs was due to the decrease in the total operating costs (including regional office administration), which decreased by 9% (\$39 per ounce) to \$81.8 million in the fourth quarter of 2009 from \$89.6 million in the same period in 2008, as well as due to the 4% or 12,003 ounce increase in the gold production, which led to a decrease in total cash costs on a per ounce produced basis. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost.")

Depreciation, Depletion and Amortization:

Depreciation, depletion and amortization for the fourth quarter of 2009 decreased to \$29.3 million from \$32.8 million in the same quarter of 2008, mainly due to the lower depreciation at Kumtor (\$20.3 million in the fourth quarter of 2009 compared due to \$27.4 million in the same period of the prior year) reflecting the 10% reduction in the ounces sold. The lower depreciation at Kumtor was partially offset by higher depreciation at Boroo (\$8.9 million in the fourth quarter of 2009 compared to \$5.2 million in the same period of the prior year) reflecting both the 36% increase in the ounces sold and higher per unit depreciation as a result of the amortization of the pit 3 pre-strip costs capitalized in 2008. On a per unit basis, depreciation, depletion and amortization for the fourth quarter of 2009 was \$102 per ounce sold compared to \$110 per ounce sold in the same quarter of 2008, reflecting the higher per unit depreciation at Boroo.

Cash Flow:

Cash provided by operations was \$188.6 million for the fourth quarter of 2009 compared to \$103.3 for the fourth quarter of the prior year. The increase reflects primarily the higher gold sales revenues as a result of the higher average realized price of gold.

Capital Expenditures:

Capital expenditures in the fourth quarter of 2009 amounted to \$28.7 million compared to \$27.3 million in the same period of 2008. Capital expenditures included \$5.7 million spent and accrued on sustaining capital projects (\$16.4 million in the same period of 2008) and \$23.0 million invested in growth capital (\$10.9 million in the same period of 2008). The major growth capital initiatives were related to the underground development project at Kumtor (\$12.1 million), and the Gatsuurt development project (\$10.3 million).

Goodwill:

During fourth quarter ended December 31, 2009, the Company undertook its normal annual review of goodwill. As a result, management concluded that current circumstances did not indicate that the carrying value of the Kyrgyz reporting unit exceeded its fair value. At December 31, 2008, the Company recorded an impairment charge for the full value of its Mongolian goodwill (\$18.8 million). The carrying value of the Mongolian reporting unit exceeded its fair value as a result of the shortened mine life due to production at Boroo.

Income Taxes:

The 2009 fourth quarter income tax provision of \$15.5 million compares to an income tax provision of \$11.7 million reported in the fourth quarter of 2008. The increase of \$3.8 million is due to an increase in income in the quarter at Boroo, compared to the prior year.

The Kyrgyz segment did not record income taxes in the fourth quarter of 2009 whereas an income tax expense of \$9.0 million was recorded in the fourth quarter of 2008. As a result of the new agreement with the Kyrgyz Government, Kumtor is no longer subject to income taxes effective from April 30, 2009. (Refer to “Other Corporate Developments”.)

The income tax provision for the Mongolian segment in the fourth quarter of 2009 of \$15.5 million compares to \$2.7 million for the same quarter in 2008. The increase reflects a number of factors, primarily the impact of increased earnings in the fourth quarter of 2010.

A nil income tax provision in the fourth quarter for the North American segment reflects the fact that each entity in the segment incurred a loss for income tax purposes, and that none of these losses have been tax effected.

Exploration:

Exploration expenditures for the fourth quarter of 2009 were \$8.7 million dollars compared to \$7.9 million in the fourth quarter of 2008 reflecting higher spending on new exploration joint ventures in Turkey, Russia, Mongolia and exploration projects in the United States of America.

Kyrgyz Republic

During the fourth quarter of 2009, exploration drilling programs continued in the Kumtor Central Pit. Drilling was focused on testing the southwest extension of the SB Zone outside of the planned open pit, as well as wide-spaced drill testing for strike and down dip extensions of the main mineralized horizons in the Saddle Zone and Northeast Extension Zones. The drilling

extended the strike length of the SB Zone which contributed to the reserve and resource increases released in December 2009. Further drilling is planned in 2010 as the area becomes accessible for drilling.

In addition regional exploration drilling continued in the fourth quarter of 2009 testing targets at Northeast, Muzdusuu, Southwest and Sarytor areas.

Mongolia

During the fourth quarter of 2009 exploration work continued focused on target definition work and drill testing of targets on properties along the Yeroogol trend. Drilling was carried out of the Gatsuurt, Biluut, Khuder, Khar Mod and Ulan Bulaag properties. Results continue to be encouraging and additional work is planned for 2010.

Altairgold

The Company entered into an option/joint venture agreement with Altairgold LLC (“Altairgold”) on December 10, 2009 covering the Zagdal property located in the Tuv Aimag of Mongolia. The Company has a right to earn a 55% interest in the property by spending a total of \$500,000 over three years after which the Company has an additional right to earn an additional 20% of the property by spending \$1,000,000 over a further three years. Thereafter the Company and Altairgold shall further fund the exploration and development of the Zagdal property proportionate to their respective interests. The property is located approximately 25 Km to the northwest of the Boroo operations and covers the Sumber prospect a series of gold bearing quartz veins in a geological setting similar to the Boroo deposits. A program of geological mapping, geochemical and geophysical surveys is planned for 2010 to define targets for drilling.

Russia

Central Asia Gold – Kara Beldyr JV

Under the supervision of Centerra, geochemical and geophysical surveys and limited shallow drilling were completed in 2008 on the Kara Beldyr project in the Tyva Republic, Russia. The results identified two gold bearing structures one of which has been tested by diamond drilling in 2009. The results are encouraging and a second phase of diamond drilling was started in the fourth quarter of 2009 and is expected to be completed in the first quarter of 2010.

Amur Gold – Illichy JV

The Company entered into an option/joint venture agreement with Limited Liability Company Amur Gold (“Amur Gold”) on August 27, 2009 covering the Illichy project in the Illichy Unakhinskiye ore field in Russia. The Company has the right to earn a 51% interest in the property by spending a total of \$1,000,000 over three years after which the Company has a further one-time option to earn an additional 24% interest in the property by spending an additional \$3,000,000 over a further two year period. Thereafter, the Company and Amur Gold shall further fund the exploration and development of the Illichy property proportionate to their respective interests. The property covers the Illichy prospect a potential epithermal gold system. Soil geochemical and geophysical surveys and trenching were completed in the fourth quarter of 2009. Drilling is planned for the first quarter of 2010 to test the targets identified.

Turkey

Centerra entered into two joint venture agreements with junior exploration companies during 2009, adding to the two joint venture agreements the Company signed in 2008.

KEFI Minerals – Artvin JV

Additional target definition work and drilling was completed in the summer of 2009. A second four hole diamond drill program was completed at the end of the fourth quarter of 2009. The results are being evaluated to determine what further work, if any, is warranted.

KEFI Minerals – Bakir Tepe JV

The Company entered into a further option/joint venture agreement with KEFI on December 18, 2009 covering the Bakir Tepe property in Turkey. Centerra has the right to earn a 51% interest in the property by spending a total of \$750,000 over two years. Thereafter, KEFI and the Company shall further fund the exploration and development of the Bakir Tepe property proportionate to their respective interests. However, if KEFI shall ever default on its funding obligations under the agreement, Centerra shall have a one-time right (exercisable at its option) to acquire an additional 24% of the property by spending an amount equal to two times the total amounts spent to date by KEFI and Centerra on the Bakir Tepe property. The property is located in southwest Turkey approximately 400 Km to the southwest of Ankara and covers a potential gold rich volcanogenic massive sulphides target. The property covers a potential gold rich volcanogenic massive sulphides target. A drill program was started at the end of December 2009 to test the target. Drilling is continuing.

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

An application was made to convert the Elmali exploration licence into an exploitation licence which was granted in the fourth quarter of 2009. Additional drilling is planned for the Elmali property in 2010. An eight hole drill program was completed in the first quarter of 2009 on the Samli property. The results were negative and the Samli property was allowed to lapse. Additional target definition work was completed on the Akarca property in the summer of 2009. A fifteen hole diamond drill program to test the targets identified on the Elmali property was completed at the end of the fourth quarter 2009. The results are encouraging and additional drilling is planned in 2010.

Stratex International – Öksüt JV

The Company entered into an option/joint venture agreement with Stratex International Plc (“Stratex”) on August 13, 2009 covering the Öksüt property in Turkey. The Company has a right to earn a 50% interest in the property by spending a total of \$3,000,000 over three years after which the Company has an additional right to earn an additional 20% in the property by spending an additional \$3,000,000 over two years. Thereafter the Company and Stratex shall further fund the exploration and development of the Öksüt property proportionate to their respective interests. The property covers a high sulphidation epithermal system with gold and base metal potential. A limited three hole diamond drill program was completed in the fourth quarter of 2009 to test one of the epithermal targets. The results are encouraging and additional diamond drilling is planned in 2010. Additional geological, geochemical and geophysical work is also planned in 2010 for other areas on the large property to identify additional drill targets.

United States (Nevada)

Work on the Tonopah Divide property continued in the year with two additional drill programs completed in 2009 to follow up on the 2008 results. Overall results from the property are considered favorable and additional drilling is planned for 2010.

Quarterly Results – Last Eight Quarters

Over the last eight quarters, Centerra's results reflect the positive impact of rising gold prices, increased gold production at Kumtor offset by the rising cash costs. The results for the second quarter of 2009 and the first and second quarters of 2008 reflect the impact from unusual items of \$49.3 million of charges and \$4.5 million, and \$42.2 million of gains in the respective 2009 and 2008. The quarterly financial results from 2009 and 2008 are shown below:

Key results by quarter

<i>\$ millions, except per share data</i>	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	324	159	104	98	241	139	143	113
Net earnings (loss)	140	20	(80)	(20)	43	17	56	19
Earnings (loss) per share (basic and diluted)	0.60	0.09	(0.36)	(0.09)	0.20	0.08	0.26	0.09

Balance Sheet

Inventory

Total inventory at December 31, 2009 of \$175 million (\$188 million at December 31, 2008) includes gold inventory of \$69 million (\$77 million in 2008) and supplies inventory of \$106 million (\$111 million in 2007).

Property, Plant and Equipment

The aggregate book value of property, plant and equipment at December 31, 2009 of \$381 million, down from \$395 million at the end of 2008, is allocated as follows: Kyrgyz \$274 million, Mongolia \$105 million and corporate entities \$2 million.

Share capital

As of February 23, 2010, Centerra had 234,857,228 shares outstanding, which includes 18,232,615 common shares issued to the Kyrgyz Republic as a result of the Agreement on New Terms (see "Other Corporate Developments"), and options to acquire 1,816,155 common shares outstanding under its stock option plan with exercise prices ranging between Cdn\$4.68 and Cdn\$14.29 per share, with expiry dates ranging between 2013 and 2018.

Asset Retirement Obligations

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

The Company has estimated the net present value of the total asset retirement obligations to be \$29.7 million as at December 31, 2009 (December 31, 2008 - \$32.8 million). These payments are expected to commence over the next 1 to 8 years. The Company used a historical weighted average credit-adjusted risk-free rate of 6.99% at Kumtor and 8% at Boroo to calculate the present value of the asset retirement obligations.

The decrease in the present value of the obligation of \$3.1 million was mainly as a result of an update to reserves and resources announced by the Company in December 2009, whereby significant new reserves at Kumtor and an extension in the estimated mine life deferred the reclamation spending at the site.

The Company's future undiscounted decommissioning and reclamation costs have been estimated to be \$44.2 million before salvage value of \$8.4 million.

Gold Hedging and Off-Balance Sheet Arrangements

The Company had no gold hedges in place as of December 31, 2009. Centerra currently intends that its gold production will remain unhedged.

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.

Liquidity and Capital Resources

At December 31, 2009, Centerra held cash and cash equivalents of \$176.9 million, plus short-term investments of \$146.0 million. Centerra believes it has sufficient cash to carry out its business plan in 2010, including its exploration plans. To the extent that a new property is acquired and/or developed, additional financing may be required. Continued uncertainty in global financial markets has constrained the ability of most companies to access capital markets funding. Although Centerra has no current requirements for such funding, the markets have retained an interest in gold producers and, under the right conditions equity issues of many of these companies have been well received. With the conclusion in 2009 of the transactions contemplated in the Agreement on New Terms (June 11, 2009) and the divestiture by Cameco of its interest in Centerra (December 30, 2009), management of Centerra believes that the Company is well positioned to grow and may contemplate an equity issue to support growth initiatives. (See "Caution Regarding Forward Looking Information" and "Risk Factors".)

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	2009	2008	2007
Cash provided by operating activities	\$ 246	\$ 166	\$ 41
Cash provided by (used in) investing activities	(220)	(112)	(132)
Cash provided by (used in) financing activities	2	(10)	10
Cash provided (used) during the year	28	44	(81)
Cash and cash equivalents, beginning of the year	149	105	186
Cash and cash equivalents, end of the year	\$177	\$149	\$105

Cash provided by operations was \$246 million in 2009 compared to \$166 million in 2008 and \$41 million in 2007. The change year-over-year reflects increased sales volumes, and higher realized prices, and a decrease in working capital levels, partially offset by higher operating costs.

Investing activities in 2009 were \$220 million, including \$128 million of funds invested in short-term U.S. Government securities and commercial paper, \$40 million of sustaining capital and \$50 million of growth capital spent at the Kumtor and Boroo mines. The comparative in 2008 of \$112 million includes \$18 million in U.S. Government securities and commercial paper settled in the year and further reflects \$47 million of sustaining capital and \$47 million of growth capital spent at the Kumtor and Boroo mines. The \$132 million of cash used for investing activities in 2007 reflects \$9 million of prior commitments settled in the year, \$25 million of sustaining capital, \$91 million of growth capital spending at the Kumtor and Boroo mines, and \$7 million spent on the acquisition of the non-controlling interest.

Working capital, which consists of accounts receivable, prepaids, inventory, supplies and accounts payable, decreased in 2009 by \$45 million compared to an increase of \$48 million in 2008.

Contractual Obligations

The following table summarizes Centerra's contractual obligations, including payments due for the next five years and thereafter, as of December 31, 2009.

\$ 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⁾	\$9.4	\$ 1.1	\$3.5	\$ 2.3	\$ 2.5
Capital equipment ⁽²⁾	106.8	106.8	-	-	-
Operational supplies	28.4	28.4	-	-	-
Boroo					
Conservation fund ⁽³⁾	0.2	0.1	0.1	-	-
Gatsuurt Project					
Capital equipment ⁽²⁾	3.1	3.1			
Corporate					
Program sponsorship ⁽⁴⁾	0.3	0.1	0.2	-	-
Lease of premises ⁽⁵⁾	1.7	0.9	0.8	-	-
Total contractual obligations	\$149.9	\$140.5	\$4.6	\$2.3	\$2.5

(1) Centerra's future decommissioning and reclamation costs for the Kumtor mine are estimated to be \$24.3 million. In 1998, a reclamation trust fund was established to cover the future costs of reclamation, net of expected salvage value which has been estimated, at \$8.4 million. At December 31, 2009, the balance in the fund was \$6.4 million, with the remaining \$9.4 million to be funded over the life of the mine.

(2) Agreement to purchase capital equipment.

- (3) The Company has agreed to donate funds to the Tiamen conservation fund in Mongolia.
- (4) 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.
- (5) Lease of corporate office premises expiring in November 2011.

Overview of 2008 Versus 2007

For the year ended December 31, 2008, the Company recorded net earnings of \$134.8 million or \$0.62 per share, compared to a net loss of \$92.5 million or \$0.43 per share in 2007. The increase reflects a 38% increase in the ounces sold for the year, a 23% increase in realized gold price and the impact of unusual items (described below) which resulted in a significant charge in 2007 as opposed to a gain in 2008. During 2008, the Company recorded a write-down of \$18.8 million to the goodwill of the Mongolia reporting unit and unusual items of \$37.7 million (gain) relating to the reduction to fair value recorded in the second quarter of 2008 of the contingent share obligation under the expired preliminary framework agreement with the Kyrgyz government.

Gross profit, defined as revenue less cost of sales, regional office administration, depreciation, depletion, amortization, accretion and reclamation, was \$206 million in 2008 compared to \$101 million in 2007. This increase was attributable to:

- Revenues for the year ended December 31, 2008 increased by \$262.5 million over 2007 due to higher realized gold prices and the 84% increase in ounces sold at Kumtor, which more than offset the 19% decrease in ounces sold at Boroo. The higher realized gold prices resulted from an increase in the spot market prices. Average realized prices were \$853 per ounce in 2008 compared to \$691 in 2007. The increase in the ounces sold at Kumtor resulted from an increased gold production in 2008, which was 85% higher than in the prior year due to higher grade and higher recoveries. The increase in production at Kumtor was partially offset by the 24% decrease in gold production at Boroo due to lower grade and recoveries.
- Increases in the cost of sales to \$332 million in 2008 from \$207 million in 2007 resulted primarily from more ounces sold and increased costs (higher revenue-based taxes, consumables, and maintenance costs).
- As disclosed previously, the cash cost per ounce produced measures for 2008 and 2007 have been restated due to the exclusion of operating and revenue-based taxes from the cash costs. Therefore, the previously reported cash cost per ounce measures for 2008 and 2007 of \$483 and \$442, have been restated to \$423 and \$404, respectively. The increase in the revised total cash cost per ounce produced mainly reflects the increased operating costs at both operations.
- Depreciation, depletion, amortization, accretion and reclamation increased to \$78 million from \$44 million in 2007 due primarily to the expanded mining fleet at Kumtor. On a per unit basis, depreciation, depletion, amortization, accretion and reclamation amounted to \$107 per ounce sold in 2008 compared to \$84 per ounce sold in 2007.

Interest and other income/expense amounted to \$4.5 million expense compared to \$5.8 million income in 2007. Interest and other income/expense in 2008 reflect a higher loss on the

disposal of assets of \$3.6 million (\$0.3 million in 2007), higher foreign exchange loss of \$1.1 million (\$0.1 million gain in 2007), and lower interest income of \$2.0 million (\$6.7 million in 2007).

Corporate administration costs were \$27 million in 2008 compared with \$25 million in 2007.

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

Cash provided by operations in 2008 was \$166.3 million compared to \$41.3 million in 2007 reflecting higher net earnings, primarily as a result of increased gold sales and the higher average gold price received. Cash used in investing activities totalled \$112.2 million in 2008 compared to \$132.4 million in the prior year, reflecting decreased growth spending.

At December 31, 2008, cash and cash equivalents plus short-term investments totaled \$167.4 million compared to \$105.5 million at December 31, 2007.

Non-GAAP Measures

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

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

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

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

(unaudited) (\$ millions, unless otherwise specified)	Year ended December 31,			Fourth Quarter	
	2009	2008	2007	2009	2008
<i>Centerra:</i>					
Cost of sales, as reported	\$ 295.9	\$ 332.0	\$ 207.3	\$ 74.1	\$ 113.3
Adjust for:					
Refining fees & by-product credits	0.6	(0.1)	0.3	0.2	0.6
Regional office administration	23.2	18.8	19.4	7.5	5.0
Mining Standby Costs	4.1	-	-	-	-
Operating taxes excluded ⁽¹⁾	(8.7)	(44.4)	(21.3)	-	(18.1)
Non-operating costs	(1.3)	1.5	2.3	(0.6)	0.5
Inventory movement	(3.6)	9.3	16.3	0.6	(11.6)
Total cash cost - 100%	\$ 310.2	\$ 317.1	\$ 224.3	\$ 81.8	\$ 89.7
Depreciation, depletion, amortization and accretion	104.3	78.8	44.6	29.5	32.9
Inventory movement - non-cash	(4.5)	3.4	5.1	2.3	1.5
Total production cost - 100%	\$ 410.0	\$ 399.3	\$ 274.0	\$ 113.6	\$ 124.1
Ounces poured - 100% (000)	675.6	748.9	555.4	296.1	284.0
Total cash cost per ounce produced	\$ 459	\$ 423	\$ 404	\$ 276	\$ 316
Total production cost per ounce produced	\$ 607	\$ 533	\$ 494	\$ 384	\$ 437
<i>Kumtor:</i>					
Cost of sales, as reported	\$ 236.5	\$ 273.1	\$ 165.6	\$ 57.4	\$ 96.7
Adjust for:					
Refining fees & by-product credits	0.4	(0.2)	0.1	0.1	0.6
Regional office administration	15.3	12.1	10.8	5.1	3.8
Mining Standby Costs	-	-	-	-	-
Operating taxes excluded ⁽¹⁾	(8.7)	(44.4)	(21.3)	-	(18.1)
Non-operating costs	(0.7)	1.3	2.3	(0.2)	0.3
Inventory movement	(1.2)	1.5	4.8	(1.9)	(16.0)
Total cash cost - 100%	\$ 241.6	\$ 243.4	\$ 162.3	\$ 60.5	\$ 67.3
Depreciation, depletion, amortization and accretion	73.7	60.0	28.5	20.4	27.5
Inventory movement - non-cash	(6.6)	1.5	1.6	1.7	0.5
Total production cost - 100%	\$ 308.7	\$ 304.9	\$ 192.4	\$ 82.6	\$ 95.3
Ounces poured - 100% (000)	525.0	556.3	300.9	247.1	236.5
Total cash cost per ounce produced	\$ 460	\$ 438	\$ 540	\$ 245	\$ 361
Total production cost per ounce produced	\$ 588	\$ 548	\$ 640	\$ 334	\$ 479
<i>Boroo:</i>					
Cost of sales, as reported	\$ 59.4	\$ 58.9	\$ 41.7	\$ 16.7	\$ 16.6
Adjust for:					
Refining fees & by-product credits	0.2	0.1	0.2	0.1	-
Regional office administration	7.9	6.7	8.6	2.4	1.2
Mining Standby Costs	4.1	-	-	-	-
Operating taxes excluded ⁽¹⁾	-	-	-	-	-
Non-operating costs	(0.6)	0.2	-	(0.4)	0.2
Inventory movement	(2.4)	7.8	11.5	2.5	4.4
Total cash cost - 100%	\$ 68.6	\$ 73.7	\$ 62.0	\$ 21.3	\$ 22.4
Depreciation, depletion, amortization and accretion	30.6	18.8	16.1	9.1	5.4
Inventory movement - non-cash	2.1	1.9	3.5	0.6	1.0
Total production cost - 100%	\$ 101.3	\$ 94.4	\$ 81.6	\$ 31.0	\$ 28.8
Ounces poured - 100% (000)	150.6	192.6	254.5	49.0	47.5
Total cash cost per ounce produced	\$ 456	\$ 382	\$ 244	\$ 435	\$ 471
Total production cost per ounce produced	\$ 673	\$ 490	\$ 321	\$ 634	\$ 606

(1) Kumtor's operating taxes under the previous tax regime are removed in both years since these were replaced with a revenue-based tax combining income and operating taxes from the previous regime.

Related Party Transactions

Cameco Corporation

On December 30, 2009 Cameco disposed of all of its ownership in the Company's common stock by way of a public offering and the transfer of 25.3 million common shares to Kyrgyzaltyn. Previously Cameco owned 100% of the Company until Centerra's initial public offering (IPO) in 2004 and with the completion of Centerra's IPO, Cameco held a 52.7% interest in Centerra until December 30, 2009.

A net balance related to inter-company transactions of \$0.6 million was receivable from Cameco at December 31, 2009 (\$0.5 million payable to Cameco at December 31, 2008).

Kyrgyzaltyn and the Government of the Kyrgyz Republic

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

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

(\$ thousands)	Twelve months ended December 31	
	2009	2008
Management fees paid by KGC to Kyrgyzaltyn	\$ 575	\$ 828
Concession payments paid by KGC to Kyrgyz Republic	(116)	2,209
Total	\$ 459	\$ 3,037
Gross gold and silver sales from KGC to Kyrgyzaltyn	\$ 526,066	\$ 470,759
Deduct: refinery and financing charges	(2,362)	(2,465)
Net sales revenue received by KGC from Kyrgyzaltyn	\$ 523,704	\$ 468,294

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to an agreement entered into between KOC, Kyrgyzaltyn and the Government of the Kyrgyz Republic as restated in June 2009. Under the prior arrangements, Kyrgyzaltyn was required to prepay for all gold delivered to it, based on the price of gold on the London Bullion Market on the same day on which KOC provides notice that a consignment is available for purchase.

Pursuant to the Agreement on New Terms, the original Gold and Silver Sale Agreement was amended and restated with new terms. Effective June 11, 2009, Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days.

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn. As at December 31, 2009, \$37.9 million was outstanding under these arrangements (December 31, 2008 - \$24.1 million).

Other Corporate Developments

Kyrgyz Republic

Throughout the latter half of 2008 and into 2009, Centerra held discussions with Cameco and the Government of the Kyrgyz Republic (the “Kyrgyz Government”) to resolve outstanding matters relating to the Kumtor project. On April 24, 2009, Centerra, Cameco and the Kyrgyz Government entered into an Agreement on New Terms for the Kumtor project (the “ANT”). The parties subsequently, on June 11, 2009, entered into restated project agreements (including a Restated Concession Agreement, a Restated Investment Agreement, a Restated Gold and Silver Sale Agreement and a Restated Shareholders’ Agreement) to govern the Kumtor project. These agreements incorporated the provisions of the ANT and settled certain outstanding disputes related to the Kumtor project. In addition on June 11, 2009, pursuant to the terms of the ANT, Centerra issued 18,232,615 common shares from its treasury to Kyrgyzaltyn JSC (Kyrgyzaltyn), a state-owned entity of the Kyrgyz Republic, and upon the satisfaction of certain conditions, Cameco agreed to transfer up to 25,300,000 outstanding common shares of Centerra to Kyrgyzaltyn.

On December 8, 2009, Cameco announced its intention to sell all of its shares in Centerra (except for 25,300,000 common shares which were to be transferred to Kyrgyzaltyn upon the completion of the sale). On December 30, 2009, Cameco completed its sale of all of its common shares, including taking all the necessary steps required to transfer the 25,300,000 common shares of Centerra to Kyrgyzaltyn. As a result of these transactions, and based on publicly available information, Kyrgyzaltyn owns 77,401,766 common shares, representing approximately 33% of the issued and outstanding common shares of Centerra, and the remainder is held by public shareholders. The completion of the ANT in 2009 is a significant positive step for both Centerra and the Kyrgyz Government as it provides a stable foundation for the significant growth investments such as the open pit capital and underground development project described in this report.

Following the completion of the transactions contemplated by the ANT, the Kumtor project is now governed by the following restated agreements:

1. *Restated Concession Agreement*: Restated Concession Agreement dated as of June 6, 2009 among the Kyrgyz Government, on behalf of the Kyrgyz Republic, and Kumtor Gold Company (“KGC”) (“Restated Concession Agreement”), which provides for the expansion of KGC’s existing concession to include the full area of its exploration and development licenses which it held at such time, with an expiry date of December 4, 2042. As of June 11, 2009, when the Restated Concession Agreement came into effect, the existing mining and exploration licenses and associated agreements terminated and were superseded by the Restated Concession Agreement.

2. *Restated Investment Agreement:* Restated Investment Agreement, dated as of June 6, 2009, among the Kyrgyz Government, on behalf of the Kyrgyz Republic, Centerra, KGC and Kumtor Operating Company (“KOC”) (“Restated Investment Agreement”) which sets out the terms and conditions applicable to the operation and development of the Kumtor project including those relating to taxation. See “Results Overview of 2009 versus 2008” for a discussion of the new tax regime.

The Restated Investment Agreement also provides that the Kyrgyz Government will support further and additional exploration activity by Centerra in the Kyrgyz Republic by inviting it to consider opportunities to acquire additional exploration and mining licenses.

3. *Restated Shareholders’ Agreement:* Restated Shareholders’ Agreement, dated as of June 6, 2009, among Kyrgyzaltyn, Cameco and Centerra which sets out the rights and obligations of Cameco and Kyrgyzaltyn with respect to their respective ownership of common shares of Centerra. As a result of the disposition by Cameco on December 30, 2009 of all of the shares of Centerra it held, Cameco ceased to be a party to this agreement.
4. *Restated Gold and Silver Agreement:* Restated Gold and Silver Sale Agreement, dated as of June 6, 2009, among KOC on behalf of KGC, Kyrgyzaltyn and the Kyrgyz Government under which Kyrgyzaltyn agreed to purchase all of the gold produced by the Kumtor project for reprocessing at its refinery in the Kyrgyz Republic. The obligations of Kyrgyzaltyn are secured by a pledge of a portion of the common shares of Centerra owned by Kyrgyzaltyn. See “Related Party Transactions”.

Mongolia

Mongolian Regulatory Matters

On June 12, 2009, the main operating licenses at the Company’s Boroo mine were suspended by the Minerals Resources Authority of Mongolia (“MRAM”) following extensive inspections of the Boroo mine operation conducted by the SSIA. While the suspension was lifted on July 27, 2009, several issues arising from the suspension continue to be discussed by Centerra and the Mongolian regulatory authorities. On October 23, 2009, Centerra received a very significant claim for compensation from the SSIA in respect of certain mineral reserves, including state alluvial reserves covered by the Boroo mine licenses, that are recorded in the Mongolian state reserves registry, but for which there are no or incomplete records or reports of mining activity. Centerra disputes the claim. While Centerra cannot give assurances, it believes settlement will be concluded through negotiation and will not result in a material impact. In addition, the SSIA inspections raised a concern about the production and sale of gold from the Boroo heap leach facility. The heap leach facility was operated under a temporary permit from June 2008 until the expiry of the temporary permit in April, 2009 and paid all relevant royalties and taxes with respect to gold produced from the heap leach facility during that period. BGC believes that it had all necessary permits to carry out its heap leach activities and that any regulatory concerns are unfounded. BGC is continuing its effort to obtain a final permit for the operation of its heap leach facility at the Boroo mine. Centerra understands that this matter has been referred to the Mongolian Ministry of Mineral Resources and Energy for review but has received no official notice of any concern.

Under the stability agreement relating to the Boroo mine between the Company and the Government of Mongolia, signed July 6, 1998, as amended (the “Boroo Stability Agreement”), the Company is permitted to offset any value added taxes (“VAT”) that it pays against other taxes payable in respect of its Boroo mine operation. In 2009, the Mongolian Ministry of Finance indicated that, despite the Boroo Stability Agreement, Centerra would not longer be permitted to offset its VAT overpayments. This decision was challenged by Centerra and in November 2009, Centerra was notified by Ministry of Finance officials that VAT overpayments up to August 31, 2009 could be offset. Despite this, recovery of any VAT overpayments from September 1, 2009 onwards continues to be subject to negotiations with the Ministry of Finance.

On November 2, 2009, Centerra received a letter from the Mongolian Ministry of Finance reiterating some of the issues raised by the SSIA and indicating that the Boroo Stability Agreement would be terminated if such issues were not resolved within a period of 120 days from the date of the letter. The Company is in discussions with the Ministry of Finance regarding such concerns. While the Company believes that the issues raised by the Ministry of Finance will be resolved through negotiations without a material impact on the Company, there can be no assurance that this will be the case.

Labour Matters

Boroo operations were affected in 2009 as a result of a work stoppage which occurred in May 2009 among Boroo’s unionized employees. The work stoppage was settled on June 16, 2009.

Mongolian Legislation

In July 2009, the Mongolian Parliament enacted legislation that would prohibit mineral prospecting, exploration and mining in water basins and forest areas in the territory of Mongolia and provides for the revocation of licenses affecting such areas. Regulations under the new legislation, which will specify the affected licenses, have not been prepared or published. The Company understands that prior to the law becoming effective the Mongolian government will undertake physical surveys and consult with local officials to determine which, if any, existing licenses will be subject to the new law. The legislation provides a specific exemption for “mineral deposits of strategic importance”, and accordingly, the main Boroo mining licenses will not be subject to the law. The Company’s Gatsuurt licenses and its other exploration license holdings in Mongolia are currently not so exempt. However, the Company is reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the law having a limited impact on the Company’s Mongolian activities.

In August 2009, the Government of Mongolia repealed its windfall profit tax of 68% in respect of gold sales at a price in excess of U.S.\$850 an ounce, with the repeal to take effect on January 1, 2011. The windfall profit tax will be applicable to the Gatsuurt project (but not the Boroo project). Centerra views this as a positive change and has recently resumed negotiations with the Government of Mongolia with respect to an investment agreement for the Gatsuurt project which would, among other things, stabilize the tax and legal regime applicable to the development of the Gatsuurt project.

Other

On February 4, 2010, Centerra Gold (U.S.) Inc. signed a purchase agreement with Rye Patch Gold Corp. and its U.S. subsidiary, Rye Patch Gold US Inc. (collectively “Rye Patch”) for the sale of Centerra Gold (U.S.) Inc.’s interest in the REN project in Nevada, subject to the joint venture project partner, Homestake Mining Company of California (a subsidiary of Barrick Gold Corporation) waiving its pre-emptive right to acquire Centerra Gold (U.S.) Inc.’s interest and Rye Patch obtaining TSX Venture approval (the “Conditions Precedent”). The purchase price for the acquisition is \$42 million payable as follows: (i) \$2 million within 2 business days after satisfaction of both Condition Precedents (the “First Payment Date”); (ii) \$10 million on or before the second anniversary of the First Payment Date, at Rye Patch’s election, or, at Rye Patch’s election, it may issue up to \$5 million in Rye Patch common shares and pay the balance of the \$10 million in cash; and (iii) \$30 million on or before the third anniversary of the First Payment Date, or, at Rye Patch’s election, it may issue up to \$15 million in Rye Patch common shares and pay the balance of the \$30 million in cash.

From the First Payment Date, Rye Patch has agreed to perform all of Centerra Gold (U.S.) Inc.'s obligations under the REN joint venture agreement, including acting as manager. When the purchase price has been paid in full, Centerra Gold (U.S.) Inc. has agreed to transfer the joint venture interest to Rye Patch's subsidiary, Rye Patch Gold US Inc.

For information on forward-looking information, see “Caution Regarding Forward-Looking Information”. For information regarding risk factors relevant to Centerra and its operations, please see “Risk Factors” in this MD&A and in the Company’s Annual Information Form for the year ended December 31, 2009.

Critical Accounting Estimates

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

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

Depreciation and depletion of property, plant and equipment directly involved in mining and milling operations is primarily calculated using the “unit of production” method. This method

allocates the cost of an asset to each period based on current period production as a portion of total lifetime production or a portion of estimated recoverable ore reserves. Estimates of lifetime production and amounts of recoverable reserves are subject to judgment and could change significantly over time. If actual reserves prove to be significantly different than the estimates, there would be a material impact on the amounts of depreciation and depletion charged to earnings.

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

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

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

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

Grants under Centerra's stock-based compensation plans are accounted for in accordance with the fair-value-based method of accounting. For stock-based compensation plans that will settle through the issuance of equity such as stock options, the fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model, while for the cash-settled stock-based compensation, fair value is determined based on the market value of the Company's common shares at the reporting date. In addition, option valuation models require the input of somewhat subjective assumptions including expected share price volatility.

Changes in Accounting Policies ⁽¹⁾

Centerra's audited consolidated financial statements for the year-ended December 31, 2009 were prepared following accounting policies consistent with Centerra's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2008, except for the following changes in accounting policies.

Effective January 1, 2009, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (“CICA”) Handbook section 3064, *Goodwill and Intangible assets*. This standard establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have an impact on the Company’s consolidated financial statements.

Effective January 1, 2009, the Company adopted the new recommendations of CICA issued EIC 173, *Credit risk and the fair value of financial assets and liabilities*. This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. The adoption of this standard did not have an impact on the Company’s consolidated financial statements.

On March 27, 2009, the Emerging Issues Committee of the CICA approved abstract EIC-174, *Mining Exploration Costs*, which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. Application of this new standard did not have an impact on the Company’s consolidated financial statements.

In June 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures*, to improve disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments, which have been aligned with that of IFRS 7, *Financial Instruments: Disclosure* requires a three-level hierarchy ranking that reflects the significance and transparency of the inputs used to measure the fair values of financial assets and liabilities. The Company has included additional disclosures in its financial statement notes, as required by Section 3862.

⁽¹⁾ See note 4 to Centerra's financial statements for the twelve months ended December 31, 2009 for a more detailed discussion of the changes in accounting policies.

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

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

The Company commenced its IFRS conversion project during 2008 and established a formal project governance structure, including an IFRS Steering Committee, to monitor the progress and critical decisions in the transition to IFRS. The Steering Committee consists of senior

financial management and an external advisor. An external consultant was engaged to work with the Company's designated project staff, which consists of employees from Finance, Treasury, Legal, Information Technology, Human Resources, Operations, Internal Audit and Investor Relations, among others to complete the conversion. Regular reporting has been provided by the project team to the Steering Committee and the Audit Committee of the Board of Directors. The external auditors have also been consulted throughout the process.

As previously disclosed by the Company, the Company's conversion project will be completed in four phases: preliminary study, evaluation, development, and implementation. To date, the project is progressing according to plan.

During 2008 the Company completed the preliminary study phase of the project which involved a high level review of the major differences between current Canadian GAAP and IFRS as related to the Company's accounting policies. During 2009 the Company provided formalized training for senior management and Board of Directors as a first part of its overall executive training program.

The Company commenced work on the evaluation and development phases in 2008 which continued during 2009. As part of the evaluation and development phases of the IFRS project, the Company performed the evaluation and assessment of the IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") transition standard with the purpose of selecting the optional exemptions allowed to the Company upon transition to IFRS. IFRS 1 sets forth guidance for the initial adoption of IFRS. IFRS 1 generally requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect as at the first annual reporting date. IFRS 1 provides for certain mandatory exceptions and optional exemptions to this general principle for first time adopters of IFRS.

The Company expects to elect the following IFRS 1 optional exemptions and apply mandatory exemption which may have a significant impact on the Company's results:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from January 1, 2010 (the "Transition Date");
- to apply the requirements of IFRS 2, *Share-based payments*, to share-based payments granted which had not vested as of the Transition Date;
- to apply the borrowing cost exemption and apply IAS 23 –*Borrowing Costs* prospectively from the Transition Date; and
- elect not to comply with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* for changes in such liabilities that occurred before the Transition Date.

Mandatory exemption provides that changes to estimates previously made are not permitted. The estimates previously made by the Company under Canadian GAAP will not be revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

During 2009 the Company completed a preliminary in-depth review of its accounting policies and the impact from adopting IFRS, as well as the associated impact of the IFRS transition on business activities. As a result, IFRS-compliant accounting policies were developed by the Company, subject to future changes or revisions that may be needed as a result of updates to the IFRS standards as determined by the International Accounting Standard Board ("IASB")

and the Accounting Standards Board (Canada). These IFRS-compliant accounting policies were presented and discussed with management and the Audit Committee of the Board of Directors for their review.

As of December 31, 2009, the Company had substantially completed the evaluation and development phases of its IFRS conversion project. The following areas have been identified where the accounting differences, including presentation and disclosures, between Canadian GAAP and existing IFRS may have an impact on the Company's consolidated financial statements. The accounting differences described below should not be regarded as a complete list of areas that may be impacted by the transition to IFRS. Analysis of accounting policies is still in progress and may be subject to changes as Centerra continues with the implementation phase of the project, particularly where choices of accounting policies are available.

Property, plant and equipment – Separate accounting for components of property, plant and equipment is more vigorously applied and broader under IFRS. Costs are allocated to significant parts of an asset if the useful lives differ, and each part is then separately depreciated.

Exploration and evaluation – IFRS 6, *Exploration for and Evaluation of Mineral Resources*, allows an entity to either develop a new accounting policy for exploration and evaluation expenditures consistent with IFRS requirements or continue to follow the Company's existing policy.

Income taxes – Existing IFRS requires the recognition of deferred taxes in situations not required under Canadian GAAP. Specifically, a deferred tax liability (asset) is recognized for exchange gains and losses relating to foreign non-monetary assets and liabilities that are re-measured into the functional currency using historical exchange rates. Similar timing differences are also recognized for the difference in tax bases between jurisdictions as a result of intra-group transfer of assets.

Asset impairment – Under IFRS, assets are tested for impairment either individually or within cash generating units. This approach reflects the smallest group of assets capable of generating largely independent cash inflows, which may differ from asset groups under Canadian GAAP. Impairment charges relating to long-lived assets may be more frequent under IFRS as the cash flow test for recoverability is based on a one step discounted cash flow approach. Impairment under IFRS is recognized if the carrying amount exceeds the higher of fair value less cost to sell, or value in use. Unlike Canadian GAAP, reversal of impairment charges is required under IFRS if the circumstances leading to the impairment no longer exist..

Provision for reclamation and rehabilitation – The key areas of difference between IFRS and Canadian GAAP include the discount rate used, the re-measurement requirements, and the constructive obligation concept. Under IFRS, a liability must be recognized at the time when the entity becomes legally or constructively obliged to rehabilitate disturbance resulting from mining activities, while under Canadian GAAP, a liability is only recognized when the entity is legally bound. Discount rates used should reflect the risks specific to the decommissioning provision. Unlike IFRSs, under Canadian GAAP discount rates for asset retirement obligations are based on the entity's credit-adjusted risk-free rate. IFRS requires re-measurement of the liability at each reporting date whereas Canadian GAAP requires re-measurement of the liability in the

event of changes in the amount or timing of cash flows required to settle the obligation. The use of the current discount rate for all changes in estimates combined with the requirement to re-measure the liability at each reporting date under IFRS will significantly simplify the process required to measure any restoration liabilities as there will no longer be a need to record separate layers for the original liability and each subsequent upward revision in estimated cash flows. The presentation of the accretion is required to be presented as an interest expense and included in “finance costs” on the statement of earnings under IFRS. Under current Canadian GAAP, the Company presents the accretion charge as a separate line item on the face of the income statement within operating earnings.

Share-based payments– While there is convergence in that share based payments are recognized as an expense, there are a number of measurement differences. IFRS requires that cash-settled share based payments be accounted for using a fair value method, as opposed to an intrinsic value under Canadian GAAP. IFRS requires that when the employee has the choice of settling for cash or shares, the entity has been deemed to have granted a compound instrument and this must separately account for the debt and equity components. Unlike IFRSs, Canadian GAAP requires that when the employee has the choice of settling for cash or shares, the award is accounted for as a liability based on its intrinsic value. If modifications are made to share based payments, differences could arise due to the specific guidance in IFRS that is absent from Canadian GAAP.

Presentation of Financial Statements – The conversion to IFRS will impact the way the Company presents its financial results. The first financial statements prepared using IFRS (i.e. interim financial statements for the three months ended March 31, 2011) will include numerous notes disclosing extensive transitional information with continuity reconciliations and full disclosure of all new IFRS accounting policies.

During 2009 the Company performed an assessment of the information technology systems that support consolidation and financial reporting. During the assessment, the Company carried out testing and developed alternative structures within the consolidation system to allow for parallel and dual reporting under Canadian GAAP and IFRS standards commencing in the first quarter of 2010. From the assessment performed and changes already made, the Company does not anticipate requiring further significant changes to the information technology systems.

The Company performed an initial assessment and evaluation of internal control design and effectiveness for all accounting policy changes identified. From the assessment and evaluation performed, the Company does not anticipate any significant impact on internal controls. With the completion of the evaluation and development phases, the Company is currently working through the implementation phase, which includes a plan to quantify, where possible, the impact these new policies have on our financial statements, and document the related internal controls. This exercise will either validate our accounting policy choices or indicate where modifications are required. The Company will adjust its Canadian GAAP balance sheet to IFRS during the implementation phase as its IFRS opening balance sheet as at the transition date of January 1, 2010.

Commencing for the period ended March 31, 2011 the Company will restate its comparative fiscal 2010 financial statements for annual and interim periods to be consistent with IFRS. In addition, the Company will reconcile equity and net earnings from the previously reported fiscal 2010 Canadian GAAP amounts to the restated 2010 IFRS amounts.

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

The project team assigned to the conversion to IFRS standards is working through a detailed IFRS transition plan, and certain project activities and milestones could change. Centerra is monitoring the impact of the IFRS conversion on various functional activities of the Company. IFRS disclosure in the MD&A will be updated throughout the project.

Given the progress of the project and outcomes identified, the Company could modify choices made between the time of communicating these key milestones and the changeover date. Further, changes in regulation or economic conditions at the date of the changeover or throughout the project could result in changes to the transition plan being different from those communicated.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

As of December 31, 2009, Centerra evaluated its disclosure controls and procedures and internal control over financial reporting, as defined in the rules of the Canadian Securities Administrators. These evaluations were carried out under the supervision of and with the participation of management, including Centerra's Chief Executive Officer and the Chief Financial Officer. Based on these evaluations, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures and internal control over financial reporting were effective.

Sustainable Development

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

Outlook for 2010

Centerra's 2010 consolidated gold production is forecast to be in the 640,000 to 700,000 ounce range. Total cash cost in 2010 is expected to be between \$460 and \$505 per ounce. Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measures”.

The Kumtor mine is expected to produce between 520,000 to 560,000 ounces in 2010, which excludes any production from the nearby Sarytor deposit, which will be mined in 2012. Total cash cost for 2010 is expected to be \$430 to \$460 per ounce produced.

On a quarterly break-down Kumtor's 2010 gold production profile will be somewhat similar to 2009, except that during the first quarter higher grade material will be processed as a result of the high-grade stockpile established in the fourth quarter of 2009 as well as continued mining of the high-grade material in the SB zone during January of 2010.. The planned mining sequence for the year has approximately 28% of gold production being recovered in the first quarter and 43% in the fourth quarter. The second and third quarters of 2010 will have lower production due primarily to the sequence of mining in the Kumtor pit as well as the anticipated change of the ball mill ring gear at the end of second quarter and replacement of the SAG mill liner in the third quarter at the Kumtor mill.

At Boroo/Gatsuurt, gold production is forecast to be 120,000 to 140,000 ounces. The forecast assumes that:

- the Company has received the final operating permit for the Boroo heap leach facility by mid April, 2010 allowing it to restart the heap leach within days of receiving the permit. Approximately 36,000 ounces of gold production is planned from the heap leach and,
- all permitting and commissioning requirements for mining activities at Gatsuurt are in place by mid 2010 in order to allow for the commencement of processing of Gatsuurt oxide ore in the second half of 2010 (expected production of approximately 52,000 ounces of gold from the Gatsuurt project).

Boroo/Gatsuurt total cash cost is expected to be \$590 to \$690 per ounce in 2010 reflecting the Gatsuurt start-up. See also “Mongolian Regulatory Matters” and other material assumptions set out below.

Centerra’s Production and Unit Cost – 2009 and 2010 Forecast as follows:

Production <i>Ounces of gold</i>	2010 Forecast	2009 Actual
Kumtor	520,000 – 560,000	525,042
Boroo / Gatsuurt	120,000 – 140,000	150,550
Total Consolidated	640,000 – 700,000	675,592

Total Cash Cost ⁽¹⁾ <i>\$ per ounce</i>	2010 Forecast	2009 Actual
Kumtor	430 – 460	460
Boroo / Gatsuurt	590 – 690	456
Consolidated	460 – 505	459

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

Exploration

Exploration expenditures of \$30 million are planned for 2010, an increase from \$25 million spent in 2009. The 2010 program will continue the aggressive exploration work at the Kumtor mine with \$12.6 million of planned expenditures to test for additional open pit and underground resources. Initially, \$2.1 million is allocated for target definition work and drill programs on our large land holdings in Mongolia. In addition, drilling and generative programs will be continued in Russia (\$2.7 million), Turkey (\$2.9 million) and Nevada (\$2.1 million) with drilling programs continuing on the four joint ventures and two projects generated in 2008 and on the four new joint ventures acquired in 2009.

Capital Expenditures

The capital expenditures for 2010 are estimated to be \$276.4 million, including \$49.7 million of sustaining capital and \$226.7 million of growth capital.

Capital expenditures include:

Projects	2010 Growth Capital (millions of dollars)	2010 Sustaining Capital (millions of dollars)
Kumtor mine	\$152.1	\$44.3
Boroo mine	\$0.8	\$5.0
Gatsuurt project	\$73.8	0
Consolidated Total	\$226.7	\$49.7

Kumtor

At Kumtor, during 2010 the largest sustaining capital spending will be on the major overhaul maintenance of the heavy duty mine equipment (\$21.9 million) and mill equipment overhaul (\$1.8 million). Sustaining capital spending also includes \$6.8 million expenditures for shear key, buttress and tailings dam construction works and a waste dump expansion project (\$1.2 million) will be implemented to reduce the geotechnical risk of the Davidov glacier movement.

The significant growth capital investment of \$152.1 million during 2010 at Kumtor will enable Centerra to develop the long-term potential of the mine, by expanding and renewing the open pit mining fleet, increasing ice haulage capacity and continuing the underground development.

Included in this, the North Wall Expansion project's growth capital requirements for 2010 are estimated at \$92.9 million primarily for purchases of mining and auxiliary support equipment to renew and expand the mining fleet. To increase haulage capacity to manage the ice/waste movement in the High Movement Area, seven new CAT 789 haul trucks for a total cost of \$19.7 million will be acquired early in 2010. It is expected that the trucks will be delivered in the second quarter of 2010. The underground growth capital, for developing the SB Zone and Stockwork Zone, as well as, for delineation drilling and capital purchases, is estimated to be \$37.6 million in 2010.

Boroo & Gatsuurt

At Boroo, 2010 sustaining capital expenditures are expected to be \$5.0 million, primarily for the purchase of new ball and SAG mill gears (\$2.1 million) and mobile equipment component change-outs (\$1.9 million).

At Gatsuurt, expected 2010 growth capital spending remains unchanged at \$73.8 million which includes completion of the Gatsuurt site infrastructure including the haul road between Gatsuurt and Boroo (\$6.4 million), purchase of mobile equipment to be used at the Gatsuurt site (\$6.3 million), pre-stripping of the Gatsuurt sulphide orebody (\$12.9 million), expansion of the existing Boroo tailings facility to contain Gatsuurt oxide and sulphide tailings (\$4.9 million), and the engineering and construction of the Boroo bio-oxidation facility to process the Gatsuurt sulphide ore (\$40 million).

The Company has implemented a phased approach to the development of the Gatsuurt orebody consisting of an oxide project component and a sulphide project component. It is anticipated that the Gatsuurt oxide ores will begin to be processed through the Boroo facility in the third quarter of 2010 for an expected 2010 capital expenditure of approximately \$15 million (\$6.4 million for development and infrastructure, \$6.3 million for mobile equipment, and \$2.3 million for tailings expansion). Development of the sulphide project accounts for the remaining \$58.8 million in expected 2010 growth capital expenditure. The sulphide project is currently in the engineering phase of development. The balance of the capital for the development of the deeper sulphide ores at Gatsuurt will only be invested if the Company is successful in obtaining an acceptable investment agreement for Gatsuurt with the Government of Mongolia.

Administration

Annual corporate and administration expenses without unusual items are expected to amount to approximately \$34 million in 2010.

Corporate Income Taxes

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

The corporate income tax rate for Centerra's Mongolian subsidiary, Boroo Gold Company, for 2010 and subsequent years, is 25% for taxable income over 3 billion Mongolian tugriks (approximately \$2.1 million at the 2009 year-end foreign exchange rate) with a tax rate of 10% for taxable income up to that amount.

Production, cost and capital forecasts for 2010 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed under the headings "Assumptions", "Risk Factors" and "Caution Regarding Forward-Looking Information".

Sensitivities

Centerra's revenues, earnings and cash flows for 2010 are sensitive to changes in certain variables and the Company has estimated their impact on revenues, net earnings and cash from operations.

	Change	Impact on (\$ millions)			
		Costs	Revenues	Cash flow	Earnings before income tax
Gold Price	\$50/oz	5.9	34.4	27.2	28.5
Diesel Fuel ⁽¹⁾	10%	4.8	-	4.4	4.4
Kyrgyz som	1 som	1.6	-	1.6	1.6
Mongolian tugrik	25 tugrik	0.3	-	0.3	0.3
Canadian dollar	10 cents	2.6	-	2.6	2.6

⁽¹⁾ a 10% change in diesel fuel price equals \$7/oz produced

Material Assumptions

Material assumptions or factors used to forecast production and costs include the following:

- a gold price of \$1,000 per ounce,
- exchange rates:
 - \$1USD:\$1.04 CAD
 - \$1USD:43.50 Kyrgyz Som
 - \$1USD:1,390 Mongolian Tugrik
 - \$1USD:0.68 Euro
- diesel fuel price assumption:
 - \$0.61/litre at Kumtor
 - \$0.81/litre at Boroo

Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was \$78 per barrel.

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

- grades and recoveries at Kumtor will remain consistent with the life-of-mine plan to achieve the forecast gold production,
- the dewatering and depressurization programs at Kumtor continue to produce the expected results and the water management system works as planned,
- the remedial plan to deal with the Kumtor waste and ice movement is successful, see "Kumtor Mine - Remedial Plan to Manage the High Movement Area" in the Company's December 7, 2009 news release,
- the equipment to execute the Company's remedial plan to manage the high movement area at Kumtor is available for purchase and will be delivered on time,
- issues concerning value-added tax at Boroo raised by the Ministry of Finance will be resolved through negotiation without material adverse impact on Centerra;
- certain issues at Boroo raised by the General Department of Specialized Inspection concerning state alluvial reserves will be resolved through negotiation without material adverse impact on the Company, (see "Other Corporate Developments - Mongolia"),

- Boroo ore does not become more refractory in nature than anticipated, affecting mill recoveries,
- prices for fuel oil, reagents and other consumables will remain consistent with Centerra's estimates
- no further suspension of Boroo's operating licenses occurs,
- Boroo receives the final operating permit for the heap leach facility by mid April, 2010 allowing it to restart the heap leach process within days of receiving the permit,
- permitting and commissioning requirements for mining activities at Gatsuurt are in place by mid-2010 in order to allow for the commencement of processing of Gatsuurt oxide ore in the timeframe planned,
- the commitment of capital for developing the Gatsuurt sulphides is dependent on signing an acceptable investment agreement with the Government of Mongolia,
- the development of Gatsuurt will be exempt from the new forest and water basin legislation in Mongolia, see "Other Corporate Developments – Mongolia - Legislation", and
- all necessary permits, licences and approvals are received in a timely manner.

Production and cost forecasts and capital estimates are forward-looking information and are based on key assumptions and subject to material risk factors. If any event arising from these risks occurs, the Company's business, prospects, financial condition, results of operations or cash flows could be adversely affected. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect the Company's business operations, prospects, financial condition, results of operations or cash flows. See the sections entitled "Recent Developments" and "Risk Factors" in the Company's [prospectus dated December 21, 2009], available on SEDAR at www.sedar.com and see also the discussion below under the heading "Cautionary Note Regarding Forward-Looking Information".

Qualified Person

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

Risk Factors

Below are some risk factors that Centerra believes can have a material effect on the profitability, future cash flow, earnings, results of operations, stated reserves and financial condition of Centerra. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect

the Company's business operations, prospects, financial condition, results of operations or cash flows. A complete list of the Company's risk factors can be found in Centerra's AIF which is filed on SEDAR at www.sedar.com.

Centerra's business is sensitive to the volatility of gold prices

Centerra's revenue is largely dependent on the world market price of gold. Gold prices are subject to volatile movements over time and are affected by numerous factors beyond Centerra'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 Centerra'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. Centerra 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 Centerra's gold reserves and resources. These factors could have an adverse impact on Centerra's future cash flows, earnings, results of operations, stated reserves and financial condition.

Centerra's principal operations are located in the Kyrgyz Republic and Mongolia and are subject to political risk

All of Centerra's current gold production and reserves are derived from assets located in the Kyrgyz Republic and Mongolia, countries that have experienced political difficulties in recent years including, in the Kyrgyz Republic, a revolution in March 2005 that resulted in the ouster of the long-time incumbent President. Accordingly, there continues to be a risk of future political instability.

Centerra's mining operations and gold exploration activities are affected in varying degrees by political stability and government regulations relating to foreign investment, social unrest, 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, extreme fluctuations in currency rates and high inflation and sovereign debt in Central Asia and the former Soviet Union. The relevant governments have entered into contracts with Centerra or granted permits, licenses or concessions that enable it to conduct operations or exploration and development activities. Notwithstanding these arrangements, Centerra's ability to conduct operations or exploration and development activities is subject to obtaining and/or renewing permits or concessions (including a permanent license with respect to the Boroo heap leach operations and a certificate of temporary land use in relation to its concession area around the Kumtor mine), changes in laws or government regulations or shifts in political attitudes beyond Centerra'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 Centerra's assets will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body. While there are often provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would effectively restore the value of Centerra's original investment. Similarly, Centerra's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, labour legislation, mine safety, and annual fees to maintain mineral properties in good standing. There can be no assurance that the laws in these countries protecting foreign investments will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above. Furthermore, there can be no assurance that the agreements Centerra has with the governments of these countries 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 covering its investments in the Kyrgyz Republic which is intended to mitigate a portion of any losses. The Company does not currently have political risk insurance covering its investments in Mongolia. From time to time, Centerra assesses the costs and benefits of maintaining such insurance and may not continue to purchase the coverage. 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 Centerra's future cash flows, earnings, results of operations and financial condition if not adequately covered by insurance.

Centerra's reserves may not be replaced

The Kumtor and Boroo mines are currently Centerra's only sources of gold production. Based on the current life-of-mine plan, Kumtor will be depleted by 2019. At Boroo, the oxide mill ore will be depleted in 2010, and the heap leach ore will be depleted in 2015. Additionally, if the BIOX™ facility is not constructed, the Boroo transitional ores would be depleted by 2013. If Centerra's existing mineral reserves (including reserves at the Gatsuurt deposit in Mongolia) are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at Kumtor or Boroo or through the acquisition or development of an additional producing mine, this could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition, including as a result of requirements to expend funds for reclamation and decommissioning. Although Centerra is actively engaged in programs to increase mineral reserves and expand the life-of-mine at both Kumtor and Boroo, as well as to develop and mine the Gatsuurt deposit in Mongolia, there can be no assurance that these programs will be successful.

Centerra may experience further ground movements at the Kumtor mine

On July 8, 2002, a highwall ground movement at the Kumtor mine 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, Centerra milled lower grade ore and achieved lower recovery rates. In February 2004, movement was also detected in the southeast

wall of the open pit and a crack was discovered at the crest of the wall. In February 2006, there was further movement detected in the southeast wall of the open pit. In July 2006, there was ground movement in the northeast wall of the open pit that required the adoption of a new mining sequence at Kumtor and resulted in lower than anticipated gold production in 2006. In the first quarter of 2007, minor slope movement was detected in the waste dump above the SB Zone highwall in the Central Pit. Deformation cracks in the waste rock above the till focused attention on wall instability seated in the glacial till between the waste dumps and the underlying bedrock. Drilling has indicated that further push backs of the Kumtor pit will encounter unfrozen, water saturated till. The outer face of the till is frozen and hence the water behind the slope face is pressurized. The depressurization and dewatering programs which were established at the mine in 2008 and continuously operated since, have reduced the hydrological content of the waste dump and the till. The till dewatering program has improved the geotechnical strength of the till. The step out wells have been planned to further intersect ground water that may contribute to the hydrological characteristics. If depressurization of the till and of the underlying rocks cannot be achieved, a flatter slope angle will be required which could lead to a reduction of the mineral reserves mineable by open pit.

Although extensive efforts are employed by Centerra to prevent further ground movement, there is no guarantee against such movements. A future ground movement could result in a significant interruption of operations. Centerra may also experience a loss of reserves or a material increase in costs, if it is necessary to redesign the open pit as a result of a ground movement. The consequences of a 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.

Centerra will experience further waste and ice movement at the Kumtor mine

During 2009, continued movement of waste and ice from the South East Ice Wall into the Kumtor Central pit above the SB Zone section required the mining of ice and waste which reduced the production of ore. While management has developed a plan to manage this movement there is no guarantee that these efforts will avert further negative impact on the Company's expected production, costs and earnings.

Although extensive efforts are being employed by Centerra to manage further waste and ice movements, there is no guarantee that such efforts will be successful or that further waste and ice movements will not adversely affect operations at the Kumtor mine. Future movements could result in a significant interruption of operations or impede access to ore deposits. Centerra may also experience a loss of reserves or a material increase in costs if it is necessary to redesign the open pit as a result of waste and ice movements. The consequences of further waste and ice movement into the Kumtor Central pit will depend upon the extent, 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.

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

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

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

In this regard, the Mongolian Parliament has passed a new Minerals Law that, among other things, empowers Parliament to designate mineral deposits that have a potential impact on national security, economic and social development or deposits that have a potential of producing above 5% of the country's GDP as deposits of strategic importance. The state may take up to a 50% interest in the exploitation of a minerals deposit of strategic importance where state funded exploration was used to determine proven reserves and up to a 34% interest in an investment to be made by a license holder in a mineral deposit of strategic importance where proven reserves were determined through funding sources other than the state budget. The Mongolian Parliament has also recently passed a law prohibiting mineral prospecting, exploration, and mining in water basins and forest areas in Mongolia, which would have the effect of revoking any issued licenses covering such areas.

The Boroo Stability Agreement affords Boroo protection against these laws, but Centerra's Gatsuurt project does not yet have any such benefits. Centerra has been in discussions with the Government of Mongolia to obtain an investment agreement for the development and mining of the Gatsuurt project which would stabilize the tax regime applicable to Gatsuurt, and including whether such new mineral laws will apply to Gatsuurt. There can be no assurance that the negotiations will be successful. In addition, Centerra holds other exploration and mining licenses in Mongolia which are not subject to the Boroo Stability Agreement and which may not be subject to any investment agreement to be entered into for Gatsuurt, and therefore these exploration and mining licenses may become subject to such new Mongolian mining laws.

On June 12, 2009, the main operating licenses at the Company's Boroo mine were suspended by the MRAM following extensive inspections of the Boroo mine operation conducted by the SSIA. In its report, the SSIA expressed its view that a number of deficiencies existed at the Boroo mine. After discussions by Centerra and its subsidiaries with both the MRAM and the SSIA, the suspension of the operating licenses was lifted on July 27, 2009. Despite the lifting of the suspension, several issues arising from the inspections continue to be discussed by Centerra and the Mongolian regulatory authorities.

In particular, on October 23, 2009, the Company received a very significant claim for compensation from the SSIA in respect of certain mineral reserves, including state alluvial reserves covered by the Boroo mine licenses, that are recorded in the Mongolian state reserves registry but for which there are no or incomplete records or reports of mining activity. The Company disputes the claim. While the Company is attempting to settle this claim through negotiation, there can be no assurance that such negotiation can be successfully concluded and any failure to do so could have a material adverse impact on Centerra. In addition, the SSIA inspections raised a concern about the production and sale of gold from the Boroo heap leach facility. The Company understands that the foregoing matter has been referred to the Mongolian Ministry of Finance for review but has received no official notice of any concern.

Furthermore, on November 2, 2009, Centerra received a letter from the Mongolian Ministry of Finance re-iterating some of the issues raised by the SSIA and indicating that the Boroo Stability Agreement would be terminated if such issues were not resolved within a period of 120 days from the date of the letter. The Company is in discussions with the Ministry of Finance regarding such concerns. While the Company believes that the issues raised by the Ministry of Finance will be resolved through negotiations with the authorities without a material impact on the Company, there can be no assurance that this will be the case.

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

Current and future litigation may impact the revenue and profits of the Company

The Company may, currently or in the future, be subject to claims (including class action claims and claims from government regulatory bodies) based on allegations of negligence, breach of statutory duty, public nuisance or private nuisance or otherwise in connection with its operations or investigations relating thereto. While the Company is presently unable to quantify its potential liability under any of the above heads of damage, such liability may be material to the Company and may materially adversely affect its ability to continue operations.

Centerra's reserve and resource estimates may be imprecise

Reserve and resource figures are estimates and no assurances can be given that the indicated levels of gold will be produced or that Centerra will receive the price assumed in determining its reserves. These 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 reflect management's best estimates, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove unreliable.

Furthermore, fluctuations in the market price of gold, as well as increased capital or production costs or reduced recovery rates may render ore reserves uneconomic and may ultimately result in a reduction of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time.

No assurances can be given that any resource estimate will ultimately be reclassified as proven or probable reserves.

If Centerra's reserve or resource figures 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'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 orebodies 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.

Centerra's future exploration and development activities may not be successful

Exploration for and development of gold properties involve significant financial risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling, constructing mining and processing facilities at a site, connecting to a reliable infrastructure, developing metallurgical processes and extracting gold from ore. Centerra cannot ensure that its current exploration and development programs will result in profitable commercial mining operations or replacement of current production at existing mining operations with new reserves. Also, substantial expenses may be incurred on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define reserves that can be mined economically.

Centerra's ability to sustain or increase present levels of gold production is dependent in part on the successful development of new orebodies and/or expansion of existing mining operations. The economic feasibility of development projects is based upon many factors,

including the accuracy of reserve estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental protection; and gold prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

Development projects have no operating history upon which to base estimates of future cash flow. Estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. Centerra also conducts feasibility studies that derive estimates of capital and operating costs based upon many factors, including anticipated tonnage and grades of ore to be mined and processed; the configuration of the orebody; ground and mining conditions; expected recovery rates of the gold from the ore; and anticipated environmental and regulatory compliance costs.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from Centerra's best estimates. It is not unusual for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated. These uncertainties could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Centerra's future prospects may suffer due to enhanced competition for mineral acquisition opportunities

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, Centerra may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that Centerra will acquire any interest in additional operations that would yield reserves or result in commercial mining operations. Centerra's inability to acquire such interests could have an adverse impact on its future cash flows, earnings, results of operations and financial condition. Even if Centerra does acquire such interests, the resultant business arrangements may not ultimately prove beneficial to Centerra's business.

Gold mining is subject to a number of operational risks and Centerra may not be adequately insured for certain risks

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

While Centerra takes measures to mitigate the foregoing risks and hazards, there is no assurance that these risks and hazards will not result in damage to, or destruction of, Centerra's gold properties, personal injury or death, environmental damage, delays in or interruption of or

cessation of production from Centerra's mines or in its exploration or development activities, costs, monetary losses and potential legal liability and adverse community and/or governmental action, all of which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

In March 2008, an unplanned shutdown of the ball mill at Kumtor was required to repair the ring gear which had failed. The repair was completed in late March and the ball mill returned to full operation. The successful repair of the ring gear is considered a temporary repair which will require full replacement; this was originally planned for the third quarter of 2009. This replacement has been postponed until late in the second quarter of 2010 to enable uninterrupted processing of higher grade material in the first quarter of 2010. The Company's expectation is that the temporary repair will be sufficient to sustain operation until then.

Similarly, the maintenance and change out of the Kumtor SAG mill liner which was scheduled for the third quarter of 2009 has been postponed until early in the third quarter of 2010. However, should the current liner and/or the ring gear not last until the rescheduled date for replacement or maintenance, an unplanned shutdown would be required which may have an adverse impact on Centerra's production, future cash flows, earnings, results of operations and financial condition.

The Kumtor tailings dam design was initially approved by the Kyrgyz authorities to elevation 3,670 metres. Subsequent to this approval, it was determined by the Kyrgyz authorities that additional construction permits and authorizations would be required in connection with the raising and the operation of the tailings facility. The tailings dam crest is currently at elevation 3,661 metres. The next tailings dam raising is scheduled for 2010 which will raise the elevation of the tailings dam to 3,664 metres. A tailings dam with 3,670 metres elevation would be sufficient to contain all the tailing generated in the current life of mine plan to 2017. While the Company has obtained the necessary permits and authorizations in the past in connection with tailings dam raises, there are no assurances that such permits and authorizations can be obtained in the future or obtained in the timeframe required by the Company. If all necessary permits and authorizations are not obtained, delays in, or interruptions or cessation of Centerra's production from the Kumtor mine may occur, which may have an adverse impact on Centerra's future cash flows, earnings, results of operations or financial condition.

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

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

Centerra is subject to 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, guidelines and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of different jurisdictions.

Centerra believes it is in material compliance with these laws. Centerra anticipates that it will be required to continue to do so in the future as the historical trend toward stricter laws is likely to continue. The possibility of more stringent laws or more rigorous enforcement of existing laws exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining sites, restriction of areas where exploration, development and mining activities may take place and other environmental matters, each of which could have a material adverse effect on Centerra's exploration, operations and the cost or the viability of a particular project.

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

Centerra's properties, including the Gatsuurt project, may be subject to defects in title

Centerra has investigated its rights to explore and exploit all of its material properties, and, except as described below, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that such rights will not be revoked or significantly altered to Centerra's detriment. There can also be no assurance that Centerra's rights will not be challenged or impugned by third parties, including local governments. On December 6, 2006, Gatsuurt LLC commenced arbitration before the Mongolian National Arbitration Court ("MNAC") alleging non-compliance by Centerra's subsidiary, Centerra Gold Mongolia LLC ("CGM"), with its obligation to complete a feasibility study on the Gatsuurt property by December 31, 2005 and seeking the return of the license. Centerra believed that Gatsuurt LLC's position was without merit. CGM challenged the MNAC's jurisdiction and the independence and impartiality of the Gatsuurt LLC nominee to the arbitration panel. Centerra and Gatsuurt LLC have reached an agreement to terminate arbitration proceedings. Further to that agreement CGM paid U.S.\$1.5 million to Gatsuurt LLC. On signing of a definitive agreement, but subject to CGM having entered into an investment agreement with the Government of Mongolia in respect of the development of the Gatsuurt project, CGM will make a further non-refundable payment to Gatsuurt LLC in the amount of U.S.\$1.5 million. Final settlement with Gatsuurt LLC is subject to the negotiation and signing of a definitive settlement agreement.

Centerra is currently in discussions with the applicable Kyrgyz regulatory authorities regarding a certificate of temporary land use in relation to its concession area in the Kyrgyz Republic. While, Centerra's previous certificate of temporary land use expired on October 1, 2009, the Company expects that a new certificate of temporary land use will be issued, although there can be no assurance that this will be the case.

Although Centerra is not currently aware of any existing title uncertainties with respect to any of its properties except as discussed in the preceding paragraphs, there is no assurance that such uncertainties will not result in future losses or additional expenditures, which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

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

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

The dispute resolution provisions of: (i) the Restated Investment Agreement among the Kyrgyz Government, on behalf of the Kyrgyz Republic, Centerra, KGC and KOC dated June 6, 2009 and (ii) the Boroo Stability Agreement stipulate that any dispute between the parties thereto is to be submitted to international arbitration. However, there can be no assurance that a particular governmental entity or instrumentality will either comply with the provisions of these or any other agreements or voluntarily submit to arbitration. Centerra's inability to enforce its rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

Centerra faces substantial decommissioning and reclamation costs which may be difficult to predict accurately

At each of Centerra's mine sites, Centerra 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. Centerra 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 Centerra's future cash flows, earnings, results of operations and financial condition.

Centerra may experience reduced liquidity and difficulty in obtaining future financing

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

Current global financial conditions

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing and bank credit has been negatively

impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These and other factors may affect Centerra's ability to obtain equity or debt financing in the future on favourable terms. Additionally, these factors, as well as other related factors, may cause decreases in Centerra's asset values that may be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, or if more extensive disruptions of the global financial markets occur, Centerra's operations could be adversely impacted and the trading price of the Shares may be adversely affected.

Short-term investment risks

The Company may from time to time invest excess cash balances in short-term commercial paper or similar securities. Recent market conditions affecting certain types of short-term investments of some North American and European issuers as well as certain financial institutions have resulted in restricted liquidity for these investments. There can be no guarantee that further market disruptions affecting various short-term investments or the potential failure of such financial institutions will not have a negative effect on the liquidity of investments made by the Company.

Centerra's largest shareholder is the Kyrgyz Government

Centerra's largest shareholder is Kyrgyzaltyn, which is owned and controlled by the Kyrgyz Government, and which owns approximately 33% of the common shares of Centerra. Pursuant to the Restated Shareholders Agreement, Kyrgyzaltyn has the right to two nominees to the board of directors of Centerra. There can be no assurance that the Kyrgyz Government will not use its influence as the Company's largest shareholder to materially change the direction of the Company. This concentration of ownership may have the effect of delaying or preventing a change in control of the Company, which may deprive the Company's shareholders of a control premium that might otherwise be offered in connection with such a change of control. The Company is aware that Kyrgyzaltyn has received inquiries regarding the potential acquisition of some or all of its Centerra common shares and the sale by Kyrgyzaltyn of its shareholdings to a third party could result in a new purchasing shareholder obtaining a considerable interest in the Company. Should Kyrgyzaltyn sell some or all of its interest in the Company, there can be no assurance that an offer would be made to the other shareholders of the Company or that the interests of such a shareholder would be consistent with the plans of the Company or that such a sale would not decrease the value of the common shares.

Caution Regarding Forward-Looking Information

Information contained in this Annual MD&A which are not statements of historical facts, including those under the heading "Outlook for 2010", and the documents incorporated by reference herein, may be "forward looking information" for the purposes of Canadian securities laws. Such forward looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward looking information. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking information. These forward-looking statements relate to, among other things, Centerra's expectations regarding future growth, results of operations (including, without limitation, future production and sales, and operating and capital expenditures), performance (both operational and financial, business and political environment and business prospects

(including the timing and development of new deposits and the success of exploration activities) and opportunities.

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. Factors that could cause actual results or events to differ materially from current expectations include, among other things: gold prices, replacement of reserves, reduction in reserves related to geotechnical risks, ground movements, political risk, nationalization risk, changes in laws and regulations, civil unrest, labour unrest, legal compliance costs, reserve and resource estimates, production estimates, exploration and development activities, competition, operational risks, environmental, health and safety risks, costs associated with reclamation and decommissioning, defects in title, seismic activity, cost and availability of labour, material and supplies, increases in production and capital costs, permitting and construction to raise the tailings dam height and increase the capacity of the existing Kumtor tailing dam, costs associated with the movement of ice and waste at the Kumtor mine, the ability to renew and obtain licenses, permits and other rights, costs associated with the resolution of issues at the Boroo mine raised by the Mongolian General Department of Specialized Inspection concerning alluvial reserves and matters relating to the suspension of the Boroo licenses in June 2009, the potential impact of Mongolian legislation prohibiting mineral activity in water basins and forest areas on the Gatsuurt project, the receipt of permitting and commissioning requirements for mining activities at Gatsuurt, the threatened termination of the stability agreement with the Mongolian Government in relation to the Boroo mine, the receipt of a final permit to operate the heap leach operation at the Boroo mine, illegal mining, enforcement of legal rights, decommissioning and reclamation cost estimates, future financing and personnel, and the receipt of all permitting and commissioning requirements for the Gatsuurt mine by mid-2010. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See “Risk Factors” in the Company’s most recently filed AIF available on SEDAR at www.sedar.com.

Reserve and resource figures included in this MD&A 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 these reserve and resource estimates 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 analysis of drilling results and statistical inferences which may ultimately prove unreliable.

Centerra has not adjusted resource 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 or incorporated into future production guidance. If Centerra’s reserve or resource estimates or production guidance 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 and provides production guidance in respect of its mining operations. Centerra can give no assurance that mine life estimates will be achieved or that actual

production will not differ materially from its guidance. Failure to achieve estimates or production guidance could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

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. Interred 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.

There can be no assurances that forward looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward looking information is as of February 23, 2010. Centerra assumes no obligation to update or revise forward looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward looking information, except as required by applicable law.