Centerra Gold Inc.
Management's Discussion and Analysis ("MD&A")
For the period ended September 30, 2012

The following discussion has been prepared as of November 7, 2012, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. ("Centerra" or the "Company") for the three and nine months ended September 30, 2012 in comparison with the corresponding periods ended September 30, 2011. This discussion should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the three and nine months ended September 30, 2012. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the three years ended December 31, 2011, the related MD&A, the Annual Information Form for the year ended December 31, 2011 (the "2011 Annual Information Form") and the condensed consolidated interim financial statements issued for the quarter ended September 30, 2012. The condensed interim financial statements of Centerra are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and the Company's accounting policies as described in note 3 of its annual consolidated financial statements for the year ending December 31, 2011. All dollar amounts are expressed in United States (U.S.) dollars, except as otherwise indicated. In addition, this discussion contains forward-looking information regarding Centerra's business and operations. See "Risk Factors" in the Company's 2011 Annual Information Form and "Caution Regarding Forward-Looking Information" in this discussion. The Company's 2011 Annual Report and 2011 Annual Information Form are available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

TABLE OF CONTENTS

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Overview

Centerra is a gold mining company focused on operating, developing, exploring and acquiring gold properties primarily in Asia, the former Soviet Union and other emerging markets worldwide. Centerra is a leading North American-based gold producer and is the largest Western-based gold producer in Central Asia.

The Company's significant subsidiaries and jointly-controlled entities include its wholly-owned Kumtor Gold Company in the Kyrgyz Republic, Boroo Gold LLC and Centerra Gold Mongolia LLC (owner of the Gatsuurt property and ATO property) in Mongolia, its seventy percent interest in the Kara Beldyr Russian joint venture and fifty percent interest in the Öksüt Turkish joint venture.

Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is headquartered in Toronto, Ontario, Canada.

Recent Developments Affecting Operations

Boroo operations

- Mining operations at Boroo resumed in January 2012 with pre-stripping activities in Pit 6. At the end of second quarter of 2012 ore was exposed at the bottom of Pit 6 and capitalization of the pre-striping costs ceased. During the third quarter the Boroo mill blended Pit 6 ore and stockpiled pit and heap leach material achieving higher head grades but lower recoveries than material processed in the third quarter of 2011. Pit 6 ores are more refractory in nature than other Boroo ores historically mined resulting in a lower recovery.
- Mining activities in Pit 6 were completed in September 2012 while milling of Pit 6 ore is expected to extend to January 2013.
- On September 19, 2012 Boroo received regulatory approval for its mine plan for the heap leach facility and shortly thereafter resumed heap leach operations. The operation achieved breakthrough of solution in mid-October. Boroo estimates that production from the heap leach will add approximately 2,000 ounces of gold per month starting in November. See "Other Corporate Developments- Mongolia".
- The Gatsuurt project remained under care and maintenance during the first nine months of 2012 due to continued delays in permitting resulting from the recently adopted Water and Forest Law which prohibits mining and exploration activities in water basin and forest areas. Further development of the project is subject to receiving all required approvals and regulatory commissioning from the Mongolian Government, which would allow the Gatsuurt project to move forward.

Kumtor operations

- The focus at Kumtor for the third quarter of 2012 was to accelerate the waste mining in the southwest portion of the Kumtor pit (cut-back 14B) and to unload the ice and waste material from the high movement area to provide access to the southeast section of the pit. This focus is a result of the change to the mine plan at Kumtor (announced on March 27, 2012) which has delayed the release of ore from the pit and has therefore rendered the related mining costs

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abnormal (costs for pre-stripping and ice and waste removal), unrelated to current production. Kumtor accessed the new reserves (announced February 9, 2012) in September 2012 and commenced processing ore obtained from cutback 14B on September 18, 2012.

- Due to the delayed release of ore from cut-back 12B and 14A, Kumtor depleted the historical low grade stockpiled material on July 23, 2012 and consequently shut down its mill until September 18, 2012. During the seven week shutdown, planned and unplanned maintenance was performed across all sections of the mill. The company has now obtained access to the ore in cut-back 14B and has sufficient access to ore to achieve normal mill throughput rates.
- The Company began receiving the previously ordered twenty-five new CAT 789 haul trucks, four Hitachi shovels and four large capacity drills to meet the life of mine equipment requirements and to enable it to phase out the older less efficient equipment. At the end of the third quarter of 2012, the Company had commissioned all four large capacity drills, twenty-three CAT 789 trucks and two Hitachi shovels.
- The scheduled arrival of the additional mining equipment has allowed the planned high wall unloading of the waste and ice to remain on schedule. The success of the unloading effort has had the desired effect of minimizing the volume of ice and waste from the High Movement Areas and slowing the historical advance rates. The colder seasonal weather has also contributed to the decreasing advance rates.
- Underground work at Kumtor during the third quarter of 2012 was limited to exploration drilling of the Southwest Extension and SB Zones from drill bays in Declines 1 and 2, respectively and further delineation drilling in the Stockwork Zone. On August 10, 2012, Kumtor suspended the development work on the underground project and placed the project on care and maintenance while conducting a detailed study on the potential for expanding the limits of the ultimate pit.

Event Subsequent to September 30, 2012

On November 7, 2012, the Board of Directors approved the new reserves and the new mine plan for Kumtor that includes a much larger open pit and extends the mine life of Kumtor by 5 years. This decision was made based on the positive outcome of a technical and financial study considering the potential for expanding the limits of the ultimate pit announced by the Company on May 1, 2012. The opportunity to expand the pit was created by the increase in reserves and resources in the SB Zone over the last three years, in conjunction with the decision made on March 27, 2012 to mitigate the impact of the High Movement Areas by offloading the ice and waste in the upper portion of the southeast section of the pit wall.

The expanded open pit mine plan incorporates ounces that were previously classified as inferred underground resources and consumes a significant amount of the existing SB underground development infrastructure. As a result, the Company will de-recognize the capitalized cost of the underground development and underground equipment and record an after-tax charge of between approximately \$175 million and \$190 million in the fourth quarter of 2012.

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Consolidated Financial and Operating Highlights

	Three Months Ended September 30			Nine Months Ended September 30		
Financial Summary	**2012**	2011	**% Change**	**2012**	2011	**% Change**
Revenue - $ millions	**68.8**	278.4	(75%)	**292.3**	772.4	(62%)
Cost of sales - $ millions (1)	**59.1**	110.5	(47%)	**222.3**	278.2	(20%)
Abnormal mining costs - $ millions	**19.3**	-	100%	**52.0**	-	100%
Other operating expenses	**5.2**	11.3	(55%)	**29.5**	11.9	148%
Net earnings (loss) - $ millions	**(46.8)**	83.7	(156%)	**(116.0)**	291.5	(140%)
Earnings (loss) per common share - $ basic and diluted	**(0.20)**	0.35	(157%)	**(0.49)**	1.23	(140%)
Cash provided by (used in) operations - $ millions	**(38.4)**	108.2	(136%)	**(73.3)**	374.6	(120%)
Capital expenditures - $ millions	**78.8**	37.2	112%	**322.8**	158.0	104%
Weighted average common shares outstanding - basic (thousands)	**236,363**	236,126	0%	**236,370**	236,009	0%
Weighted average common shares outstanding - diluted (thousands)	**236,363**	236,413	(0%)	**236,370**	236,263	0%
Operating Summary						
Gold produced – ounces	**42,723**	154,936	(72%)	**167,760**	490,818	(66%)
Gold sold – ounces	**41,251**	163,283	(75%)	**175,172**	503,554	(65%)
Average realized gold price - $/oz	**1,667**	1,705	(2%)	**1,669**	1,534	9%
Average gold spot price - $/oz	**1,652**	1,702	(3%)	**1,652**	1,535	8%
Cost of sales - $/oz sold (1)	**1,433**	677	112%	**1,269**	552	130%
Total cash cost - $/oz produced(2)	**1,401**	556	152%	**1,060**	474	124%
Total production cost - $/oz produced(2)	**1,996**	857	133%	**1,332**	649	105%

(1) Cost of sales includes depreciation, depletion and amortization (DD&A) related to operations.
(2) Total cash cost and total production cost per ounce produced are non-GAAP measures and are discussed under "Non-GAAP Measures".

Third Quarter 2012 versus Third Quarter 2011

- Gold production for the third quarter of 2012 was 42,723 ounces compared to 154,936 ounces in the same quarter of 2011. The decreased gold production in the current quarter reflects 83% lower production at Kumtor as a result of the re-focus of mining activities and the seven week shutdown of its mill during the third quarter of 2012.

- Revenues in the third quarter of 2012 decreased to $68.8 million from $278.4 million in the same period last year mainly as a result of lower ounces sold. Ounces sold for the period totaled 41,251 compared to 163,283 in the third quarter of 2011, reflecting the decrease in production at Kumtor. The average gold price realized in the third quarter of 2012 was $1,667 per ounce, a decrease from the $1,705 per ounce realized in the same quarter of 2011.

- Cost of sales for the third quarter of 2012 was $59.1 million compared to $110.5 million in the same quarter of 2011. The decrease is mainly due to processing significantly lower ounces at Kumtor, partially offset by higher operating costs.

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- Abnormal mining costs at Kumtor of $19.3 million were recorded in the third quarter of 2012 representing $11.4 million of the costs of the ice and waste removal from the high movement unload zone and $7.9 million of pre-stripping activities. This stripping activity when ore release has been deferred as a result of the revised mine plan has rendered the related mining costs abnormal (costs for pre-stripping and ice and waste removal), unrelated to current production.

- Other operating expenses for the third quarter of 2012 include $5.0 million for the care and maintenance of the underground development project at Kumtor while the operation conducted a detail study on the potential for expanding the limits of the ultimate pit.

- Exploration expenditures for the third quarter of 2012 were $9.5 million compared to $9.1 million in the third quarter of 2011 mainly reflecting increased drilling activities during the current period.

- A net loss of $46.7 million was recorded in the third quarter of 2012 compared to net earnings of $83.8 million in the same quarter of 2011. The lower earnings in the current quarter of 2012 were expected and reflect the re-focus of the mining operation at Kumtor to deal with the ice and waste movement previously disclosed. The loss per share for the third quarter of 2012 was $0.20, while earnings per share of $0.35 were recorded in the same quarter of 2011.

- In the third quarter of 2012, $38.4 million of cash was used in operations reflecting the significantly lower earnings at Kumtor. In contrast, the operations generated $108.2 million of cash in the third quarter of 2011 on much improved earnings.

  Cash invested in capital additions in the third quarter of 2012 totaled $64.9 million and included $14.2 million spent on sustaining capital projects and $50.7 million invested in growth projects. Expenditures in growth projects were mainly for Kumtor's capital equipment purchases and pre-stripping activities, while sustaining capital was $13.6 million at Kumtor and $0.5 million at Boroo.

- Total cash cost per ounce produced was $1,401 in the third quarter of 2012 compared to $556 in the comparative quarter of 2011. The increase in the 2012 period results from 83% lower production at Kumtor, where the mill processed lower grade and lower recovery stockpiled ore and eventually was shut down for seven weeks in the third quarter. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

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First Nine Months of 2012 versus First Nine Months of 2011

- Gold production for the first nine months of 2012 was 167,760 ounces compared to 490,818 ounces in the same period of 2011. The lower production at Kumtor in 2012, due to the labour disruption in early 2012 and the revised mine plan, compares to the consistent processing of higher grade material from cut-backs 12A and 12B in the comparative period of 2011.

- Revenues in the first nine months of 2012 decreased to $292.3 million from $772.4 million in the same period last year mainly as a result of lower ounces sold. Ounces sold for the period totaled 175,172 compared to 503,554 in the first nine months of 2011. This was partially offset by a higher average realized gold price in the 2012 nine month period of $1,669 per ounce compared to $1,534 per ounce realized in the same period of 2011.

- Cost of sales for the first nine months of 2012 was $222.3 million compared to $278.2 million in the same period of 2011, reflecting the processing of significantly lower ounces at Kumtor, partially offset by higher operating costs.

- Abnormal mining costs at Kumtor of $52.0 million were recorded in the first nine months of 2012 representing $15.9 million of the costs of the ice and waste removal from the high movement unload zone and $36.1 million of pre-stripping activities.

- Other operating expenses of $29.5 million in the first nine months of 2012 include $21 million contributed to a national micro-credit financing program in the Kyrgyz Republic, $5.0 million for the care and maintenance of the underground development project at Kumtor and $1.1 million for the maternity hospital project in Ulaanbaatar in Mongolia. In the same period of 2011, $11.9 million was spent, including a contribution of $10 million for the refurbishment of schools in the Kyrgyz Republic.

- Exploration expenditures for the first nine months of 2012 totaled $26.4 million compared to $27.9 million in the same period of 2011. In 2011, exploration expenditures reflect higher volumes of exploration drilling at Kumtor and project activity in Nevada, which has since ceased.

- The net loss in the first nine months of 2012 was $116.0 million compared to net earnings of $291.5 million in the same period of 2011, reflecting the lower earnings at Kumtor from the amended production plan. The loss per share for the nine month period in 2012 was $0.49 compared to earnings per share of $1.23 in the same period of 2011.

- Cash of $73.3 million was used in operations in the first nine months of 2012 reflecting the significantly lower earnings. In contrast, the operations generated $374.6 million of cash in the first nine months of 2011.

  Cash invested in capital additions in the first nine months of 2012 totaled $283.1 million and included $32.4 million spent on sustaining capital projects and $250.6 million invested in growth projects. Expenditures in growth projects were mainly for Kumtor's capital equipment purchases and pre-stripping activities, while sustaining capital was $30.3 million at Kumtor and $1.8 million at Boroo.

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- Total cash cost per ounce produced was $1,060 in the first nine months of 2012 compared to $474 in the comparative period of 2011. This increase is primarily due to lower production as a result of lower grades and recoveries from the processing of stockpiled materials at Kumtor. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Credit and Liquidity

During the third quarter of 2012, the Company drew $76 million on its $150 million revolving credit facility, leaving a balance of $74 million undrawn.

At September 30, 2012 the Company has entered into contracts to purchase capital equipment and operational supplies totaling $43.2 million (Kumtor $42.9 million, Boroo $0.3 million). The commitment at Kumtor is primarily for the purchase of mobile equipment to deal with ice flow movements, to replace old equipment and for future expansion. These contracts are expected to be settled over the next twelve months.

A significant factor in determining profitability and cash flow from the Company's operations is the price of gold. The spot market gold price based on the London PM fix was $1,776 per ounce on September 30, 2012. For the third quarter of 2012, the gold price averaged $1,652 per ounce compared to $1,535 per ounce for the same period in 2011.

Foreign Exchange

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. The Company's functional and reporting currency is the U.S. dollar. During the nine-month period ending September 30, 2012, approximately $278 million of operating and capital costs were incurred by Centerra in currencies other than U.S. dollars, including a dividend distribution from retained earnings, out of a total of $747 million in cash outlays. For the first nine months of 2012, the percentage of Centerra's non-U.S. dollar costs, by currency, was on average, as follows: 40% in Kyrgyz soms, 29% in Canadian dollars, 16% in Mongolian tugriks, 12% in Euro and 3% in other currencies. For the period from December 31, 2011 to September 30, 2012, the average value of each currency against the US dollar resulted in the following: the Kyrgyz som and the Euro depreciated by 1.4% and 1.1% respectively, whilst the Canadian dollar and the Mongolian tugrik appreciated by 1.9% and 3.4% respectively. The estimated net impact of these movements over the nine-month period to September 30, 2012 has been to increase costs as measured in U.S. dollars by approximately $0.6 million.

Share Capital and Share Options

As of November 7, 2012, Centerra had 236,376,011 common shares issued and outstanding. In addition, at the same date, the Company had 1,632,698 share options outstanding under its share option plan with exercise prices ranging from Cdn$4.81 to Cdn$22.28 per share, and with expiry dates between 2016 and 2020.

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Mine Operations

Centerra owns 100% of the Kumtor and Boroo mines and therefore all operating and financial results are on a 100% basis.

	Three Months Ended September 30			Nine Months Ended September 30		
Kumtor Operating Results	**2012**	2011	% Change	**2012**	2011	% Change
Gold sold – ounces	**26,626**	146,765	(82%)	**129,051**	457,597	(72%)
Average realized gold price – $/oz	**1,651**	1,705	(3%)	**1,671**	1,533	9%
Revenue - $ millions	**44.0**	250.3	(82%)	**215.7**	701.4	(69%)
Cost of sales - $ millions (1)	**43.2**	94.6	(54%)	**173.8**	235.8	(26%)
Cost of sales - $/oz sold (1)	**1,623**	645	152%	**1,347**	515	161%
Abnormal mining costs - $ millions	**19.3**	-	100%	**52.0**	-	100%
Tonnes mined - 000s	**35,943**	38,702	(7%)	**109,425**	113,480	(4%)
Tonnes ore mined – 000s	**399**	2,889	(86%)	**478**	4,925	(90%)
Average mining grade - g/t (2)	**2.25**	3.05	(26%)	**2.09**	3.43	(39%)
Tonnes milled - 000s	**581**	1,429	(59%)	**3,209**	4,365	(26%)
Average mill head grade - g/t (2)	**1.78**	4.01	(56%)	**1.66**	3.79	(56%)
Recovery - %	**75.1**	80.2	(6%)	**72.6**	81.8	(11%)
Gold produced – ounces	**23,786**	141,217	(83%)	**125,799**	444,460	(72%)
Total cash cost - $/oz produced (3)	**1,890**	528	258%	**1,128**	452	150%
Total production cost - $/oz produced (3)	**2,664**	845	215%	**1,407**	630	123%
Capital expenditures - $ millions	**78.1**	34.4	127%	**313.1**	152.3	106%
Boroo Operating Results						
Gold sold – ounces	**14,625**	16,518	(11%)	**46,121**	45,957	0%
Average realized gold price - $/oz	**1,698**	1,702	(0%)	**1,660**	1,545	7%
Revenue - $ millions	**24.8**	28.1	(12%)	**76.6**	71.0	8%
Cost of sales - $ millions (1)	**15.9**	15.9	0%	**48.5**	42.5	14%
Cost of sales - $/oz sold (1)	**1,089**	963	13%	**1,051**	925	14%
Total Tonnes mined - 000s	**1,821**	-	100%	**6,195**	-	100%
Average mining grade (non heap leach material) - g/t (2)	**2.05**	-	100%	**2.00**	-	100%
Tonnes mined heap leach – 000s	**121**	-	100%	**143**	-	100%
Tonnes ore mined direct mill feed -000’s	**854**	-	100%	**907**	-	100%
Tonnes ore milled - 000s	**576**	605	(5%)	**1,802**	1,711	5%
Average mill head grade - g/t (2)	**1.62**	0.95	71%	**1.07**	1.20	(11%)
Recovery - %	**60.9**	72.8	(16%)	**67.5**	67.9	(1%)
Gold produced – ounces	**18,938**	13,719	38%	**41,961**	46,358	(9%)
Total cash cost - $/oz produced (3)	**788**	771	2%	**855**	650	31%
Total production cost - $/oz produced (3)	**1,157**	901	28%	**1,109**	794	40%
Capital expenditures - $ millions (Boroo)	**0.5**	2.7	(83%)	**9.1**	5.2	74%
Capital expenditures - $ millions (Gatsuurt)	**0.1**	0.1	19%	**0.3**	0.3	3%

(1) Cost of sales includes depreciation, depletion and amortization related to operations.
(2) g/t means grams of gold per tonne.
(3) Total cash cost and total production cost per ounce produced are non-GAAP Measures and are discussed under “Non-GAAP Measures”.

Kumtor

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based producer. It has been operating since 1997 and has produced about 8.5 million ounces of gold. During the first nine months of 2012, Kumtor experienced five recordable injuries and no reportable environmental incidents.

Third Quarter 2012 versus Third Quarter 2011

Revenue and Gold Production

Revenue for the third quarter of 2012 decreased to $44.0 million from $250.3 million in the comparative quarter of 2011, primarily as a result of lower sales volumes (26,626 ounces in the third quarter of 2012 compared to 146,765 ounces in the third quarter of 2011) and by a decrease in the average realized gold price at $1,651 per ounce compared to $1,705 per ounce in the same quarter of 2011. Kumtor processed significantly lower tonnes of ore during the third quarter of 2012 due to the depletion of stockpiles and eventual seven-week shutdown of the process plant for maintenance.

Total tonnes mined for the third quarter of 2012 were 35.9 million tonnes compared to 38.7 million tonnes in the comparative quarter of 2011, a decrease of 7% due to the increased volume of low density ice mined. The bank cubic meters (BCM's) of material moved, which measures the volume of material moved, for the third quarter of 2012 increased by 20% due to the increased capacity of the expanded fleet compared to the comparative period. Kumtor accessed ore in cut-back 14B in September which resulted in 0.4 million tonnes of ore at a grade of 2.25 g/t being mined during the third quarter of 2012. The progress achieved during the third quarter is expected to provide continuous access to ore in the fourth quarter of 2012.

Kumtor produced 23,786 ounces of gold for the third quarter of 2012 compared to 141,217 ounces of gold in the comparative quarter of 2011. While the mill shut down its operations during the third quarter of 2012 the mining continued to obtain access to ore from cutback 14B. In the prior year, Kumtor consistently processed ore from the then newly accessed 12B cut-back throughout the third quarter of 2011. As a result ounces poured in the third quarter of 2012 were lower due to the significantly lower processed tonnes of 581,175, (down 59%) and lower head grade of 1.78 g/t with a recovery of 75.1%, compared with 4.01g/t and a recovery of 80.2% for the same quarter in 2011.

Cost of Sales

Cost of sales at Kumtor, which include non-cash DD&A associated with the ounces sold but excludes abnormal mining costs, was $43.2 million for the third quarter of 2012 a decrease of $51.4 million or 54% compared to the same period of 2011. Although during the third quarter of 2012 Kumtor processed higher cost ounces that resulted from the higher depreciation and operating cash costs (see "Non-GAAP Measures") from the expanded fleet commissioned during 2011 and 2012, the cost of sales was lower compared to the third quarter of 2011 due to processing significantly lower ounces.

DD&A associated with production for the third quarter of 2012 of $8.6 million decreased by $16.5 million compared to the same period last year, due to processing significantly fewer ounces in the third quarter of 2012. In addition, depreciation expense for the third quarter of 2012 was lower than the comparative quarter as the expanded mining fleet activities focused on stripping waste from the southwest portion of the Kumtor pit (cut-back 14B), which is capitalized since it precedes the production phase.

Operating cash costs at Kumtor (see "Non-GAAP Measures") increased by $4.5 million, before the capitalization of higher pre-stripping activities of $35.1 million (net amount of $30.6 million lower after capitalization), for the third quarter of 2012 compared to the same quarter of 2011. This variance can be explained as follows:

Mining costs for the third quarter of 2012, before the capitalization of pre-stripping activities, were $55.5 million, an increase of $7.0 million or 14% compared to the same quarter in 2011. The cost increase is primarily related to an increase in diesel costs ($4.5 million) due to increased consumption from the expanded fleet as well as increasing fuel prices (increased from US$0.67 to US$0.74 cents), increased tire costs ($1.4 million) due to increased tire requirements for the recently expanded CAT 789 fleet, higher national labour costs due to increases in the social fund payments related to the high altitude coefficient ($0.9 million), higher costs for explosives and blasting accessories ($0.8 million) due to both increased mining volumes and a higher purchase price of ammonium nitrate and higher drilling costs due to increased mining volumes ($0.6 million). This was partially offset by various cost reductions and efficiencies.

Milling costs for the third quarter of 2012 were $13.4 million, a decrease of $3.9 million or 23% compared to the same quarter in 2011. Costs were lower due to the lower amount of material processed as a result of the seven week shutdown during the third quarter of 2012 that reduced consumption of reagents, electricity and grinding balls ($5.8 million) and lowered consumption of sodium cyanide per unit ($0.5 million) due to lower content of gold in the processed ore. This was partially offset by higher mill liner costs as the Company took the opportunity to bring forward liner replacements during the extended shutdown ($1.3 million), higher maintenance costs as regular maintenance had been deferred to the planned mill shutdown that commenced at the end of July 2012 ($0.8 million) and other costs ($0.3 million).

Site administration costs for the third quarter of 2012 were $13.7 million, an increase of $1.4 million or 12% compared to the same quarter of 2011. This was primarily due to an increase in national labour costs predominantly due to higher social fund payments for the high altitude coefficient ($0.5 million), increased scrap handling costs ($0.4 million) and other costs ($0.5 million).

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

Total cash cost per ounce produced for the third quarter of 2012 was $1,890 per ounce compared to $528 per ounce for the same period in 2011, as a result of the significant decrease in production in the third quarter of 2012, partially offset by a decrease in operating costs. The decrease in operating costs was not as significant as the lower production as waste stripping and administration and processing costs that are fixed in nature continued to be incurred. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

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Cost of sales per ounce sold for the third quarter of 2012, which includes the impact of DD&A, increased to $1,690 per ounce compared to $645 per ounce for the same period in 2011. The majority of the gold production during the third quarter of 2012 was from the higher cost low grade ore stockpile resulting in lower production, reduced sales and an increase in the cost per ounce sold.

Kumtor Regional Administration

Bishkek administration costs for the third quarter of 2012 were $3.9 million, a decrease of $0.3 million compared to the same quarter of 2011.

Exploration

Exploration costs at Kumtor for the third quarter of 2012 were $3.5 million which is similar to the comparative quarter of 2011. Exploration activity focused on drilling of the SB Zone from the Central Pit, underground exploration drilling of the Southwest Extension and SB Zones from Declines #1 and #2 and drilling at Sarytor.

Capital Expenditures

Capital spent and accrued for in the third quarter of 2012 was $78.1 million compared to $34.4 million in the same quarter of 2011. The third quarter expenditures consisted of $13.6 million of sustaining capital, predominantly spent on the major overhaul program for heavy duty equipment ($5.6 million), effluent treatment plant ($2.4 million), dewatering program ($2.2 million), replacement of tractor dozer ($1.4 million), tailings dam expansion ($1.4 million) and other projects ($0.6 million). Growth capital investment totaled $64.5 million which was spent on pre-stripping capitalization ($48.7 million), purchase of Hitachi shovels ($6.0 million), purchase of CAT 789 haul trucks ($5.1 million), the underground development phase I and II ($2.6 million), expanded fuel farm ($0.6 million), expanded mine auxiliary equipment ($0.6 million), and numerous other projects ($0.9 million).

First Nine Months of 2012 versus First Nine Months of 2011

Revenue and Gold Production

Revenue for the first nine months of 2012 decreased to $215.7 million from $701.4 million in the comparative period of 2011, primarily as a result of lower sales volumes (129,051 ounces in the first nine months of 2012 compared to 457,597 ounces in the comparative period of 2011) that was partially offset by an increased average realized gold price at $1,671 per ounce compared to $1,533 per ounce in the same period of 2011. Kumtor mined very little ore and processed material from historical low grade stockpiles during the first nine months of 2012.

Total tonnes mined for the first nine months of 2012 were 109.4 million tonnes compared to 113.5 million tonnes in the comparative period of 2011, a decrease of 4% due to the increased mining of lower density ice and a ten day work stoppage in February with subsequent delays in re-starting the equipment due to the extremely cold weather. The bank cubic meters (BCM's) of all ore, waste and ice moved for the first nine months of 2012 increased by 17% due to the increased capacity of the expanded fleet compared to the same period of 2011.

Kumtor produced 125,799 ounces of gold for the first nine months of 2012 compared to 444,460 ounces of gold in the comparative period of 2011. The company processed ore from low grade stockpiles resulting in significantly lower ounces produced for the first nine months of 2012. In comparison Kumtor processed the higher grade benches of cut-back 12A and the then newly accessed cut-back 12B. The comparative period of 2011 was positively impacted by higher throughput, higher consistent feed grades and higher recovery. The mill head grades averaged 1.66 g/t with a recovery of 72.6%, versus 3.79 g/t and a recovery of 81.8% for the same period of 2011. Tonnes processed were 3.21 million for the first nine months of 2012, 26% lower than the same period of 2011 as a result of lower mill operating time due to both the seven week shutdown of the process plant and the labour dispute and related ten day work stoppage that occurred during the first quarter of 2012.

Cost of Sales

Cost of sales at Kumtor, which include non-cash DD&A associated with the ounces sold but excludes abnormal costs, was $173.8 million for the first nine months of 2012 which is a decrease of $62 million or 26% compared to the same period of 2011. This is primarily due to lower ounces sold in the first nine months of 2012, partially offset by the processing of higher cost ounces impacted by the higher operating costs of the expanded fleet.

DD&A of $40.6 million for the first nine months of 2012 decreased by $18.6 million compared to the same period last year due to processing significantly fewer ounces. In addition, depreciation for the first nine months of 2012 was lower than the comparative period as the expanded mining fleet activities focused on pre-stripping waste in the southwest portion of the Kumtor pit (cut-back 14B), which is capitalized.

Operating cash costs at Kumtor (see "Non-GAAP Measures") increased by $14.9 million, before the capitalization of higher pre-stripping costs and the expensing of unloading activities of $80.8 million (net amount of $65.8 million lower after capitalization and expensing), for the first nine months of 2012 compared to the same period of 2011. This variance can be explained as follows:

Mining costs for the first nine months of 2012 were $160.6 million, an increase of $16.0 million or 11% compared to the same period of 2011. The cost increase is related to higher diesel costs ($6.8 million) due to increased consumption from the expanded fleet and the price per litre increasing from US$0.76 to US$0.82 cents, increased tire requirements for the recently expanded CAT 789 fleet ($5.2 million), increased national labour costs due to increases in the social fund payments for the high altitude coefficient ($4.7 million), increased cost of explosives and blasting accessories ($1.7 million) predominantly due to higher purchase price of ammonium nitrate and increased drilling costs ($0.6 million). This was partially offset by various cost reductions and efficiencies.

Milling costs for the first nine months of 2012 were $41.5 million, a decrease of $5.7 million or 12% compared to the same period of 2011. Costs were lower due to the lower tonnes processed as a result of both the mill shutdown that occurred and the ten day work stoppage that reduced consumption of reagents, electricity and grinding balls ($6.6 million) and lower consumption of sodium cyanide per unit ($1.3 million) due to lower content of gold in processed ore. This was partially offset by higher mill liner costs as the Company took the opportunity to bring forward liner replacements during the extended shutdown ($1.6 million) and other costs of ($0.6 million).

Site administration costs for the first nine months of 2012 were $38.3 million, an increase of $4.5 million or 13% compared to the same period of 2011. This was primarily due to higher property insurance premiums ($2.2 million), increases in the national labour costs predominantly due to higher social fund payments for the high altitude coefficient ($2.1 million) and scrap handling costs ($0.4 million).

Cost of sales for the first nine months of 2012 also includes a charge of $7.2 million representing a metal reconciliation variance between the gold content estimated in the stockpiles and the gold actually recovered through processing. The comparative period of 2011 costs of sales included a charge of $5.8 million for the settlement resulting from an audit by the Kyrgyz Social Fund, relating to the calculation of the premium for work conducted at high altitude at the Kumtor project.

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

Total cash cost per ounce produced for the first nine months of 2012 was $1,128 per ounce compared to $452 per ounce for the same period of 2011, as a result of 72% lower production due to the seven week shutdown and lower grades and recovery from the stockpile material processed. This was partially offset by decreased operating costs resulting from capitalizing most of the current mining costs as the mining equipment was deployed to capitalized pre-stripping activities. Total cash cost per ounce produced is a non-GAAP measure and is discussed under “Non-GAAP Measures”.

Cost of sales per ounce sold for the first nine months of 2012, which includes the impact of DD&A, increased to $1,360 per ounce sold compared to $515 per ounce sold for the same period of 2011. The majority of the gold production during the first nine months of 2012 was from low-grade ore stockpiles resulting in lower production, reduced sales and an increased cost per ounce sold. Kumtor also processed higher cost material from stockpiles in the first nine months of 2012 due to higher depreciation and operating costs from the expanded fleet and the increased waste mining requirements incurred for the first nine months of 2012.

Mine Standby Costs

Kumtor incurred standby costs of $4.6 million in the first nine months of 2012 as a result of the temporary suspension of operations due to a ten day illegal strike initiated by unionized employees on February 6, 2012.

Kumtor Regional Administration

Bishkek administration costs for the first nine months of 2012 were $11.4 million, $0.1 million or 1% lower than the comparative period of 2011.

Exploration

Exploration costs at Kumtor for the first nine months 2012 were $8.8 million, a decrease of $1.8 million or 17% compared to the same period of 2011 due to drilling activities focused on delineation drilling for the underground Stockwork zone which was capitalized in the first nine months of 2012. Exploration activity focused on drilling of the SB Zone from the Central Pit, underground drilling in the Stockwork Zone Drive, underground exploration drilling from Declines #1 and #2 and drilling at Sarytor.

Capital Expenditures

Capital expenditures spent and accrued for the first nine months of 2012 were $313.1 million compared to $152.3 million in the same period of 2011. The first nine months expenditures consisted of $30.3 million of sustaining capital. Growth capital investment totaled $282.8 million which was spent for pre-stripping capitalization ($143.0 million), purchase of new CAT 789 haul trucks ($83.7 million), the underground development phase I and II ($24.6 million), purchase of Hitachi shovels ($12.0 million), purchase of larger Sandvik drills ($10.3 million), Stockwork delineation drilling ($2.6 million), underground equipment ($1.3 million), expanded auxiliary equipment ($1.2 million), expanded fuel farm ($1.2 million), camp expansion ($1.0 million) and numerous other projects ($1.9 million).

Boroo and Gatsuurt

The Boroo open pit mine, located in Mongolia, was the first hard rock gold mine in Mongolia. To date it has produced approximately 1.6 million ounces of gold since the beginning of its operation in 2004. During the first nine months of 2012, there were no recordable injuries and no reportable environmental incidents.

Third Quarter 2012 versus Third Quarter 2011

Revenue and Gold Production

Revenue in the third quarter of 2012 decreased to $24.8 million from $28.1 million in the third quarter of 2011 due to 11% fewer ounces sold (14,625 in the third quarter of 2012, compared to 16,518 ounces sold in the same period of 2011).

Boroo produced 18,938 ounces of gold in the third quarter of 2012 as compared to 13,719 ounces of gold in the third quarter of 2011. The milling ore grade averaged 1.62 g/t with a recovery of 60.9% in the third quarter of 2012, compared to 0.95 g/t with a recovery of 72.8% in the same quarter of 2011.

The average realized gold price per ounce in the third quarter of 2012 was $1,698 compared to $1,702 in the same period of 2011.

Cost of Sales

Cost of sales, which includes non-cash DD&A associated with the ounces sold, was $15.9 million in the third quarter of both 2012 and 2011.

DD&A from operations in the third quarter of 2012 totaled $4.9 million, an increase of $1.9 million compared with the same period in 2011. The increase resulted mainly from Pit 6 pre-strip amortization and higher amortization of reclamation costs due to the higher ounces poured in the third quarter of 2012 versus 2011.

Operating cash costs at Boroo (see "Non-GAAP Measures") increased by $4.5 million compared to the same period in 2011. This variance is explained as follows:

Mining costs for the third quarter of 2012 were $4.4 million, $4.0 million higher than the same quarter in 2011. This is as a result of the resumption of Pit 6 mining operations beginning in January 2012 and ending in September 2012.

Milling costs for the third quarter 2012 were $5.6 million, $0.1 million or 1% lower than the same quarter in 2011. This is primarily from lower grinding media consumed as a result of lower throughput in the third quarter of 2012 compared to the same period in 2011.

Costs for heap leaching activities in the third quarter of 2012 were $0.2 million mainly due to start-up costs from the installation of emitters, carbon consumption in filling tanks and other maintenance related costs.

Site administration costs for the third quarter of 2012 were $2.2 million, an increase of $0.5 million compared to the same period in 2011. This is mainly due to higher insurance premiums, payroll related costs, camp and security contractors costs and environment analytical services incurred in the third quarter of 2012 compared to the third quarter in 2011.

Royalties decreased to $1.3 million in the third quarter of 2012, primarily due to lower sales as compared to $1.4 million in the same period of 2011.

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

Total cash cost per ounce produced in the third quarter of 2012 was $788 compared to $771 per ounce for the same period in 2011. The increase is mainly as a result of higher operating cost incurred partly offset by higher gold production achieved in the third quarter of 2012. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Cost of sales per ounce sold, which includes the impact of DD&A, increased to $1,087 in the third quarter 2012 compared to $963 for the same period in 2011 reflecting higher mining costs and the processing of lower recovery ore.

Boroo Regional Administration

Boroo regional administration costs remained constant at approximately $1.4 million for the third quarter in both years.

Exploration

Exploration expenditures in Mongolia increased to $2.7 million in the third quarter of 2012 from $2.4 million in the same period of 2011, mainly reflecting increased activities at the ATO property.

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Capital Expenditures

Capital spent and accrued at Boroo in the third quarter of 2012 decreased to $0.5 million from $2.7 million in the same period of 2011 when $2.1 million was spent on tailings dam construction. Gatsuurt remains on care and maintenance and is not incurring any capital expenditures. See “Other Corporate Developments – Mongolia”.

First Nine Months of 2012 versus First Nine Months of 2011

Revenue and Gold Production

Revenue in the first nine months of 2012 increased to $76.6 million from $71.0 million in the same period of 2011 as a result of a higher realized price for gold and a slight increase in ounces sold (46,121 in the first nine months of 2012, compared to 45,957 ounces sold in the same period of 2011).

Boroo produced 41,961 ounces of gold in the first nine months of 2012 compared to 46,358 ounces of gold in the same period of 2011. During the first nine months of 2012, the milling operation processed lower ore grades and had lower recovery from blending previously stockpiled material from the pit. The ore grade averaged 1.07 g/t with a recovery of 67.5% in the first nine months of 2012, compared to 1.20 g/t with a recovery of 67.9% in the same period of 2011.

The average realized gold price per ounce in the first nine months of 2012 was $1,660 compared to $1,545 in the same period of 2011.

Cost of Sales

Cost of sales, which includes non-cash DD&A associated with the ounces sold, increased by $6.0 million in the first nine months of 2012 to $48.0 million compared to the same period of 2011, as a result of higher operating costs incurred.

DD&A from operations in the first nine months of 2012 totaled $10.0 million, an increase of $1.1 million or 13% higher than the same period in 2011. The increase results mainly from Pit 6 pre-strip amortization and higher reclamation amortization.

Operating cash costs at Boroo (see “Non-GAAP Measures”)increased by$12.3 million, before the capitalization of higher pre-stripping costs at Pit 6 of $6.4 million (higher by a net amount of $5.9 million after capitalization), in the first nine months of 2012 compared to the same period in 2011. This increase was a result of:

Mining costs for the first nine months of 2012 were $10.9 million, $9.7 million higher than the same period in 2011. This is as a result of the resumption of mining in Pit 6 beginning in January 2012 and ending in September 2012.

Milling costs for the first nine months of 2012 were $16.9 million, $1.5 million or 10% higher than the same period in 2011 primarily caused by higher unit costs incurred for major consumables such as grinding media and electricity. In addition, higher consumption of reagents, grinding media and electricity was incurred in the first nine months of 2012 compared to the same period in 2011, caused mainly by the SAG mill downtime in May and June of 2011. During the first nine months of 2012 an additional 92 thousand tonnes of ore was milled representing a 5% increase over the ore milled in the same period in 2011.

Costs for heap leaching activities remained constant at $0.2 million for the first nine months of both years. In 2012, costs were mainly incurred for the start-up of activities, compared to 2011 where costs were incurred for the re-circulation of solution at the plant until August 2011.

Site administration costs for the first nine months of 2012 were $6.2 million, an increase of $0.7 million as compared to the same period in 2011. This is mainly due to higher payroll related costs and camp catering costs incurred as a result of the resumption of mining activities in Pit 6 in 2012.

Royalties increased to $3.9 million in the first nine months of 2012, primarily due to higher revenue as compared to $3.5 million in the same period of 2011.

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

Total cash cost per ounce produced in the first nine months of 2012 was $855 compared to $650 per ounce for the same period in 2011. The increase in the unit cash cost of $205 per ounce is a result of lower ounces of production and higher operating costs incurred. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

On a unit cost basis, cost of sales per ounce sold, which includes the impact of DD&A, increased to $1,052 in the first nine of 2012 compared to $925 for the same period in 2011 reflecting the higher operating costs and the processing of lower recovery ore.

Boroo Regional Administration

Boroo regional administration costs in the first nine months of 2012 were $4.0 million, $0.1 million or 3% lower than the same period in 2011. This is mainly due to lower payroll related costs.

Exploration

Exploration expenditures in Mongolia of $7.0 million in the first nine months of 2012 were consistent with the prior year.

Capital Expenditures

Capital expenditures spent and accrued at Boroo in the first nine months of 2012 increased to $9.1 million ($5.1 million in the same period of 2011), mainly as a result of the capitalization of cash and non-cash Pit 6 pre-stripping costs of $7.3 million in the first nine months of 2012 and increased mobile equipment component change-outs ($0.4 million), partially offset by lower capital spending in 2011 on the tailings dam construction of $4.2 million.

Other Financial Information – Related Party Transactions

Kyrgyzaltyn JSC

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

The table below summarizes the management fees and concession payments paid and accrued by Kumtor Gold Company ("KGC"), a subsidiary of the Company, to Kyrgyzaltyn and the amounts paid and receivable by Kyrgyzaltyn to KGC according to the terms of a Restated Gold and Silver Sale Agreement between KGC (KOC entered into on behalf of KGC), Kyrgyzaltyn and the Government of the Kyrgyz Republic dated June 6, 2009.

($ thousands)	**Three months ended September 30**		**Nine months ended September 30**	
	2012	2011	**2012**	2011
Management fees paid by KGC to Kyrgyzaltyn	**$ 27**	$ 147	**$ 129**	$ 458
Gross gold and silver sales from KGC to Kyrgyzaltyn	**44,077**	$ 250,982	**216,323**	$ 703,668
Deduct: refinery and financing charges	**(126)**	(706)	**(616)**	(2,292)
Net sales revenue received by KGC from Kyrgyzaltyn	**43,951**	$ 250,276	**215,707**	$ 701,376
Dividends declared to Kyrgyzaltyn (1)	**$ 3,139**	$ 29,412	**$ 6,164**	$ 29,412

(1) See "Other Corporate Developments – Corporate".

The assets and liabilities of the Company include the following amounts with Kyrgyzaltyn:

($ thousands)	**September 30, 2012**	**December 31, 2011**
Prepaid amounts	**$ 86**	$ 143
Amounts receivable	**10,577**	47,366
Total related party assets	**$ 10,663**	$ 47,509
Dividend payable (net of withholding taxes)	**$ 2,982**	$ -
Total related party liabilities	**$ 2,982**	$ -

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Gold and Silver Sale Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Pursuant to the Restated Gold and Silver Sale Agreement, Kyrgyzaltyn is required to pay for gold delivered within 12 days from when the gold is collected by Kyrgyzaltyn. 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, the value of which fluctuates with the market price of Centerra's shares.

Based on movements in Centerra's share price and the value of individual or unsettled gold shipments, the highest value receivable from unsettled shipments during the third quarter of 2012 was $20.4 million and $48.7 million for the nine months ended September 30, 2012. On the date when these unsettled shipments were outstanding, the value of the pledged shares was sufficient to cover the amounts outstanding. However, the last shipment of the quarter, on June 30, 2012, coincided with a material decline in the value of Centerra's stock, thereby resulting with a shortfall in the pledged security coverage of approximately $0.5 million for that unsettled shipment. The last shipment of the third quarter occurred on September 30, 2011 resulting in $10.6 million in receivables outstanding.

As at September 30, 2012, Kumtor had $10.6 million receivable from Kyrgyzaltyn under these agreements (December 31, 2011 - $47.4 million). Subsequent to September 30, 2012, the receivable from Kyrgyzaltyn was paid in full.

Dividend payable and restricted cash held in trust

Pursuant to an Ontario court decision dated September 5, 2012, $3.1 million, being Kyrgyzaltyn's portion of the Centerra dividend declared on August 1, 2012, net of withholding taxes of $0.2 million ($2.9 million net) was restricted in the cash balances of the Company to the credit of the Sistem court proceedings (see "Other Corporate Developments – Corporate").

Quarterly Results – Last Eight Quarters

Over the last eight quarters, Centerra's results reflect the impact of rising gold prices as well as increasing costs. Of note, production and sales in 2012 have been impacted by the accelerated ice movement at Kumtor which has necessitated a change in the mine plan and a delay in the release of gold from the pit. Non-cash costs have also progressively increased over 2011 and into 2012 as depreciation at Kumtor grew with its expanded mining fleet and the amortization of capitalized stripping. Cost of sales in the second and third quarters of 2011 included a charge for the settlement of the Kyrgyz Social Fund audit totaling $14.1 million and an increase to labour costs in the fourth quarter of 2011 resulting from the revised social fund calculation which now includes the high altitude premium. Other operating charges in second quarter of 2012 for social development programs include $21 million spent by Kumtor on a national micro-credit financing program and $1.1 million accrued by Boroo to increase its funding of a maternity hospital in Ulaanbaatar. Similarly Kumtor spent in the third quarter of 2011 $10 million for special funding of a school improvement program in the Kyrgyz Republic and Boroo committed to funding and accrued for the construction of a maternity hospital totaling $6.4 million in the fourth quarter of 2010. The fourth quarter of 2011 includes other charges of $2.5 million for the resolution of a claim by the Mongolian authorities in relation to the sterilization of alluvial reserves at the Boroo property. The quarterly financial results for the last eight quarters are shown below:

Quarterly Data Unaudited *$ millions, except per share data*	**2012**			**2011**				**2010**
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	**69**	**90**	**134**	248	278	244	250	323
Net earnings (loss)	**(47)**	**(55)**	**(15)**	79	84	71	137	151
Earnings (loss) per share (basic and diluted)	**(0.20)**	**(0.23)**	**(0.06)**	0.34	0.35	0.30	0.58	0.64

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Other Corporate Developments

The following is a summary of corporate developments with respect to matters affecting the Company and its subsidiaries in the Kyrgyz Republic, Mongolia and Canada.

Kyrgyz Republic

Parliamentary Commission Report and the State Commission Investigation into Compliance with Operational and Environmental laws and Community Standards

The Parliamentary Commission Report and Allegations of Non-Compliance at Kumtor

On February 15, 2012, the Kyrgyz Republic Parliament (the "Parliament") established an interim Parliamentary Commission (the "Parliamentary Commission") to inspect and review (i) Kumtor's compliance with relevant Kyrgyz operational and environmental laws and regulations and community standards, and (ii) the State's regulation over Kumtor's activities. The Parliamentary Commission report (the "Parliamentary Report") was issued on June 18, 2012, and made numerous assertions regarding the operation of the Kumtor project, including:

(a) challenging the legal validity and propriety of the project agreements that currently and have historically governed the Kumtor project;

(b) non-compliance by the Kumtor project with Kyrgyz environmental laws and other laws and regulations, including specifically with respect to the tailings facility, the Davidov glacier and the Sarychat-Ertash State Reserve which is in the vicinity of the Kumtor mine. The Parliamentary Commission allege that the violations have resulted in substantial monetary damages; and

(c) inefficient or improper management of the Kumtor mine, including in relation to customs practices, tax and social fund payments, operational decisions, procurement practices and mill efficiencies (gold recoveries), the latter of which, according to the Parliamentary Report results in very substantial losses.

For a further discussion on the findings of the Parliamentary Report, see the Company's most recently filed MD&A for the second quarter of 2012.

The Parliamentary Commission proposed to Parliament a form of decree (the "Draft Decree") which, among other things, called for the cancellation of the current Kumtor project agreements, and the creation of a new state-owned Kyrgyz Republic entity to assume control over the Kumtor mine. If the Draft Decree had been approved and given full effect by the Government, the results would have, in substance, resulted in the nationalization of the Kumtor project.

When the Parliament met in late June 2012 to consider the Parliamentary Report, it voted against the Draft Decree and instead elected to adopt an alternative resolution ("Resolution 2117-V") that took note of the Parliamentary Report and declared the current Kumtor project agreements to be contradictory to the interests of the Kyrgyz Republic. The resolution passed by Parliament (i) called for the formation of a State Commission to "assess the environmental, industrial and social damage" caused by the Kumtor project and to initiate the renegotiation of the current project agreements, "in order to protect economic and environmental interests"; (ii) called for the cancellation of various government decrees and orders, including Government Decree #168 dated March 25, 2010 regarding the allocation of lands to Kumtor (surface rights in respect of the Kumtor concession area); and (iii) recommended to the State Agency for Geology and Mineral Resources to cancel certain licenses granted to Kumtor, including the exploration license for the Koendy licensed area.

Formation of State Commission and its Investigation and the Interagency Commissions formed by the Prime Minister

In response to Resolution 2117-V, the Government established a State Commission (the "State Commission") for the purpose of reviewing the Parliamentary Report. In particular, the State Commission was tasked with inspecting and reviewing Kumtor's compliance with Kyrgyz operational and environmental laws and regulations and community standards. The State Commission is comprised of three working groups with responsibility for environmental and mining matters, legal matters (including a review of all prior and current agreements relating to the Kumtor project), and socio-economic matters (including a review of financial, taxation, procurement and employment related matters). Since its formation on July 3, 2012, the State Commission's working groups have visited the Kumtor mine site and made numerous requests for information on a wide variety of matters. The State Commission was provided with an extension until mid-November 2012 to complete its review and produce a report.

On July 13, 2012, the Kyrgyz Republic Prime Minister issued orders to establish two interagency commissions to facilitate the activity of the State Commission. According to the Government orders, one interagency commission is to review Kumtor's compliance with Kyrgyz legal requirements in general, and one is tasked with reviewing Kumtor's compliance with legal requirements with respect to natural resources, environmental and operation-related matters.

Revocation of Kumtor's Land Use Certificate:

As contemplated in Resolution 2117-V, the Government cancelled, on July 5, 2012, Government Decree #168. Government Decree #168 provided Kumtor with land use (surface) rights over the Kumtor concession area for the duration of the Restated Concession Agreement. Correspondingly, the related land use certificate issued by the local land office was also cancelled. Based on advice from Kyrgyz legal counsel, the Company believes that the purported cancellation of land rights is in violation of the Kyrgyz Republic Land Code because such legislation provides that land rights can only be terminated by court decision and on the listed grounds set out in the Land Code.

Kumtor wrote to the Government of the Kyrgyz Republic in the third quarter of 2012 requesting the issuance of a new certificate in light of the rights and obligations under the Restated Investment Agreement dated June 6, 2009 between Centerra, Kumtor and the Government of the Kyrgyz Republic. Pursuant to the Restated Investment Agreement, Kumtor is guaranteed all necessary access to the Kumtor concession area, including all necessary surface lands as is necessary or desirable for the operation of the Kumtor project. The agreement also provides for the payment of quarterly land use and access fees. The Restated Investment Agreement also provides that the Government shall use its best efforts to reserve or cancel any action that conflicts with Kumtor's rights under the Restated Investment Agreement. To the extent that Kumtor's land use rights are

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considered invalid (which the Company does not accept), the Company would seek to enforce its rights under the Restated Investment Agreement to obtain the rights otherwise guaranteed to it.

Environmental Review of Kumtor's Karasay and Koendy Exploration Licenses:

Kumtor received notice on June 15, 2012, that the renewal applications for its exploration licenses for the Koendy license area and the Karasay license area would be reviewed by the Kyrgyz Republic Environmental and Forestry Agencies for possible impacts on the nearby Sarychat-Ertash State Reserve. Kumtor had been conducting exploration on these two license areas since 2010 and has expended more than $1 million developing exploration targets on both licenses. Exploration work has been suspended on these licenses and will not resume until such reviews have been completed and the licenses renewed. It is unlikely that any exploration work will be performed on these licenses in 2012.

Kyrgyz Republic Social Fund Dispute:

In early August 2012, Centerra was informed that the Kyrgyz Republic courts accepted a claim commenced by the Kyrgyz Republic Social Fund to invalidate documentary acts (assessments) issued by the Social Fund with respect to Kumtor for the years 2004 to 2009. Kumtor has engaged external legal counsel to assist in the matter. Preliminary motions regarding jurisdictional matters were argued on August 28, 2012, and subsequently determined in favour of Kumtor. The Social Fund has appealed the decision.

In addition to the above court claim commenced by the Social Fund, the Company has also received notices from the Social Fund in July 2012 alleging (i) the illegality of an August 23, 1994 agreement between the Kyrgyz Social Fund and Kumtor Operating Company, which if found invalid, could require Kumtor to pay Social Fund contributions for all expatriate employees for the period from February 15, 1993 to present, and (ii) that Kumtor should make Social Fund contributions on high altitude premiums paid to all Kumtor employees before 2010.

For a further discussion of the Social Fund court claim, and the dispute for the 2010 taxation year regarding the payment of Social Fund contributions on the high altitude coefficient, please see the Company's most recently filed Annual Information Form for 2011.

Conclusion

Centerra believes that the findings of the Parliamentary Commission set out in the Parliamentary Commission Report are without merit. Nevertheless, Centerra and Kumtor have been cooperating with the State Commission and the interagency commissions to assist their reviews. With respect to the State Commission's mandate to renegotiate the current project agreements, the Company notes that such agreements were approved by all relevant Kyrgyz governmental authorities in 2009, including the Kyrgyz Parliament and the Constitutional Court. Accordingly, the Company believes these agreements are legally valid and enforceable obligations. In addition, concurrently with entering into the Restated Project Agreements, Centerra, KGC, the Kyrgyz Republic and others entered into a Release Agreement dated June 6, 2009, whereby, subject to certain exceptions which the Company believes are not applicable in the circumstances, the Kyrgyz Republic released Centerra and KGC from any and all claims, and damages with respect of any matter (including any tax or fiscal matters) arising or existing prior to the date of such release agreement, whether such matters were known or unknown at such time, and the Kyrgyz Republic agreed not to commence

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any actions or assert any demands for such actions or demands so released. The Restated Project Agreement also provide for any disputes regarding the Restated Project Agreements, the Release Agreement, and the Kumtor project to be resolved by international arbitration.

There are risks associated with the Parliamentary Commission Report, the State Commission, the interagency commissions, and the other related matters which could have an adverse impact on Centerra's future cash flows, earnings, results of operations, financial condition, or business prospects. See "Risk Factors", "Outlook for 2012 – Material Assumptions & Risks" and "Caution Regarding Forward-Looking Information".

Mongolia

<u>Boroo Heap Leach License:</u>

On September 19, 2012, Centerra announced that it received its heap leach permit for the Boroo mine and subsequently commenced operations at the mine.

<u>Gatsuurt and the Impact of the Mongolian Water and Forest Law</u>:

Further to information disclosed in the Company's most recently filed Annual Information Form for 2011, the Mongolian Parliament enacted in July 2009 the Mongolian Law to Prohibit Mineral Exploration and Mining Operations at River Headwaters, Protected Zones of Water Reservoirs and Forested Areas (the "Water and Forest Law") which prohibits mineral prospecting, exploration and mining in water basins and forestry areas in Mongolia. The law provides for a specific exemption for "mineral deposits of strategic importance", which exempts the Boroo hard rock deposit from the application of the law. Centerra's Gatsuurt licenses are currently not exempt. Under the Mineral Laws of Mongolia, Parliament on its own initiative or, on the recommendation of the Mongolian Government, may designate a mineral deposit as strategic. Such designation could result in Mongolia receiving up to a 34% interest in the applicable project.

Amendments to the Water and Forest Law were proposed a group of Parliamentarians in 2011 to reduce its impact on environmentally-sound mining operations. The Company understands that as drafted, such amendments would allow the Gatsuurt project to proceed. The amendments are still before the Parliament for consideration.

Centerra is reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the Water and Forest Law having a limited impact on the Company's Mongolian activities. There can be no assurance, however, that this will be the case. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the Gatsuurt project or Gatsuurt is designated as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources or eliminated entirely and the Company may be required to write-off the associated investment in Gatsuurt and Boroo.

As at September 30, 2012, the Company had net assets recorded amounting to approximately $36 million related to the investment in Gatsuurt and approximately $29 million remaining capitalized for the Boroo mill facility and other surface structures which are expected to be utilized for the

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processing of ore from Gatsuurt. Although the Company expects to exploit the Gatsuurt deposit, should this not be the case, the Company would be required to write-off these amounts. A revocation of the Company's mineral licenses, including the Gatsuurt mineral license, or the reclassification of mineral reserves or the write-off of assets could have an adverse impact on Centerra's future cash flows, earnings, results of operations or financial condition. For a further discussion relating to the Water and Forest Law, please see the Company's most recently filed Annual Information Form for 2011.

Corporate

Enforcement Notice by Sistem:

As previously disclosed, in March 2011, Centerra was served by a Turkish company, Sistem Muhenkislik Insaat Sanayi Ticaret SA ("Sistem"), with a notice of enforcement to seize any shares and dividends in Centerra held in the name of the Kyrgyz Republic, followed by a notice of garnishment in April 2011 for any debts owed by Centerra to the Kyrgyz Republic. These notices were served by Sistem as part of the enforcement proceedings brought by Sistem in the Ontario Superior Court to collect approximately US$11 million with additional interest, owed to Sistem by the Kyrgyz Republic in accordance with a judgment of the Ontario Superior Court enforcing an international arbitration award against the Kyrgyz Republic. In these Ontario proceedings, Sistem alleges that the shares in Centerra owned by Kyrgyzaltyn JSC ("Kyrgyzaltyn"), and any dividends paid in respect of those shares, are in fact legally and beneficially owned by the Kyrgyz Republic and are therefore subject to execution to pay the judgment.

Based on legal advice received, Centerra disputes those allegations and maintains that Kyrgyzaltyn alone is the legal and beneficial owner of the shares and any dividends in respect of those shares, based on the applicable legal principles and the binding agreements with Kyrgyzaltyn. As a result, and notwithstanding such notices of enforcement and garnishment, Centerra paid its May 18, 2011 dividend of approximately C$31 million and its May 31, 2012 dividend of approximately C$3 million to Kyrgyzaltyn. Sistem is continuing with its claim regarding the Centerra shares owned by Kyrgyzaltyn. If this claim is successful in the Ontario court proceedings, Sistem may have a right to execute its judgment against those shares and may assert a claim against Centerra in respect of the payment of the dividends to Kyrgyzaltyn. However, Centerra believes it has a strong defence to that claim based on the facts and the law.

In April 2012, a motion was heard in the Ontario Superior Court to set aside the Ontario judgment enforcing the arbitration award on the basis that the court did not have jurisdiction to entertain the application or in the alternative that there is a foreign court which is a more convenient forum to hear and decide the issues of legal and beneficial ownership of the shares as between Kyrgyzaltyn and the Kyrgyz Republic. The motion was brought by Kyrgyzaltyn and was ultimately dismissed. Centerra understands that Kyrgyzaltyn is appealing the matter. Centerra is not a party the Ontario court proceedings and has no standing to make arguments in respect thereof.

Pursuant to a Ontario court decision dated September 5, 2012 (the "Court Order"), Centerra is required to hold in trust to the credit of the Sistem court proceeding, (i) Kyrgyzaltyn's portion of the Centerra dividend paid on August 30, 2012, net of withholding taxes; and (ii) Kyrgyzaltyn's portion of future dividends, which together with item (i) should not exceed C$11.2 million. The Court Order is in effect for a period of 90 days from issuance but can be extended by Sistem. Centerra

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understands that Sistem has brought a motion to extend the Court Order until the final resolution of the court proceedings. The Court Order also places certain restrictions on 4 million of the Centerra shares held by Kyrgyzaltyn, including restrictions on the transfer or encumbrance of such shares. The Centerra shares pledged by Kyrgyzaltyn to Kumtor Gold Company and Kumtor Operating Company as security for payments due from Kyrgyzaltyn under the Restated Gold and Silver Sale Agreement dated as of June 6, 2009 are not subject to the Court Order restrictions. See "Other Financial Information – Related Party Transactions"- "*Dividend payable and restricted cash held in trust*".

For a full discussion of risk factors that can have a material effect on the profitability, future cash flow, earnings, results of operations, stated mineral reserves and financial condition of the Company, please see "Risk Factors" in the Company's most recently filed Annual Information Form available on SEDAR at www.sedar.com and see also the discussion below under the heading "Cautionary Note Regarding Forward-looking Information".

Changes in Accounting Policies

There were no new accounting policies adopted during the three and nine months ended September 30, 2012.

New Pronouncements

As disclosed in the Company's 2011 annual MD&A and in note 5 to its annual financial statements of 2011, the following recently issued IFRS standards have not been adopted:

IFRS 7 *Financial Instruments – Disclosures* ("IFRS 7") The Company intends to adopt IFRS 7 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 7 to have a material impact on its financial statements.

The IASB has issued IFRS 9 *Financial Instruments* ("IFRS 9") which proposes to replace IAS 39 *Financial Instruments Recognition and Measurement*. This standard is effective for the Company's annual year end beginning January 1, 2015 (as amended from January 1, 2013 by the IASB in December 2011). The Company will evaluate the impact of the change to its consolidated financial statements based on the characteristics of its financial instruments at the time of adoption.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), which replaces parts of IAS 27, *Consolidated and Separate Financial Statements* ("IAS 27") and all of SIC-12 *Consolidation – Special Purpose Entities*. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 10 to have a material impact on its financial statements.

IFRS 11 *Joint Arrangements* ("IFRS 11"), which replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers.* This new standard is applicable for accounting periods beginning January 1, 2013. The Company does not expect IFRS 11 to have a material impact on its financial statements.

IFRS 12 *Disclosure of Interests in Other Entities.* The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. The Company does not

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expect IFRS 12 to have a material impact on its financial statements except for additional disclosure requirements.

IFRS 13 *Fair Value*. The Company intends to adopt IFRS 13 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on its financial statements.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*. The Company intends to adopt IFRS 13 in its financial statements for the annual period beginning on January 1, 2013. The Company is assessing the impact of IFRIC 20 on its results of operations and financial position and will adopt the new standard prospectively in its financial statements effective from January 1, 2013.

Outlook for 2012

Production

Centerra's 2012 consolidated gold production forecast has been revised to 415,000 to 425,000 ounces. Also revised is the total cash cost in 2012 which is now expected to be $600 to $620 per ounce produced. The Company’s prior guidance in the news release of August 1, 2012 was 450,000 to 470,000 ounces at a cash cost of $590 to $615 per ounce produced.

The Kumtor mine is expected to produce 350,000 to 360,000 ounces of gold in 2012 while total cash cost for 2012 is expected to be $570 to $590 per ounce produced. Both production and cash cost guidance have been revised from the previous guidance of 390,000 to 410,000 ounces and cash costs of $550 to $585 per ounce produced, respectively. During October, the mine encountered an irregular till/bedrock contact while transitioning between waste and ore. This irregularity resulted in greater than expected amounts of till waste material and less than expected amounts of ore at the till/bedrock contact in the top benches for the southwest section of the SB Zone. By the end of October, Kumtor had mined through the till/ore interface and is now mining in bedrock where historical reconciliations of production against forecast have been good. As a result, Centerra does not expect to have a similar issue going forward.

As a result of the decision to expand the Kumtor open pit and extend the mine life (as described on page 3 of this MD&A under “Event Subsequent to September 30, 2012”), Kumtor’s gold production forecast for 2013 and 2014 has been revised to 600,000 ounces and 660,000 ounces poured, respectively.

Kumtor’s collective bargaining agreement expires at the end of 2012. A work stoppage at any time during the fourth quarter would have a significant impact on Kumtor achieving its targeted production. Additionally, achieving the targeted production is dependent on the Company satisfactorily managing the unloading of ice and waste in the southeast portion of the pit. See “Material Assumptions & Risks” and “Caution Regarding Forward-looking Information”.

The reduced guidance for Kumtor is partially offset by an increase in production guidance for the Boroo mine, which is expected to produce approximately 65,000 ounces, 5,000 ounces higher than the previous guidance of 60,000 ounces. Boroo’s total cash cost is expected to be $800 per ounce produced in 201 Both the production and cash cost outlook have been revised from the previous guidance of production of approximately 60,000 ounces and cash cost of $810 per ounce produced

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disclosed in the Company's news release of August 1, 2012. The revised production and cash costs guidance reflects higher production from the mill as a result of higher head-grade in the mill feed and as well as additional production expected in the fourth quarter of 2012 from the heap leach facility.

Boroo completed mining of Pit 6 ore at the end of the third quarter. During the fourth quarter the Boroo mill is expected to process the ore stockpiles generated from Pit 6 with an average grade of 2.4 g/t.

During the third quarter Boroo received all required permits and regulatory approval for its mine plan for the heap leach facility. The heap leach operation has been re-commissioned and heap leach operations have resumed.

The 2012 forecast assumes no production from the Gatsuurt project due to uncertainties with permitting. See also "Other Corporate Developments" and other material assumptions set out below.

Centerra's Production and Unit Cost –2012 Forecast as follows:

	Production *Ounces of gold*	**Total Cash Cost**(1) *$ per ounce produced*
Kumtor	350,000 – 360,000	$570 – $590
Boroo	approximately 65,000	approximately $800
Consolidated	415,000 – 425,000	$600 – $620

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

2012 Exploration Expenditures

Exploration expenditures of $45 million are planned for 2012, which is unchanged from the previous guidance. The 2012 exploration budget includes programs of surface and underground drilling at the Kumtor mine site, where expenditures are expected to be about $13 million for the year. In Mongolia, planned exploration expenditures have increased to $11 million to fund exploration and advanced project studies on the ATO project and to advance exploration on other projects along the Onon Trend in eastern Mongolia.

Expenditures for the Kara Beldyr and Dvoinoy projects in Russia are expected to total approximately $6 million. In Turkey, expenditures are expected to be approximately $8 million, as drilling accelerates on the Öksüt Joint Venture in the latter half of the year. Exploration is underway on the Laogouxi joint venture project in China, and the China exploration program is expected to total $1.0 million for the year. Approximately $3 million is allocated to generative programs in Central Asia, Russia, China, Turkey and new regions to increase the Company's pipeline of exploration projects.

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2012 Capital Expenditures

The capital expenditures for 2012 are estimated to be $392 million, including $45 million of sustaining capital and $347 million of growth capital, which is $8 million higher than the previous guidance provided in the Company's news release of August 1, 2012 and reflects higher sustaining capital spending at the Kumtor mine.

Projects	2012 Growth Capital ($ millions)	2012 Sustaining Capital ($ millions)
Kumtor mine	$338	$41
Mongolia	$9	$3
Corporate	-	$1
Consolidated Total	$347	$45

Kumtor

At Kumtor, 2012 total capital expenditures are forecast to be $379 million including $41 million of sustaining capital, which is $9 million higher than the previous estimate disclosed the Company's news release of August 1, 2012. The increased estimate reflects higher costs of the major overhaul maintenance of the heavy duty mine equipment ($7 million) and higher cost of effluent treatment plant relocation ($2 million). The largest sustaining capital spending will be the major overhaul maintenance of the heavy duty mine equipment ($18 million), expenditures for dewatering and infrastructure ($8 million), effluent treatment plant relocation ($7 million), tailings dam construction works ($4 million) and for equipment replacement and other items ($4 million).

Growth capital investment at Kumtor for 2012 is forecast at $338 million, which is unchanged from the previous estimate. The Company decreased its capital spending on the underground development project by $21 million and has increased the capital spending allocated for purchase of new mining equipment by the same amount to increase mining capacity for the next year.

Mongolia (Boroo & Gatsuurt)

At Boroo, 2012 sustaining capital expenditures are expected to be about $3 million primarily for component change-outs and mill maintenance. Growth capital is forecast at $9 million, which is $1 million lower than the previous estimate disclosed the Company's news release of August 1, 2012 and reflects lower capitalized pre-stripping costs of Pit 6 at Boroo. No capital for the development of Gatsuurt has been forecast and capital will only be invested following successful regulatory commissioning of the Gatsuurt oxide project. The engineering and construction of the bio-oxidation facility to be located at the Boroo mill, which is needed to treat Gatsuurt sulphide ores, will also be restarted only after the approval to begin mining at Gatsuurt has been received from the Government of Mongolia.

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2012 Corporate Administration and Community Investment

Corporate and administration expenses for 2012 are forecast at $28 million, which is $4 million lower than the previous guidance reflecting a reduction in share-based compensation expense.

Total community investments for 2012 are forecast at $28 million, which is unchanged from the previous guidance provided in the Company's news release of August 1, 2012. This investment includes $5 million for donations and sustainable development projects in the various communities Centerra operates in and $23 million for strategic community investment projects, including the Company's funding in the second quarter of 2012 of $21 million to the micro-credit financing program in the Kyrgyz Republic. Note that these costs are not included in cash cost per ounce. Centerra has a history of investing in various community sustainable development and strategic investment projects in the countries and communities where it operates. For example in 2010, Boroo contributed $6.4 million towards the construction of a new maternity hospital in Ulaanbaatar and in 2011 Kumtor contributed $10 million for the construction and repair of 27 schools in the Kyrgyz Republic.

Taxes

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

The corporate income tax rate for Centerra's Mongolian subsidiary, Boroo Gold Company, is 25% for taxable income over 3 billion Mongolian tugriks (approximately $2.2 million at the September 30, 2012 end-of-day foreign exchange rate) with a tax rate of 10% for taxable income up to that amount. These tax rates will continue to apply until the termination of the Boroo Stability Agreement in July 2013, after which Boroo's operations will be subject to prevailing taxes and royalty fees.

Production, cost and capital forecasts for 2012 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings "Material Assumptions & Risks" and "Caution Regarding Forward-Looking Information" and under the heading "Risk Factors" in the Company's 2011 Annual Information Form.

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Sensitivities

Centerra's revenues, earnings and cash flows for the last three months of 2012 are sensitive to changes in certain variables. The Company has estimated the impact of changes in these variables on revenues, net earnings and cash flow from operations as follows:

	Change	Impact on *($ millions)*			
		Costs	Revenues	Cash flow	Earnings before Income tax
Gold Price	**$50/oz**	1.6	12.4	10.8	10.8
Diesel Fuel(1)	**10%**	2.7	-	2.7	2.7
Kyrgyz som	**1 som per USD**	0.5	-	0.5	0.5
Mongolian tugrik	**25 tugrik per USD**	0.1	-	0.1	0.1
Canadian dollar	**10 cents per USD**	0.8	-	0.8	0.8

(1) a 10% change in diesel fuel price equals $11/oz produced

Material Assumptions & Risks

Material assumptions or factors used to forecast production and costs for the fourth quarter of 2012 include the following:

- a gold price of $1,650 per ounce,
- exchange rates:
  - $1USD:$0.97 CAD
  - $1USD:47.0 Kyrgyz som
  - $1USD:1,350 Mongolian tugriks
  - $1USD:0.73 Euro
- diesel fuel price assumption:
  - $0.85/litre at Kumtor
  - $1.09/litre at Boroo

The assumed diesel price of $0.85/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic. Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was approximately $92 per barrel.

Other important assumptions include the following:

- any recurrence of political and civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine,
- the activities of the Parliamentary Committee and State Commission and any actions taken by the Government thereon, referred to under the heading "Other Corporate Developments –

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Kyrgyz Republic - Kyrgyz Republic Parliamentary Commission Report and State Commission" do not have an impact on operations. No assurances can be given by the Company in this regard,

- the Government of the Kyrgyz Republic taking no action in connection with the matters referred to under the heading "Other Corporate Developments – Kyrgyz Republic - Kyrgyz Republic Parliamentary Commission Report and State Commission" that has an impact on operations or financial results. No assurances can be given by the Company in this regard,
- grades and recoveries at Kumtor will remain consistent with the life-of-mine plan to achieve the forecast gold production,
- the Company is able to manage the risks associated with the increased height of the pit walls at Kumtor,
- the design of the new and expanded waste dumps at Kumtor adequately address the risks associated with size and stability,
- the dewatering program at Kumtor continues to produce the expected results and the water management system works as planned,
- the Company is able to satisfactorily manage the ice movement and to unload the ice and waste in the southeast portion of the pit,
- no labour related disruptions occur at any of the Company's operations, in particular at the Kumtor mine where the collective agreement is scheduled to expire on December 31, 2012,
- no unplanned delays in or interruption of scheduled production from our mines, including due to civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks,
- no further suspension of Boroo's operating licenses, and
- all necessary permits, licenses 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 and the market price of Centerra's shares 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 and the market price of Centerra's shares. See the section entitled "Risk Factors" in the Company's most recently filed Annual Information Form (the "2011 Annual Information Form"), available on SEDAR at www.sedar.com and see also the discussion below under the heading "Caution Regarding Forward-looking Information".

Risk Factors

Centerra has assessed the cost (premium) and benefits (including the amount of coverage) of continuing its political risk insurance in relation to the Kumtor project and has concluded that continued coverage is no longer justified. As a result, Centerra has decided not to pursue the renewal of such insurance. Centerra's prior coverage expired on November 5, 2012. Therefore, any losses Centerra may suffer with respect to its foreign investments, including in the Kyrgyz Republic, would not be covered by insurance and such losses could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

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Non-GAAP Measures

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

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

TOTAL CASH COST & TOTAL PRODUCTION COST RECONCILIATION (unaudited) ($ millions, unless otherwise specified)	Three months ended September 30, **2012**	2011	Nine months ended September 30, **2012**	2011
Centerra:				
Cost of sales, as reported	**$ 59.1**	$ 110.5	**$ 222.3**	$ 278.2
Less: Non-cash component	**13.5**	28.0	**51.0**	68.1
Cost of sales - Cash component	**$ 45.6**	$ 82.5	**$ 171.3**	$ 210.1
Adjust for: Refining fees & by-product credits	**(0.1)**	(0.8)	**(0.4)**	(3.0)
Regional Office administration	**5.2**	4.9	**15.4**	15.4
Mine standby costs	**-**	-	**4.6**	0.2
Non-operating costs	**7.3**	(8.4)	**17.5**	(14.2)
Inventory movement	**1.8**	6.9	**(30.4)**	22.6
Total operating cash cost - 100%	**$ 59.8**	$ 85.1	**$ 178.0**	$ 231.1
Depreciation, Depletion, Amortization and Accretion	**33.0**	24.0	**51.4**	68.8
Inventory movement - non-cash	**(7.7)**	22.6	**(5.7)**	17.0
Total production cost - 100%	**$ 85.2**	$ 131.7	**$ 223.8**	$ 316.9
Ounces poured - 100% (000)	**42.7**	154.9	**167.8**	490.9
Total cash cost per ounce	**$ 1,401**	$ 549	**$ 1,060**	$ 471
Total production cost per ounce	**$ 1,996**	$ 850	**$ 1,332**	$ 646
Kumtor:				
Cost of sales, as reported	**$ 43.2**	$ 94.6	**$ 173.8**	$ 235.8
Less: Non-cash component	**8.6**	25.1	**41.0**	59.2
Cost of sales - Cash component	**$ 34.6**	$ 69.5	**$ 132.8**	$ 176.6
Adjust for: Refining fees & by-product credits	**(0.1)**	(0.8)	**(0.4)**	(3.0)
Regional Office administration	**3.9**	3.5	**11.4**	11.3
Mine standby costs	**-**	-	**4.6**	-
Non-operating costs	**7.3**	(8.4)	**17.5**	(14.2)
Inventory movement	**(0.8)**	10.7	**(23.9)**	30.2
Total operating cash cost - 100%	**$ 44.9**	$ 74.5	**$ 142.0**	$ 200.9
Depreciation, Depletion, Amortization and Accretion	**$ 28.1**	$ 21.0	**$ 41.3**	$ 59.7
Inventory movement - non-cash	**$ (9.7)**	$ 23.8	**$ (6.1)**	$ 19.5
Total production cost - 100%	**$ 63.3**	$ 119.3	**$ 177.1**	$ 280.1
Ounces poured - 100% (000)	**23.8**	141.2	**125.8**	444.5
Total cash cost per ounce	**$ 1,890**	$ 528	**$ 1,128**	$ 452
Total production cost per ounce	**$ 2,664**	$ 850	**$ 1,407**	$ 632
Boroo:				
Cost of sales (cash), as reported	**$ 15.9**	$ 15.9	**$ 48.5**	$ 42.4
Less: Non-cash component	**4.9**	2.9	**10.0**	8.9
Cost of sales - Cash component	**$ 11.0**	$ 13.0	**$ 38.5**	$ 33.5
Adjust for: Refining fees & by-product credits		-		-
Regional Office administration	**1.3**	1.4	**4.0**	4.1
Mine standby costs	**-**	-	**-**	0.2
Non-operating costs	**-**	-	**-**	-
Inventory movement	**2.6**	(3.8)	**(6.5)**	(7.6)
Total operating cash cost - 100%	**$ 14.9**	$ 10.6	**$ 36.0**	$ 30.2
Depreciation, Depletion, Amortization and Accretion	**$ 4.9**	$ 3.0	**10.2**	9.1
Inventory movement - non-cash	**$ 2.1**	$ (1.2)	**$ 0.5**	$ (2.5)
Total production cost - 100%	**$ 21.9**	$ 12.4	**$ 46.6**	$ 36.8
Ounces poured - 100% (000)	**18.9**	13.7	**42.0**	46.4
Total cash cost per ounce	**$ 787**	$ 798	**$ 855**	$ 664
Total production cost per ounce	**$ 1,157**	$ 927	**$ 1,109**	$ 807

Qualified Person & QA/QC

The exploration information and other scientific and technical information in this MD&A were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and were prepared, reviewed, verified and compiled by Centerra's geological and mining staff under the supervision of David Groves, Certified Professional Geologist, Centerra's Vice-President, Global Exploration, who is the qualified person for the purpose of NI 43-101. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the exploration drilling programs are done consistent with industry standards and independent certified assay labs are used with the exception of the Kumtor project as described in its technical report.

The production information and other scientific and technical information in this MD&A, including statements regarding the larger open pit at Kumtor, were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and were reviewed, verified and compiled by Centerra's geological and mining staff under the supervision of Dan Redmond, Ontario Professional Geoscientist, Centerra's Director, Technical Services – Mining, who is the qualified person for the purpose of NI 43-101.

The Kumtor deposit is described in Centerra's 2011 Annual Information Form and a technical report dated March 22, 2011 prepared in accordance with NI 43-101. An updated technical report reflecting the new life-of-mine plan for Kumtor will be filed in the next 45 days on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Kumtor deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kumtor site are described in the technical report.

Caution Regarding Forward-Looking Information

This MD&A and the documents incorporated by reference herein, contain statements which are not current statements or historical facts and 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, the statements made under the heading, "Outlook for 2012"; the Company's expectations regarding future production, cash cost per ounce produced, including expected recoveries; 2012 exploration expenditures; 2012 capital expenditures; Centerra's statements regarding future growth, results of operations, future production and sales, operating capital expenditures, and performance; the Company's ability to successfully manage the ice and waste movement at Kumtor; the outcome of the review by the State Commission and interagency commissions on Kumtor's compliance with Kyrgyz operational and environmental

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laws and regulations and community standards, and other matters raised by the Parliamentary Commission Report, including without limitation, the resolution of temporary land-use matters affecting the Kumtor project; the resolution of the claim commenced by the Kyrgyz Republic Social Fund regarding re-opening completed assessments for the years 2004-2009; expected trends in the gold market, including with respect to costs of gold production; exploration plans for 2012 and the success thereof; the receipt of permitting and regulatory approvals at the Company's Gatsuurt development property; the impact of the Water and Forest Law on the Company's Mongolian activities; anticipated delays and approvals and regulatory commissioning of the Company's Gatsuurt development property as a result of the Water and Forest Law; the Company's business and political environment and business prospects; and the timing and development of new deposits.

Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking information. Material assumptions used to forecast production and costs include those described under the heading "Outlook for 2012". Factors that could cause actual results or events to differ materially from current expectations include, among other things: the sensitivity of the Company's business to the volatility of gold prices; the political risks associated with the Company's principal operations in the Kyrgyz Republic and Mongolia; the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates; the effect of the Water and Forest Law on the Company's operations in Mongolia; ground movements at the Kumtor project; waste and ice movement at the Kumtor project; the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities; competition for mineral acquisition opportunities; the adequacy of the Company's insurance to mitigate operational risks; the effect of the 2006 Mongolian Minerals Law on the Company's Mongolian operations; the effect of the November 2010 amendments to the 2006 Mongolian Minerals Law on the royalties payable in connection with the Company's Mongolian operations; the impact of continued scrutiny from Mongolian regulatory authorities on the Company's Boroo project; the impact of changes to, or the increased enforcement of, environmental laws and regulations relating to the Company's operations; the Company's ability to replace its mineral reserves; the occurrence of any labour unrest or disturbance and the ability of the Company to successfully re-negotiate collective agreements when required, including specifically the Kumtor collective agreement that expires at the end of 2012; litigation; the imprecision of the Company's mineral reserves and resources estimates and the assumptions they rely on; the accuracy of the Company's production and cost estimates; environmental, health and safety risks; defects in title in connection with the Company's properties; the impact of restrictive covenants in the Company's revolving credit facility; the Company's ability to successfully negotiate an investment agreement for the Gatsuurt project to complete the development of the mine and the Company's ability to obtain all necessary permits and regulatory commissions needed to commence mining activity at the Gatsuurt project; seismic activity in the vicinity of the Company's operations in the Kyrgyz Republic and Mongolia; long lead times required for equipment and supplies given the remote location of the Company's properties; illegal mining on the Company's Mongolian properties; the Company's ability to enforce its legal rights; the Company's ability to accurately predict decommissioning and reclamation costs; the Company's ability to obtain future financing; the impact of global financial conditions; the impact of currency fluctuations; the effect of market conditions on the Company's short-term investments; the Company's ability to attract and retain qualified personnel; the Company's ability to make payments including any payments of principal and interest on the Company's debt facilities depends on the cash flow of its subsidiaries; risks associated with the conduct of joint ventures; risks associated with having a significant shareholder; and possible director conflicts of interest. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See "Risk Factors" in the Company's 2011 Annual Information Form available on SEDAR at www.sedar.com.

Furthermore, market price fluctuations in gold, as well as increased capital or production costs or reduced recovery rates may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. Economic and technological factors which may change over time always influence the evaluation of reserves or resources. Centerra has not adjusted mineral resource figures in consideration of these risks and, therefore, Centerra can give no assurances that any mineral resource estimate will ultimately be reclassified as proven and probable reserves.

Reserve and resource figures are estimates and Centerra can provide no assurances that the indicated levels of gold will be produced or that Centerra will receive the gold price assumed in determining its 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 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 the market price of Centerra's shares, 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 the market price of Centerra's shares, 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 November 7, 2012. 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.