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NEWS RELEASE

Centerra Gold Reports Second Quarter Results

(This news release contains forward-looking information that is subject to the risk factors and assumptions set out on page 13 and in our Cautionary Note Regarding Forward-looking Information on page 17. All figures are in United States dollars).

Toronto, Canada, July 30, 2009: Centerra Gold Inc. (TSX: CG) today reported a second quarter loss before unusual items of $30.3 million or $0.14 per common share based on revenues of $104.3 million compared to earnings before unusual items of $13.8 million or $0.06 per common share on revenues of $142.6 million in the same quarter of last year.

After reflecting unusual items of $49.3 million (expense) in the second quarter of 2009, the net loss was $79.6 million, or $0.36 per share, compared to net earnings of $56.0 million, or $0.26 per share which included unusual items of $42.2 million (gain) in the same period of 2008. The unusual items relate to the Agreement on New Terms for the Kumtor Project among the Company, Cameco Corporation ("Cameco"), the Government of the Kyrgyz Republic (the "Government"), Kumtor Operating Company and Kumtor Gold Company (the "Agreement on New Terms"), which was previously announced on April 24, 2009.

Consolidated gold production for the second quarter of 2009 totalled 110,457 ounces at a total cash cost of $667 per ounce produced compared to 158,303 ounces at a total cash cost of $489 per ounce produced in the corresponding quarter of 2008. Revenue-based taxes have been removed from total cash costs for both periods to reflect the establishment of Kumtor's new tax regime. Cash used in operations, net of working capital changes was $17.3 million in the second quarter of 2009 compared to $10.6 million of cash provided in the second quarter of 2008. The second quarter 2009 amount includes the $22.4 million cash settlement to the Kyrgyz government as settlement due on the completion of the Agreement on New Terms. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures" in the Management's Discussion and Analysis issued in conjunction with this news release.)

On June 11, 2009, the Company announced the closing of the transactions contemplated by the Agreement on New Terms and the satisfaction of all of the conditions to closing, including parliamentary approval, the execution of binding project agreements, regulatory approvals and the termination of all proceedings in the Kyrgyz courts and in international arbitration with respect to the Kumtor Project.

The Company confirms that as part of the closing, it issued from treasury 18,232,615 common shares of Centerra to Kyrgyzaltyn JSC ("Kyrgyzaltyn"), a company wholly-owned by the Government of the Kyrgyz Republic and a related party, which brings Centerra's total issued and outstanding shares to 234,857,228. As well, Cameco has agreed to transfer to the Government between 14.1 and 25.3 million common shares of Centerra, which are to be released to the Government upon satisfaction of certain conditions. Until that time Cameco retains voting control over approximately 52.7% of the issued and outstanding shares of Centerra.

Second Quarter Highlights

- Closed the Agreement on New Terms with respect to the Kumtor Project
- Operating licenses at Boroo mine were suspended on June 12, 2009. On July 27, 2009 the suspension was lifted for mining and milling operations
- Labour dispute with the Boroo mine Trade Union was settled on June 16, 2009
- Drilling has extended the Kumtor SB Zone 270 metres along strike to the southwest of previous exploration drilling. All holes intersected significant widths and grades of mineralization. These holes will extend the resource model
- Production guidance for 2009 for Kumtor remains unchanged
- Consolidated production guidance lowered to reflect changes to Boroo's production outlook

Commentary

"The Company is pleased that the Agreement on New Terms closed in the quarter, which allows Centerra to get back to exploring and developing the Kumtor mine to its fullest potential. Unfortunately just as we were resolving the labour issue at the Boroo mine the Minerals Resources Authority of Mongolia (MRAM) suspended our main operating licenses at Boroo. However, on July 27, the suspension at Boroo was lifted for mining and milling. We expect mining and milling activities at Boroo to be fully operational by August 1," said Steve Lang, President and CEO of Centerra Gold.

Financial and Operating Summary

Revenues for the second quarter of 2009 were $104.3 million compared to $142.6 million during the same period one year ago. Second quarter 2009 revenue reflects a 28% reduction in ounces sold partially offset by a 2% increase in realized gold price ($905 per ounce in the second quarter of 2009 versus $889 per ounce in the second quarter of 2008) in the period.

The Company produced a total of 110,457 ounces of gold in the second quarter of 2009, compared to 158,303 ounces of gold produced in the second quarter of 2008. Gold production was 27% and 39% lower than the comparative period at Kumtor and Boroo, respectively. At Kumtor lower grades and recoveries resulted in lower gold production, while at Boroo the labour disruption and license suspension impacted gold production.

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Centerra's total cash cost per ounce produced reflecting the Agreement on New Terms was $667 in the second quarter compared to $489 in the second quarter of 2008. The year-over-year increase in unit cash costs was primarily due the impact of lower gold production which increased unit cash cost by $212 per ounce, see "Operations Update". (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures" in the Management's Discussion and Analysis for the three months ended June 30, 2009, issued in conjunction with this news release.)

At Kumtor, revenue-based taxes are payable to the Kyrgyz Government under the Agreement on New Terms at a rate of 13% of gross revenue, with an additional contribution of 1% of gross revenue to the Issyk-Kul Oblast Development Fund. This agreement received the approval of the Kyrgyz Parliament on April 30, 2009, which is considered to be the date of substantial enactment. The relevance of this date is that, from an accounting perspective, the old tax regime is applied to the period prior to April 30, even though the agreement specified that the new tax regime will be applicable from January 1, 2008. The payments or refunds calculated by the retroactive application of the Agreement on New Terms are accounted for in unusual items on the financial statements. The tax balances at April 30, 2009, generated under the old agreement have been written off, either through unusual items (current taxes) or income tax expense (future tax asset). Revenue-based taxes for the months of May and June 2009 totalled $5.3 million.

The restated project agreements at Kumtor provide for an annual payment of 4% of gross revenue against which all capital and exploration expenditures in the Kyrgyz Republic are fully credited. Expenditures not applied for credit in the year are carried forward for credit in future years. As at June 30, 2009 the excess spent by the Company on capital and exploration over the required 4% of gross revenue is $41.2 million. See Other Corporate Developments – Kyrgyz Republic".

During the second quarter of 2009 a loss before unusual items was recorded of $30.3 million or $0.14 per common share, compared to earnings before unusual items of $13.8 million or $0.06 per common share for the same period in 2008, reflecting reduced gold production and sales volumes.
The strengthening of the Mongolian tugrik compared to the U.S. dollar resulted in an unrealized taxable loss in the quarter from the revaluation of Boroo's local currency denominated financial statements. As a result, the Company recorded an income tax recovery of $2.4 million in the quarter, reducing a tax liability with respect to an earlier weakening of the Mongolian tugrik during the first quarter. This liability would only become payable upon realization of the gain.

Cash used in operations was $17.3 million for the second quarter of 2009 compared to cash provided of $10.6 million for the prior year second quarter. The decrease reflects the settlement payments required by the Agreement on New Terms of $22.4 million and the lower earnings, partially offset by reduced working capital levels.

Capital expenditures spent and accrued in the second quarter of 2009 amounted to $17.7 million of which $11.1 million was spent on sustaining capital projects. Centerra's cash position at the end of June 2009 was $120.4 million, compared to cash and short-term investments of $167.4 million at December 31, 2008.

Exploration expenditures for the second quarter were $4.1 million dollars compared to $5.1 million in the second quarter of 2008 reflecting lower spending at Kumtor and an increase in spending on new joint venture projects.

Other Corporate Developments
Kyrgyz Republic
On April 24, 2009, the Company announced that it had entered into the Agreement on New Terms with the Government and Cameco that resolves all of the existing disputes between the Company, Cameco and the Government with respect to the Kumtor Project. On April 30, 2009, the Company announced that the Kyrgyz Parliament had ratified the Agreement on New Terms and enacted legislation authorizing its implementation including the new tax regime.

The Agreement on New Terms provides for the Government's full commitment to and support for the Company's continuing long-term development of the Kumtor Project and the Government has agreed not to take any action that deprives the Company of any of its rights in respect of the Kumtor Project.

On June 11, 2009, the Company announced the closing of the transactions contemplated by the Agreement on New Terms and that the parties had executed restated project agreements to incorporate the provisions of the Agreement on New Terms including providing for the settlement of all outstanding claims between them including those currently the subject of international arbitration as well as for the expansion of the Company's existing concession area to include the area of its exploration and development license. The Government will also support further and additional exploration activity by the Company in the Kyrgyz Republic by inviting it to consider opportunities to acquire additional exploration and mining licenses.

Taxes applicable to the Kumtor project have been replaced with a simplified, new tax regime effective January 1, 2008. Under the new tax regime, gross revenue will be taxed at a rate of 14%, which includes a 1% monthly contribution to the Issyk-Kul Oblast Development Fund. The new tax regime replaces income tax (10% of taxable income), mineral resource tax (5% of revenue), emergency fund tax (1.5% of revenue), road tax (0.8% of revenue), withholding taxes (10-30% depending on the nature of the payment), the Issyk-Kul Social Fund tax (2-4% of taxable income), all custom duties and certain other taxes.

The restated project agreements provide for an annual payment of 4% of gross revenue against which all capital and exploration expenditures in the Kyrgyz Republic are fully credited. Expenditures not applied for credit in the year are carried forward for credit in future years.

The Company paid the Government, a related party, approximately $22.4 million comprised of: (i) an $11.0 million difference between the taxes paid under the existing tax regime and the taxes that would have been payable under the new tax regime for the period from January 1, 2008 to December 31, 2008, (ii) $1.75 million in full satisfaction of all liabilities or claims of any governmental authority against the Company or any of its affiliates in respect of any matter arising before the closing of the transactions contemplated by the Agreement on New Terms and (iii) an advance on taxes of approximately $9.65 million related to 2009.

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The Company has issued to the Government 18,232,615 common shares from its treasury and Cameco has agreed to transfer to the Government up to 25,300,000 common shares of the Company, which are to be released to the Government upon the satisfaction of certain conditions, including, among other things, if Cameco's interest in the Company falls below 10,800,000 common shares. Until that time Cameco retains voting control over approximately 52.7% of the issued and outstanding shares of Centerra. No restrictions have been placed on the Company's ability to issue common shares in the future. The Agreement on New Terms contemplates that the Company's Board of Directors will be expanded to include an additional independent director nominated by the Kyrgyz Government.

After closing of the transactions and upon the satisfaction of all conditions to the transfer of shares by Cameco, the Kyrgyz Government could own up to 33.0% of the Company, Cameco 37.8% and the balance, 29.2%, would be held by the remaining shareholders.

Mongolia

On May 26, 2009, unionized employees initiated an illegal work stoppage at the Boroo Mine, which resulted in a temporary suspension of mining and milling. The labour dispute with the Boroo Trade Union was settled on June 16, 2009, but mining and milling remained suspended as a result of the license suspensions discussed below. The key terms of the settlement provide enhanced future redundancy benefits to permanent employees. The Company believes the settlement will not have a material impact on future cash costs.

As disclosed on June 12, 2009, the Company received a notice from the Minerals Resources Authority of Mongolia suspending the Boroo Mine's main operating licenses for a period up to three months. During June and July, the Company worked with the relevant regulatory authorities in Mongolia to understand the concerns raised by them. The Company announced on July 27, 2009 that the suspension had been lifted for the mining and milling operations. The Company is continuing its discussions with the regulatory authorities regarding their concerns. The mine stopped adding cyanide to the heap leach pad at the end of April 2009 due to the expiry of the temporary operating permit for the heap leach operation. The Company had been awaiting the final operating permit for the heap leach facility when Boroo's main operating licenses were suspended on June 12, 2009. The Company continues to work with the Mongolian authorities to obtain the final heap leach operating permit.

Centerra continued discussions with the government working group with respect to an investment agreement for the Gatsuurt Project.

Operations Update

Kumtor

At the Kumtor mine, gold production was 81,467 ounces in the second quarter of 2009 representing a 27% decrease from the same quarter in 2008. The decrease is the result of lower ore production, ore grades and recovery. Mine ore production for the quarter was 39% lower than the previous year

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primarily as a result of activities related to the accelerated mining of ice and the removal of waste in the vicinity of the central pit. The reduced ore production from the pit resulted in lower grade stockpile material being fed to the mill. The mill head grade averaged 2.60 g/t with a recovery of 66.0% in the second quarter of 2009, compared to 3.41 g/t with a recovery of 76.3% in the same quarter of 2008.

Total cash cost per ounce, a non-GAAP measure of production efficiency, increased to $723 in the second quarter of 2009 from $540 in the second quarter of 2008. The significant increase in cash cost over the second quarter of 2008 was due to the lower production. The impact of lower gold production increased unit cash cost by $197 per ounce. Total operating costs including mining, milling and administration decreased by $1.1 million over the second quarter of 2008, which represents a reduction of $14 per ounce on unit cash costs.

Exploration expenditures totaled $2.3 million for the second quarter of 2009, a decrease from the $3.6 million reported in the second quarter 2008. Drilling productivity improved resulting in lower costs, in addition to the reduced drilling program in 2009.

Capital expenditures in the second quarter of 2009 totalled $17.4 million compared to $10.9 million in the prior year. This consisted of $11.0 million of sustaining capital, including expenditures on the heavy duty equipment overhaul program ($5.1 million). Other sustaining capital expenditures included the purchase of a bull gear for the ball mill ($2.1 million) and the continuing construction of the shear key and tailings dam ($2.2 million). Growth capital investment totaled $6.4 million spent mainly on the SB zone underground development including expenditures for construction of the decline and construction of the overhead power line ($4.2 million).

There has been 568 meters of development completed on the SB Zone development access drift. The planned turn of the development to align the decline with the SB Zone structure in the hanging wall occurred in the second quarter and underground exploration drilling has commenced.

Kumtor Production Update

At the Kumtor mine, 2009 gold production is estimated to be in the range of 560,000 – 600,000 ounces. During the second quarter, mining of the waste/ice dump material continued ahead of the planned schedule as a result of the acceleration of portions of the southeast waste/ice dump. While the production for the quarter is slightly below expectations due to the later release of higher grade ores from the SB Zone, the higher grade ore is expected to be in production for the balance of the year. Kumtor gold production for the third and fourth quarters remains on plan and full year gold production guidance remains unchanged.

During the second quarter of 2009 mining at Kumtor exposed the unfrozen glacial till. The till layer responded positively to the on-going depressurization and dewatering programs, which are fully operational and extracting water from the pit area. The pit wall angles in most sectors of the pit have improved and have been steepened as a result of the depressurization and dewatering program. One sector in the South wall requires further off-loading of waste and improved dewatering, however, the Company believes this is manageable with the present mobile equipment fleet. The planned replacement of the ball mill gear and relining of the SAG mill has been rescheduled to first quarter 2010.

As a result of events described below, the production profile for Kumtor's open pit operation has been revised compared to Centerra's Technical Report dated March 28, 2008 (the "2008 Technical Report") and accordingly the Company is providing a revised three-year production estimate.

Three-Year Estimated Kumtor Gold Production

Year	**Revised Production Estimate (ounces)**	**Average Mill Grade**	**Recovery**	**Stripping Ratio**
2009	560,000 – 600,000	3.86 g/t	75.8%	22.2:1
2010	553,000	3.91 g/t	79.3%	25.1:1
2011	553,000	3.71 g/t	78.4%	24.9:1
2012	640,000	4.19 g/t	80.9%	22.2:1

Adjustments have been made to the estimate in the 2008 Technical Report to reflect the following: (1) the access to the Sarytor deposit has been rescheduled for 2012; (2) the decrease in reserves resulting from the changes made to the resource/reserve model primarily the lowering the "top cut", or "capping" assays (see "Kumtor Mine – Kumtor Reserve and Resource Estimates – Central Deposit Block Model" in the Company's 2008 AIF); and (3) changes in mine sequencing to incorporate new geotechnical information into the pit design (see " Kumtor Mine – Mining Operations – Mining" in the Company's 2008 AIF).

The production profile for the period 2009 to 2012 in the 2008 Technical Report was 2009 – 697,000 ounces, 2010 – 706,000 ounces, 2011 – 452,000 ounces and 2012 – 608,000 ounces. The reduction in the amount of gold expected to be recovered in 2009 and 2010 compared to the estimate provided in the 2008 Technical Report is expected to be recovered in subsequent years.

The foregoing production estimate and certain statements of Centerra's plans and expectations for production at Kumtor, including estimated grade and recovery are forward-looking information and are based upon the following key assumptions and subject to the following factors that could cause results to differ materially:

- the planned 2-week shutdown of the Kumtor mill in the first quarter of 2010 to change the ball mill ring gear and SAG mill liner is successfully completed on time;
- the dewatering and depressurization programs at Kumtor continues to function properly and the water management system works as planned;
- that high wall movements continue to be managed by the activities of the mine;
- that Centerra receives all necessary permits and authorizations, including environmental permits and authorizations from governmental authorities of the Kyrgyz Republic, in a timely fashion and on acceptable terms to maintain scheduled production; and
- The Kumtor mine's remaining mine life including the three-year production estimate above does not take into account any underground development or mining of the SB

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and Stockwork Zones, which lies below the current pit design. A decision to commence underground mining of the SB Zone or the Stockwork Zone resources will be considered as drilling results become available in 2009 and 2010. See “Kumtor Reserve and Resource Estimates – SB Zone Underground” in the Company’s 2008 AIF.

The AIF and technical report have been filed on SEDAR and are available at www.sedar.com.

Centerra has assumed there will be no material unexpected disruptions to its planned production schedule, but Centerra’s operations at Kumtor are subject to risks and other factors that could cause actual results to differ materially. For a further discussion of the factors that could cause actual results to differ materially, please refer to “Risk Factors” in Centerra’s 2008 Annual Management’s Discussion and Analysis and to Centerra’s 2008 Annual Information Form including the section titled “Risk Factors”, available on SEDAR at www.sedar.com. For information on forward-looking information see “Cautionary Note Regarding Forward-Looking Information”.

Boroo

At the Boroo mine, gold production was 28,990 ounces in the second quarter of 2009, 18,149 ounces lower than the second quarter of 2008. Gold production was impacted by the mine not being able to process approximately 16,000 planned ounces due to the labour interruption which commenced on May 26, 2009 and the subsequent license suspension. Reduced ore grades (2.48 g/t in the second quarter 2009 versus 2.92 g/t in the second quarter 2008) and lower recovery (68.7% compared to 83.5%) resulted in a reduction of mill poured ounces of 11,782 ounces which was partially offset by 9,370 ounces recovered from heap leach production (heap leach production commenced in June 2008).

The mine stopped adding cyanide to the heap leach pad at the end of April 2009 due to the expiry of the temporary operating permit for the heap leach operation. The Company had been awaiting the final operating permit for the heap leach facility when Boroo’s main operating licenses were suspended on June 12, 2009. The Company continues to work with the Mongolian authorities to obtain the final heap leach operating permit. Although the suspension of Boroo’s main operating licenses has been lifted on July 27, 2009, the Company is continuing its discussions with the regulatory authorities regarding their concerns. Boroo expects to resume full mining and milling operations by the end of July. See “Other Corporate Developments – Mongolia”. The recovery of gold at Boroo has been negatively affected by the changing metallurgical nature of ore in pit 3 which is becoming more refractory and more sulphidic ores are being mined compared to the oxide ores mined in the prior year.

Total cash costs per ounce produced, a non-GAAP measure of production efficiency, increased to $511 in the second quarter of 2009 from $370 in the second quarter of 2008. The increase results primarily from the impact of the strike and production shutdown. If the strike and production costs since the shutdown are excluded, the second quarter of 2009 cash cost per ounce produced would have been $396.

During the second quarter of 2009, exploration expenditures in Mongolia remained virtually unchanged year over year at $0.5 million. Capital expenditures in the second quarter of 2009 were $0.1 million compared to $10.7 million in the same quarter of 2008. The reduction is mainly due to more significant expenditures in the second quarter of 2008 for pre-stripping costs in pit 3 amounting to $4.6 million, and completing the construction of the heap leach amounting to $2.4 million.

Exploration Update

Kyrgyz Republic

Kumtor Drilling

In the second quarter of 2009 the exploration drilling program continued in the Kumtor Central Pit. The drilling program focused on continuing the 40 to 80 metre spaced holes to confirm the grade and extent of potential high-grade underground mineable mineralization in the Stockwork Zone below the current planned open pit. Drilling also continued testing the southwest extension of the SB Zone within and outside of the current planned open pit. In addition wide-spaced drill testing for strike and down dip extensions to the main mineralized horizons in the Saddle Zone of the Central Pit and the relatively untested area to the northeast of the Central Pit high-wall continued.

Three additional holes were completed to test the down dip continuity and depth extensions of high grade mineralization intersected in the Stockwork Zone in the Central Pit area. Results continue to be very encouraging. Some of the better intercepts are 5.6 g/t Au over 16.1 metres, including 7.9 g/t Au over 10.1 metres in hole D1323A and 6.8 g/t Au over 14.3 metres, including 25.9 g/t Au over 2.8 metres in hole D1332.

These results, along with those from previous drilling, have outlined a high-grade mineralized zone over a strike length of more than 400 metres and down dip for up to 300 metres from the bottom of the planned KS9 pit design. The results are confirming the excellent potential for a high-grade underground deposit that is open both along strike and down plunge to the northeast.

Nine drill holes were completed in the second quarter of 2009 to test the southwest extension of the SB Zone within and beyond the current planned open pit. All of the holes intersected significant widths and grades of mineralization with some of the better intercepts being:

Hole D1325: 4.5 g/t Au over 15.4 metres,

Hole D1327: 6.7 g/t Au over 25.0 metres, including 11.4 g/t Au over 12.3 metres,

Hole D1331: 16.1 g/t Au over 28.0 metres,

Hole D1333: 3.1 g/t Au over 47.0 metres, including 13.7 g/t Au over 3.0 metres,

Hole D1336: 4.5 g/t Au over 34.8 metres, including 14.5 g/t Au over 3.2 metres,

Hole D1337: 2.9 g/t Au over 21.3 metres, Hole D1340: 6.4 g/t Au over 38.4 metres, including 10.1 g/t Au over 5.7 metres and 22.8 g/t Au over 3.8 metres,

Hole D1343: 10.8 g/t Au over 42.4 metres, including 32.3 g/t Au over 9.3 metres,

Hole D1344: 9.1 g/t Au over 42.9 metres, including 37.1 g/t Au over 5.3 metres and 9.6 g/t Au over 3.3 metres and 7.7 g/t Au over 13.2 metres.

This drilling has extended the SB Zone a further 270 metres along strike to the southwest of previous exploration drilling. The previous drilling defines the limits of the current resource model used for reserve estimation. These holes will extend the resource model and three of the new intercepts lie within the current planned pit design and so will add to current reserves.

These results are very encouraging, indicating the excellent potential for both strike and down dip extensions of the SB Zone on the southwest end of the Kumtor pit.

Two drill holes were completed in the second quarter in the Saddle Zone area of the Central Pit, between the SB and Stockwork Zones. Both holes intersected significant widths and grades of mineralization, including 4.8 g/t Au over 11.1 metres, including 7.9 g/t Au over 5.7 metres 3.2 g/t Au over 18.6 metres, including 8.2 g/t Au over 3.6 metres in hole D1324 and 10.5 g/t Au over 3.0 metres in hole D1334.

These wide intersections of low-grade mineralization and narrower zones of high-grade mineralization continue to be encouraging. The focus in the third quarter of 2009 will be on 80-120 metre spaced step-out drilling to test for high-grade mineralisation within the broad mineralised package.

Two drill holes were completed in the second quarter to test the area to the northeast of the high-wall of the Central Pit. Hole D1301A intersected significant mineralization 9.1 g/t Au over 11.0 metres, including 10.8 g/t over 8.5 metres. This intersection is at the 3,600 metre elevation and is the second intersection of higher grade mineralization in this area to the northeast of the pit highwall. Hole D1165 drilled in 2007 returned an intercept of 8.6 g/t Au over 13.9 metres, including 12.7 g/t Au over 7.9 metres at approximately the same elevation and 80 metres along strike to the northeast of the intersection in hole D1301A. The focus in the third quarter will be on 80 to 120 metre spaced step-out drilling to confirm the down dip and along strike extent of the zone of mineralization.

Underground Decline

Exploration drilling to test the Kumtor structure in the footwall of the underground decline commenced in June 2009. The first hole UG1342A intersected 2.2 g/t Au over 9.0 metres. The focus in the third quarter will be on 90-150 metre step out drilling to test for down dip and along strike extensions of the mineralization.

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Regional Exploration

Regional exploration resumed in June following signing of the Kumtor agreement and resolution of the exploration license matters. Drilling was carried out in the Northeast, Southwest and Sarytor areas.

Northeast Area

Drilling commenced in June on the Northeast prospect. The drill holes were designed to follow up on the mineralization intersected in holes completed in late 2007 and 2008 on the lower Northeast prospect which indicated the potential for a near surface zone of mineralization similar in grade to the Sarytor deposit. The drilling in the second quarter of 2008 returned interesting results. Some of the better intercepts from the drilling in the second quarter of 2008 are 2.5 g/t Au over 11.8 metres, 2.2 g/t Au over 3.0 metres and 3.1 g/t Au over 5.2 metres at depths from 5 to 50 metres below surface in hole D1203A, 2.8 g/t over 9.3 metres and 2.8 g/t over 5.9 metres at a depth of 100 metres below surface in hole DN1198 and 2.2 g/t over 8.1 metres, starting 10 metres below surface in hole D1196.

All drill holes completed in the second quarter of 2009 have intersected zones of alteration with no significant assay results. Drilling will continue in the third quarter to test the strike and down dip extensions of the mineralization intersected in 2007 - 2008.

Sarytor Area

One drill hole is in progress at Sarytor and is designed to test for mineralization down dip of the Sarytor Pit design. The focus in the third quarter will be on step out drilling to test further strike and down dip extensions of the known mineralized zones.

Southwest Area

Drilling commenced at the Southwest Pit in late June, and one hole was completed to test for mineralization on interpreted structures in the footwall of the mineralization previously mined in the Southwest Pit. No significant mineralization was intersected. Drilling will continue to test similar interpreted footwall structures, as well as testing for oxide mineralization west of the Southwest Pit.

Geophysical and Geochemical Programs

Preparations commenced in late June for geophysical surveys, including IP and magnetics, and soil sampling surveys in the Petrov, Muzdusuu, Northeast, and Bordoo areas with work expected to commence by early July.

True widths for the mineralized zones are typically from 40% to 95% of the stated intercept.

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

Mongolia

Exploration work resumed in the second quarter on the Company's extensive land package along the Yeroogol trend and in eastern Mongolia.

Geological mapping, sampling, IP surveys and trenching are underway on the Khuder, Yalbag, Shiver and Khar Mod projects. Geological mapping and IP surveys are in progress to complete target definition work on prospect areas that are peripheral to the Gatsuurt Central and Main Zones deposits. Drilling is planned to start later in the third quarter.

Outlook for 2009

Production

For the full year of 2009, Centerra expects consolidated gold production of 680,000 to 730,000 ounces, which is lower than the prior guidance of 720,000 to 770,000 ounces. The reduction in gold production guidance is due to lower than expected production at Boroo due to the operational shutdown which resulted from the strike and subsequent suspension of the main operating licenses.

Gold production for the full year 2009 at the Kumtor mine is forecast to be 560,000 to 600,000 ounces, which is unchanged from prior guidance. Production from the nearby Sarytor deposit has not been included this year in Kumtor's current mine plan. The production from Sarytor has been deferred until 2012.

Details of Kumtor's 2009 quarterly production profile were published in a news release on June 12, 2009. Production in the first two quarters of 2009 was negatively affected by the mining activities related to sustaining the cutback of the ice creep into the pit from the Davidov glacier. However, overall, Kumtor's 2009 guidance on gold production is not expected to be affected by the accelerated mining of ice and waste material. The Company expects that due to an unplanned maintenance shutdown of the SAG mill in the first quarter, the planned 2-week shutdown of the Kumtor mill to replace the ball mill ring gear and the SAG mill liner, originally scheduled for the third quarter of 2009 will be delayed to 2010. The third quarter production is forecast to exceed the production in the same quarter of last year by approximately 30,000 ounces due to the availability of high grade material for processing. The Company expects the highest production in the fourth quarter of 2009, when the high-grade ore in the SB Zone will be mined.

At Boroo, gold production is forecast to be 120,000 to 130,000 ounces, which is lower than the prior guidance of 160,000 to 170,000 ounces. The revised production guidance for Boroo reflects the impact of the labour strike and license suspension and the expiration of the temporary heap leach operating permit. The mining activities at Boroo were halted on May 26, 2009 due to the strike at the mine site followed by the suspension of the mining licenses on June 12, 2009. On July 27, 2009, the suspension of Boroo's main operating licenses was lifted for the mining and milling operations. The Company is continuing its discussions with the regulatory authorities regarding their concerns. The Company is working with the Mongolian authorities to have the final operating permit for the heap leach facility issued. Resumption of heap leach operations at Boroo would add approximately 3,000 ounces per month to the Company's gold production guidance.

Cash cost per ounce

The prior 2009 outlook for consolidated cash costs per ounce of $465 to $505 has been revised to $410 to $450 per ounce to reflect the reduced production at Boroo and the closing of all transactions under the Agreement on New Terms. As disclosed previously the majority of taxes at Kumtor have

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been replaced with a revenue-based tax which is excluded from the total cash costs. Accordingly, the outlook for total cash costs per ounce produced excludes the revenue-based tax.

Total cash cost for 2009 for Kumtor is expected to be in the range of $390 to $430 per ounce produced. Other than adjusting the unit cost to reflect the application of the Agreement on New Terms, the prior guidance for total cash per ounce at Kumtor is unchanged. Centerra expects that the higher cost profile at Kumtor in the first two quarters of 2009 will be offset by higher production in the third and fourth quarters.

Total cash cost for 2009 for Boroo is expected to be in the range of $495 to $535 per ounce produced which is higher than the prior guidance of $465 to $505 per ounce. The revised cash cost guidance for Boroo reflects lower production due to the strike and subsequent suspension of the main operating licenses. The cash cost at Boroo would be lower if heap leach operations are resumed.

Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Centerra's production and unit costs are forecast as follows:

	2009 Production Forecast (ounces of gold)	**2009 Total Cash Cost[(1)]** ($ per ounce)
Kumtor	560,000 – 600,000	390 – 430
Boroo	120,000 – 130,000	495 – 535
Consolidated	680,000 – 730,000	410 – 450

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

Major Assumptions and Sensitivities

The following material assumptions have been updated from the prior disclosed guidance in light of current market conditions. In particular, material assumptions or factors used to forecast production and costs include the following:

- a gold price of $900 per ounce,
- exchange rates:
  - $1USD:$1.12CAD
  - $1USD:42 Kyrgyz Som
  - $1USD:1,425 Mongolian Tugrik
  - $1USD:0.71 Euro
- diesel price assumption:
  - $0.50/litre at Kumtor
  - $0.85/litre at Boroo

Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was about $64 per barrel.

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

Sensitivities	Change	Impact on *($ millions)*			
		Costs	**Revenues**	**Cash flow**	**Earnings before income tax**
Gold Price	**$25/oz**	1.6	12.5	10.5	10.9
Diesel Fuel	**10%**	$5/oz	-	2.2	2.2
Kyrgyz som	**1 som**	0.6	-	0.6	0.6
Mongolian tugrik	**25 tugrik**	0.1	-	0.1	0.1
Canadian dollar	**10 cents**	1.5	-	1.5	1.5

Other important assumptions that are implicit in the Company's production, cost and capital guidance are as follows:

- grades and recoveries at Kumtor increase as expected through the third and fourth quarters to achieve the forecast gold production,
- no further delays in or interruption of scheduled production from our mines, including due to natural phenomena, labour or regulatory disputes or other developmental and operational risks,
- the dewatering and depressurization programs at Kumtor continue to produce the expected results and the water management system works as planned,
- Boroo ore does not become more refractory in nature affecting mill recoveries,
- no further labour disruption at the Boroo mine site,
- no further suspension of Boroo's operating licenses,
- prices for fuel oil, reagents and other consumables will remain consistent with Company estimates, and
- all necessary permits, licences and approvals are received in a timely manner.

Production and cost forecasts for 2009 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed under the heading "Cautionary Note Regarding Forward-Looking Information".

Kumtor Mill Shutdown

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

Similarly, the maintenance and changeout of the Kumtor SAG mill liner which was scheduled for the third quarter of 2009 has been postponed until early 2010. However should the current liner and/or the ring gear not last until the end of the year, an unplanned shutdown would be required which would have an adverse affect on the production, costs and earnings of the Company.

Further Creep of Waste and Ice Material at Kumtor

During the second quarter of 2009, continued movement of waste and ice from the South East Ice Wall into the Kumtor open pit required the mining of ice and waste which reduced the production of ore. Management is working to neutralize and further stabilize this advanced creep, which by the end of the quarter was being significantly mitigated. While work is planned over the balance of the 2009 year to sustain the cutback of the ice creep into the pit there is no guarantee that these efforts will avert further negative impact on the Company's expected production, costs and earnings.

Boroo License Suspension and Production Shutdown

As disclosed on June 12, 2009, the Company received a notice from the Minerals Resources Authority of Mongolia suspending the Boroo Mine's main operating licenses for a period up to three months. The Company disclosed in its July 27, 2009 news release that the suspension had been lifted for mining and milling operations.

The mine stopped adding cyanide to the heap leach pad at the end of April 2009 due to the expiry of Boroo's temporary heap leach permit. The Company had been awaiting the authorization of the final heap leach operating permit when the mine's main operating licenses were suspended. See "Other Corporate Developments – Mongolia".

Exploration and Business Development

Exploration expenditures are expected to total $25 million and the business development program is forecast at $4.1 million for 2009 to support merger and acquisition initiatives of the Company for the year.

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

Capital Expenditures

The capital requirement in 2009 is estimated to be $107.0 million, including $45.1 million of sustaining capital and $61.9 million of growth capital. This represents an increase of $7.0 million from prior guidance primarily due to an increase in growth capital at Kumtor.

Growth capital includes:

Projects	2009 Growth Capital Expenditures Forecast (millions of dollars)
Kumtor	$47.3
Boroo	$0.6
Gatsuurt	$14.0
Consolidated	$61.9

At Kumtor the growth capital expenditures are $32.1 million assigned to the development of the two development drifts (Phase I and II to access and drill the SB and Stockwork Zone resources), $11.3 million for the initial funds for the Phase II mining fleet and long lead items, and various other projects of $3.9 million. The Company increased the growth capital guidance at Kumtor by $11.3 million which includes $14.4 million for additional development costs for Phase II and reduced other growth capital expenditures by $3.1 million either by cancelling or delaying other projects.

The $14.0 million for Gatsuurt includes road construction and site infrastructure development, which is unchanged from the prior estimates. Additional capital expenditures for the next phase of processing development, which includes $10.0 million to initiate the basic and detail engineering and $15.1 million for procurement and construction management will only be invested if the Company is successful in obtaining an acceptable tax stabilization agreement for Gatsuurt with the government authorities of Mongolia. The 55 kilometre road to the Gatsuurt mine site has been designed and has been submitted for permitting to the appropriate government agencies. The 14-month construction period began in the second quarter of 2009.

Administration

Annual corporate and administration expenses without unusual items are expected to amount to approximately $30 million in 2009 which is unchanged from prior guidance.

Corporate Taxes

Kumtor

Effective April 30, 2009 (being the date the Kyrgyz Parliament ratified the Agreement on New Terms) Kumtor became subject to a new tax regime pursuant to which income taxes and other taxes were replaced by taxes computed by reference to Kumtor's revenue. Under the new tax regime, a tax of 13% of gross revenue is payable monthly plus, effective January 1, 2009, a payment equal to 1% of gross revenue is made monthly to the Issyk-Kul Oblast Development Fund. The new tax regime replaces taxes payable pursuant to the prior investment agreement, including income taxes at 10% of taxable income, a mineral resource tax at 5% of revenue, an emergency fund tax at 1.5% of revenue, a road tax at 0.8% of revenue, withholding taxes imposed on payments to non-residents with rates ranging from 10%-30% depending on the nature of the payment, an Issyk-Kul Social Fund tax with a rate of 2%-4% of income, all customs duties, and certain other taxes.

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Boroo
The corporate income tax rate for Boroo Gold Company, for 2009 and subsequent years, is 25% for taxable income over 3 billion tugrik (approximately $2.1 million at the quarter end foreign exchange rate) with a tax rate of 10% for taxable income up to that amount.

For further discussion of the factors that could cause actual results to differ materially, please refer to "Risk Factors" in Centerra's 2008 Annual Management's Discussion and Analysis and to Centerra's 2008 Annual Information Form including the section titled "Risk Factors", available on SEDAR at www.sedar.com. For information on forward-looking information see "Cautionary Note Regarding Forward-Looking Information".

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

The Kumtor deposit is described in Centerra's most recently filed Annual Information Form (the "AIF") and in a technical report dated March 28, 2008 prepared in accordance with NI 43-101. The AIF and technical report have been filed 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.

Cautionary Note Regarding Forward-looking Information
Statements contained in this news release including those under the headings "Three-Year Estimated Kumtor Gold Production" and "Outlook for 2009", and the documents incorporated by reference herein, contain statements which are not current statements or historical facts and are "forward-looking information" within the meaning of applicable Canadian securities laws. All statements, other than statements of historical fact, contained or incorporated by reference in this news release constitute forward-looking information. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "forecasts", "projections", "anticipate" or "does not anticipate", "believe", "intent", "potential", "strategy", "schedule", "estimates" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved and other similar expressions have been used to identify forward-looking information. These forward-looking statements relate to, among other things Centerra's expectations regarding, future growth, results of operations (including, without limitation, future production and sales, and operating and capital expenditures), performance (both operational and financial), business and political environment and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities.

Although the forward-looking information in this news release reflects Centerra's current beliefs on the date of this news release based upon information currently available to management and based upon what management believes to be reasonable assumptions, Centerra cannot be certain that actual results, performance, achievements, prospects and opportunities, either expressed or implied, will be consistent with such forward-looking information. By its very nature, forward-looking information necessarily involves significant known and unknown risks, assumptions, uncertainties and contingencies that may cause Centerra's actual results, assumptions, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking information. These risks and uncertainties include, among other things, risks relating to the resolution of issues at the Boroo mine relating to the suspension of the Boroo licenses in June 2009 as described above under the heading "Other Corporate Developments – Mongolia", the receipt of a final permit to operate the heap leach operation at the Boroo mine, gold prices, replacement of reserves, reduction in reserves related to geotechnical risks, ground movements, political risk, nationalization risk, changes in laws and regulations, civil unrest, labour unrest, legal compliance costs, reserve and resource estimates, production estimates, exploration and development activities, competition, operational risks, environmental, heath and safety risks, costs associated with reclamation and decommissioning, defects in title, seismic activity, cost and availability of labour, material and supplies, increases in production and capital costs, permitting and construction to raise the tailings dam height and increase the capacity of the existing Kumtor tailing dam, illegal mining, enforcement of legal rights, decommissioning and reclamation cost estimates, future financing and personnel. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See "Risk Factors" in the Company's most recently filed Annual Information Form and Annual Management's Discussion and Analysis available on SEDAR at www.sedar.com.

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

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

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this news release. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward-looking information. Forward-looking information is as of July 29, 2009. Centerra assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

About Centerra

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

Conference Call

Centerra invites you to join its 2009 second quarter conference call on Thursday, July 30, 2009 at 10:00 am Eastern Time. The call is open to all investors and the media. To join the call, please dial Toll-Free in North America (800) 909-4804 or International callers dial (212) 231-2901. Alternatively, an audio feed web cast will be available on www.centerragold.com. A recording of the call will be available on www.centerragold.com shortly after the call and via telephone until midnight on Thursday, August 6, 2009 by calling (416) 626-4100 or (800) 558-5253 and using passcode 21425459.

For more information:

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Additional information on Centerra is available on the Company's web site at www.centerragold.com and at SEDAR at www.sedar.com.

MDA and Financial Statements and Notes follow

Centerra Gold Inc.

Management's Discussion and Analysis ("MD&A")

For the period ended June 30, 2009

The following discussion has been prepared as of July 29, 2009, 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 six month periods ended June 30, 2009 in comparison with those as at June 30, 2008. This discussion should be read in conjunction with the unaudited interim consolidated financial statements and the notes of the Company for the three and six month periods ended June 30, 2009. 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, 2008, the related MD&A included in the 2008 Annual Report, and the 2008 Annual Information Form. The financial statements of Centerra are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and, unless otherwise specified, all dollar amounts are in United States dollars. The Company's 2008 Annual Report and Annual Information Form are available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

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Consolidated Financial Results

Centerra's consolidated financial results for the three and six month periods ended June 30, 2009 reflect 100% interests in the Kumtor and Boroo mines, and the Gatsuurt project.

Highlights

	Three Months Ended June 30			Six Months Ended June 30		
Financial and Operating Summary	**2009**	**2008**	**% Change**	**2009**	**2008**	**% Change**
Revenue - $ millions	**104.3**	142.6	(27%)	**202.8**	255.2	(21%)
Cost of sales - $ millions (1)	**82.0**	86.3	(5%)	**151.2**	139.9	8%
Earnings (loss) before unusual items - $ millions (2)	**(30.3)**	13.8	(320%)	**(50.5)**	37.5	(235%)
Unusual items - $ millions	**(49.3)**	42.2	(217%)	**(49.3)**	37.7	(231%)
Net earnings (loss) - $ millions	**(79.6)**	56.0	(242%)	**(99.9)**	75.2	(233%)
Earnings (loss) per common share - $ basic and diluted	**(0.36)**	0.26	(238%)	**(0.46)**	0.35	(231%)
Cash provided by (used in) operations - $ millions	**(17.3)**	10.6	(263%)	**(6.4)**	38.6	(117%)
Weighted average common shares outstanding - basic (thousands)	**220,472**	216,318	2%	**217,354**	216,318	0%
Weighted average common shares outstanding - diluted (thousands)	**220,472**	217,456	1%	**217,354**	217,599	(0%)
Gold sold – ounces	**115,308**	160,373	(28%)	**223,900**	284,348	(21%)
Gold produced – ounces	**110,457**	158,303	(30%)	**213,661**	278,698	(23%)
Cost of sales - $/oz sold	**710**	529	34%	**675**	476	42%
Total cash cost - $/oz produced(3) (4) (5)	**667**	489	36%	**740**	518	43%
Total production cost - $/oz produced(3)	**856**	590	45%	**950**	595	60%
Average realized gold price - $/oz	**905**	889	2%	**906**	898	1%
Average gold spot price - $/oz	**922**	896	3%	**915**	911	0%

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

(2) Net earnings before unusual items is a non-GAAP measure and is discussed under "Non-GAAP Measures".

(3) Total cash cost and total production cost are non-GAAP measures and are discussed under "Non-GAAP Measures".

(4) 2009 includes the costs during the strike and shutdown at Boroo of $3.3 million: excluding these costs, the second quarter and six months cash cost per ounce produced would be $637 and $725 respectively.

(5) As a result of Kumtor's Agreement on New Terms, total cash cost and total production cost per ounce measures for both 2009 and 2008 excludes operating and revenue-based taxes.

Three Month Period Ended June 30, 2009 compared with the Three Month Period Ended June 30, 2008

Gold Production and Revenue

Revenue in the second quarter of 2009 decreased to $104.3 million from $142.6 million in the same quarter last year reflecting the lower volumes of gold produced and sold (decrease of 30% ounces produced and 27% ounces sold year over year), partially offset by higher realized gold prices. Gold production for the quarter was 110,457 ounces compared to 158,303 ounces reported in the second quarter of 2008. Gold production was lower at both Kumtor and Boroo operations in the quarter year-over-year. At Kumtor less ore was mined as compared to 2008 with lower grades and

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recoveries and lower grade stockpile ore was processed at the mill. At Boroo mining and milling were suspended since May 26, first due to a labor disruption followed by the suspension of the main operating licenses. See “Mine Operations – Kumtor” and “Mine Operations – Boroo”.

Centerra realized an average gold price of $905 per ounce for the second quarter of 2009, an increase from the $889 per ounce realized in the same quarter in 2008. Since Centerra’s gold production is not hedged and gold is sold at the prevailing spot price, the average realized gold price in the quarter reflects the continued strength of the spot gold price, which averaged $922 per ounce for the second quarter of 2009 ($896 per ounce for the same period in 2008).

Cost of Sales

Cost of sales in the second quarter of 2009 was $82.0 million, compared to $86.3 million in the same quarter of 2008. The impact on cost of sales of lower gold sales volume and decreased operating costs at both Kumtor and Boroo was essentially offset by the fixed nature of many of the costs at the sites (we continue to incur the costs even though we produced fewer ounces). These costs accumulated in inventory, eventually flowing through to cost of sales making the unit cost of ounces sold higher.

Cost of sales per ounce sold increased to $710 compared to $529 for the same period in 2008. This reflects the impact of lower production described above.

The Company’s total cash cost per ounce produced was $667, up from $489 in the second quarter of 2008. This increase is primarily due to the reduced production levels described above. Excluding the fixed costs of $3.3 million incurred during the shutdown at Boroo, total cash cost per ounce produced in the second quarter 2009 would be $637. See “Mine Operations – Kumtor” and “Mine Operations – Boroo”.

Mine Standby Costs

During the second quarter of 2009, Boroo’s operations were temporarily suspended due to a labour dispute, followed by the suspension of its main operating licenses by the Mongolian authorities. Boroo continued to incur fixed costs of approximately $3.3 million during the strike and operational shutdown.

Depreciation, Depletion and Amortization

Consolidated depreciation, depletion and amortization for the second quarter of 2009 increased to $25.7 million from $17.1 million in the same quarter of 2008, mainly due to the depreciation of costs associated with the new heavy duty equipment overhaul program on Kumtor’s expanded fleet, the amortization of pre-stripping costs and the depreciation of the heap leach facility at Boroo (none of which were applicable in the comparative period in 2008). On a per unit basis, depreciation, depletion and amortization for the second quarter of 2009 was $223 per ounce sold compared to $107 per ounce sold in the same quarter of 2008, primarily reflecting the reduced sales volumes in 2009, the addition of capital equipment at Kumtor, and the impact from the depreciation of pre-stripping costs and the heap leach capitalized costs at Boroo.

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Accretion and Reclamation Expense

Accretion and reclamation expense in the second quarter of 2009 was $0.7 million, an increase of $0.4 million as compared to the second quarter of 2008.

Exploration

Exploration costs in the second quarter of 2009 decreased to $4.1 million from $5.1 million in the same quarter of 2008 reflecting increased drilling productivity resulting in lower costs and decreased drilling activity in the main pit at Kumtor during the period.

Capital Expenditures

Capital expenditures spent and accrued of $17.7 million in the second quarter of 2009 included $11.1 million of sustaining capital and $6.6 million invested in growth capital primarily related to the SB Zone underground development at Kumtor ($5.2 million).

Corporate Administration

Corporate administration costs for the second quarter of 2009 were $7.7 million compared to $7.5 million in the same quarter of 2008. The increase is primarily due to the impact on share-based compensation of an 18% increase in the share price in the second quarter 2009 (the share price decreased significantly in the second quarter of 2008).

Revenue-based Tax - Kumtor

Revenue-based taxes are payable to the Kyrgyz Government under the Agreement on New Terms (see “Unusual Items”) at a rate of 13% of gross revenue, with an additional contribution of 1% of gross revenue to the Issyk-Kul Oblast Development Fund. This agreement received the approval of the Kyrgyz Parliament on April 30, 2009, which is considered to be the date of substantial enactment. The relevance of this date is that, from an accounting perspective, the old tax regime is applied to the period prior to April 30, even though the agreement specified that the new tax regime will be applicable from January 1, 2008. The payments or refunds calculated by the retroactive application of the Agreement on New Terms are accounted for in unusual items on the financial statements. The tax balances at April 30, 2009, generated under the old agreement have been written off, either through unusual items (current taxes) or income tax expense (future tax asset). Revenue-based taxes for the months of May and June 2009 totalled $5.3 million.

The restated project agreements provide for an annual payment of 4% of gross revenue against which all capital and exploration expenditures in the Kyrgyz Republic are fully credited. Expenditures not applied for credit in the year are carried forward for credit in future years. As at June 30, 2009, the excess spent by the Company on capital and exploration over the required 4% of gross revenue is $41.2 million.

Income Tax Expense

The Company recorded an income tax expense of $0.1 million during the three month period ended June 30, 2009 ($6.2 million three month period ended June 30, 2008).

Kumtor

Effective April 30, 2009 Kumtor became subject to a new tax regime pursuant to which income taxes and other taxes were replaced by taxes computed by reference to Kumtor's revenue. An income tax expense of $0.05 million was recorded in the three month period ended June 30, 2009 ($0.3 million for the three month period ended June 30, 2008) on Kumtor's earnings, which were subject to income tax from January 1, 2009 to April 30, 2009 at a rate of 12% on income, including 2% for a contribution to the Issyk-Kul Social Fund.

Boroo

The corporate income tax rate for Boroo for 2009 and subsequent years is 25% of taxable income in excess of 3 billion Tugriks (about $2.1 million at the exchange rate at the balance sheet date), and 10% for income up to that amount.

During the three month period ended June 30, 2009, Boroo recorded an income tax expense of $0.05 million ($5.9 million for the three month ended June 30, 2008).

The strengthening of the Mongolian tugrik, compared to the U.S. dollar, resulted in an unrealized taxable loss being recognized in the quarter on Boroo's local currency denominated financial statements, which are used in the preparation of the Mongolian tax return. As a result, the Company recorded an income tax recovery of $2.4 million in the quarter, reducing the tax liability with respect to an earlier weakening of the Mongolian tugrik during the first quarter. This liability would only become payable upon realization of the cumulative gain.

Loss Before Unusual Items

Loss before unusual items for the second quarter of 2009 was $30.3 million, or $0.14 per share, compared to earnings of $13.8 million or $0.06 per share for the same period in 2008, reflecting reduced gold production and sales volumes.

Unusual Items

The total amount of unusual items expensed in the second quarter 2009 was $49.3 million.

On April 24, 2009, the Company announced that an agreement (the "Agreement on New Terms") had been reached between Centerra, Cameco Corporation ("Cameco"), the Kyrgyz Republic (the "Government"), Kyrgyzaltyn JSC ("Kyrgyzaltyn"), Kumtor Operating Company ("KOC") and Kumtor Gold Company ("KGC") that provides for the Government's full commitment to and support for Centerra's continuing long-term development of the Kumtor project. As a result of the agreement which was approved by the Kyrgyz Parliament on April 30, the parties executed restated project agreements to incorporate the provisions of the Agreement on New Terms, including the settlement of all outstanding claims as well as replacing the tax regime applicable to the Kumtor

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project with a revenue-based tax regime. Pursuant to the Agreement on New Terms, Centerra agreed to issue 18,232,615 common shares from its treasury to Kyrgyzaltyn, a company wholly owned by the Government. Cameco agreed to transfer to the Government between 14.1 million and 25.3 million common shares of Centerra, which are to be released to the Government upon the satisfaction of certain conditions.

On June 11, 2009, the transactions contemplated by the Agreement on New Terms were completed. Pursuant to the agreement and as part of the closing, the Company issued from treasury on June 11, 2009, 18,232,615 common shares of Centerra at the closing share price of $6.62 (Cdn. $7.30) to Kyrgyzaltyn.

As a result, the Company recorded an addition to share capital of $120.7 million. The previously recorded liability, contingent common shares issuable of $89.1 million, was drawn down and an additional expense of $31.6 million was recorded in the second quarter of 2009.

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

The Company and the Government have also agreed to replace the former tax regime applicable to the Kumtor project with a simplified, tax regime with effect from January 1, 2008. Under the new tax regime, gross revenue will be taxed at a rate of 13%, plus, effective January 1, 2009, a payment of 1% of gross revenue will be made to the Issyk-Kul Oblast Development Fund. The new tax regime replaces income taxes (10% of taxable income), a mineral resource tax (5% of revenue), an emergency fund tax (1.5% of revenue), a road tax (0.8% of revenue), withholding taxes (10%-30% depending on the nature of the payment), an Issyk-Kul Social Fund tax (2%-4% of taxable income), all customs duties, and certain other taxes.

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

Net Loss After Unusual Items

Net loss after unusual items for the second quarter of 2009 was $79.6 million, or $0.36 per share, compared to earnings of $56.0 million, or $0.26 per share, for the same quarter of 2008, reflecting the unusual items discussed above.

Liquidity and Capital Resources

Cash used in operations was $17.3 million for the second quarter of 2009 compared to $10.6 million of cash provided by operations for the same quarter of 2008, primarily reflecting the tax settlement payments made by Kumtor as required by the Agreement on New Terms of $22.4 million and lower earnings, partially offset by reduced working capital levels.

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Cash used in investing activities in the second quarter of 2009 was $18.7 million reflecting $11.1 million on sustaining capital projects and $6.6 million on growth projects. Expenditures on growth projects were mainly for Kumtor's SB Zone underground development while sustaining capital was $11.0 million at Kumtor. At Boroo, sustaining capital was $0.1 million.

As at June 30, 2009, the Company has entered into contracts to purchase capital equipment and operational supplies totalling $28.7 million (Kumtor $28.6 million, Boroo $0.1 million). These contracts are expected to be settled over the next twelve months.

Cash and cash equivalents and short-term investments were $120.4 million at the end of the second quarter of 2009, compared to cash and cash equivalents and short-term investments of $167.4 million at December 31, 2008. The Company believes it has sufficient cash to carry out its operational business plan for 2009. For information on forward-looking information see "Caution Regarding Forward-Looking Information".

Six-Month Period Ended June 30, 2009 Compared with the Six-Month Period Ended June 30, 2008

Revenue for the first six months of 2009 decreased by $52.4 million, or 21%, to $202.8 million compared to $255.2 million in the same period of 2008 due primarily to lower sales and production levels. Gold production of 213,661 ounces in the first six months of 2009 was lower than the 278,698 ounces reported in the same period of 2008 mainly as a result of the reduction in tonnes of ore mined at Kumtor and the production stoppages (strike and license suspension) in the second quarter 2009 at the Boroo mine. Lower grades and lower recoveries were experienced at both operations. The average realized gold price for the first six months of 2009 was $906 per ounce compared to $898 per ounce in the same period of 2008 reflecting higher spot prices for gold. See "Mine Operations – Kumtor" and "Mine Operations – Boroo".

Net loss before unusual items in the first six months of 2009 was $50.5 million, or $0.23 per share, compared to net earnings of $37.5 million, or $0.17 per share, for the same period in 2008.

Net loss after unusual items in the first six months of 2009 was $99.9 million, or $0.46 per share, compared to net earnings of $75.2 million, or $0.35 per share, in the same period of 2008. The decrease reflects lower sales and production and the unusual items in the second quarter of 2009. See "Unusual Items".

The Company's total cash cost per ounce produced for the six months ended June 2009 was $740, up from $518 in the same period in 2008. This increase is primarily due to the reduced production levels in 2009. Excluding the costs during the shutdown at Boroo, total cash cost per ounce produced for the first six months of 2009 would be $725.

With the changes in the tax regime at Kumtor resulting from the Agreement on New Terms, cash cost per ounce produced now excludes operating and revenue-based taxes. As a result, the cash cost per ounce measure for the first quarters ended March 31, 2009 and 2008 have been restated to $819 and $556 per ounce respectively (from $871 and $610 per ounce reported previously).

Cash flow used by operations for the first six months of 2009 was $6.4 million compared to $38.6 million of cash provided by operations in the same period of 2008 reflecting $22.4 million of tax

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settlement payments made by Kumtor in June 2009 under the Agreement on New Terms and lower net earnings. Cash used in investing activities totaled $24.6 million in the six months of 2009 compared to $36.1 million spent on capital projects in the prior year: the 2009 amount includes $42.4 million spent on capital projects partially offset by a reduction in short-term investments of $17.8 million. The increased spending on capital projects relates mainly to the underground project at Kumtor.

Asset Retirement Obligations

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

The Company has estimated the net present value of the total asset retirement obligations to be $31.5 million as at June 30, 2009 (December 31, 2008 - $32.8 million). These payments are expected to commence over the 2009 to 2016 period. The Company used weighted average credit-adjusted rates of 6.99% at Kumtor and 8% at Boroo to calculate the present value of the asset retirement obligations.

Share capital and share options

As of July 29, 2009, Centerra had 234,857,228 shares issued and outstanding. In addition, at the same date, the Company had 2,271,176 share options outstanding under its share option and share appreciation rights plan with exercise prices between Cdn$4.68 and Cdn$14.29 per share, and with expiry dates between 2013 and 2017.

Gold hedges

The Company had no gold hedges in place in the second quarter of 2009 and no deferred charges were recognized.

Market Update

A significant factor in determining profitability and cash flow from the Company's operations is the price of gold. The spot market gold price based on the London PM fix was approximately $934 per ounce on June 30, 2009. For the second quarter of 2009, the gold price averaged $922 per ounce compared to $896 per ounce for the same period in 2008.

The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic and Mongolia, and its corporate head office is in Toronto, Canada. During the six-month period ending June 30, 2009, approximately $149 million of operating and capital costs were incurred by Centerra in currencies other than U.S. dollars. For the six-month period, the percentage of Centerra's non-U.S. dollar costs, by currency was, on average, as follows: 54% in Kyrgyz soms, 18% in Euro, 16% in Mongolian tugriks, 10% in Canadian dollars, and 2% in other currencies. On average, from the December 31, 2008 currency rate, the Kyrgyz Som depreciated against the U.S. Dollar by approximately 6.5% and the Euro and the Tugrik depreciated by 4.8% and 13.9%, respectively. The Canadian dollar appreciated by 1.0%. The estimated impact of these movements over the six month period to June 30, 2009 has been to reduce costs by approximately $9.5 million, after accounting for Som, Tugrik and Canadian Dollars held at the beginning of the year.

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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 June 30			Six Months Ended June 30		
Kumtor Operating Results	2009	2008	% Change	2009	2008	% Change
Gold sold – ounces	**82,294**	115,374	(29%)	**144,490**	182,490	(21%)
Revenue - $ millions	**74.3**	102.6	(28%)	**131.6**	164.1	(20%)
Average realized gold price – $/oz	**903**	889	2%	**911**	899	1%
Cost of sales - $ millions (1)	**70.7**	75.4	(6%)	**119.3**	112.2	6%
Cost of sales - $/oz sold	**859**	645	33%	**826**	595	39%
Tonnes mined - 000s	**29,968**	29,605	1%	**58,608**	58,557	0%
Tonnes ore mined – 000s	**664**	1,082	(39%)	**1,190**	2,251	(47%)
Tonnes milled - 000s	**1,454**	1,410	3%	**2,820**	2,519	12%
Average mill head grade - g/t (2)	**2.60**	3.41	(24%)	**2.27**	2.98	(24%)
Recovery - %	**66.0**	76.3	(13%)	**68.0**	75.8	(10%)
Gold produced – ounces	**81,467**	111,164	(27%)	**144,488**	185,894	(22%)
Total cash cost - $/oz (3) (4)	**723**	540	34%	**859**	596	44%
Total production cost - $/oz (3) (4)	**890**	640	39%	**1,059**	663	60%
Capital expenditures - $ millions	**17.4**	10.9	59%	**39.1**	18.5	111%
Boroo Operating Results						
Gold sold – ounces	**33,014**	44,999	(27%)	**79,410**	101,858	(22%)
Revenue - $ millions	**30.0**	39.9	(25%)	**71.2**	91.1	(22%)
Average realized gold price - $/oz	**910**	888	2%	**897**	895	0%
Cost of sales - $ millions (1)	**11.3**	10.9	4%	**31.9**	27.7	15%
Cost of sales - $/oz sold	**339**	232	46%	**401**	272	47%
Tonnes mined excluding heap leach- 000s	**1,732**	5,222	(67%)	**4,295**	9,687	(56%)
Tonnes mined heap leach – 000s	**511**	516	(1%)	**1,722**	1,727	(0%)
Tonnes ore mined direct mill feed -000's	**445**	481	(7%)	**1,066**	1,207	(12%)
Tonnes ore milled - 000s	**397**	604	(34%)	**1,018**	1,212	(16%)
Average mill head grade - g/t (2)	**2.48**	2.92	(15%)	**2.40**	2.83	(15%)
Recovery - %	**68.7**	83.5	(18%)	**66.9**	84.4	(21%)
Gold produced – ounces	**28,990**	47,139	(39%)	**69,173**	92,805	(25%)
Total cash cost - $/oz (3) (5)	**511**	370	38%	**492**	362	36%
Total production cost - $/oz (3)	**762**	472	62%	**723**	459	58%
Capital expenditures - $ millions	**0.1**	10.7	(99%)	**0.4**	18.6	(98%)

(1) Cost of sales for 2009 and its comparative years exclude regional office administration.
(2) g/t means grams of gold per tonne.
(3) Total cash cost and total production cost are non-GAAP Measures and are discussed under "Non-GAAP Measures".
(4) As a result of Kumtor's Agreement on New Terms, total cash cost and total production cost per ounce measures for both 2009 and 2008 are shown excluding operating and revenue-based taxes.
(5) 2009 includes the costs incurred during the strike and shutdown of $3.3 million. Excluding these costs the second quarter and six months cash cost per ounce produced at Boroo would be $396 and $444 respectively.

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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 6.85 million ounces of gold. During the second quarter 2009, Kumtor experienced zero lost-time accidents and three class I environmental incidents.

Second Quarter 2009 Compared with Second Quarter 2008

Revenue and Gold Production

Revenue in the second quarter of 2009 decreased to $74.3 million from $102.6 million in the second quarter of 2008 primarily as a result of lower production and lower sales volumes (82,294 ounces sold in the second quarter of 2009 compared to 115,374 ounces sold in the same period of 2008). Kumtor produced 81,467 ounces of gold in the second quarter of 2009 compared to 111,164 ounces of gold in the second quarter of 2008. The decrease primarily resulted from less tonnes of ore being mined as compared to 2008 as efforts continued in the second quarter to remove ice and waste material in the vicinity of the SB Zone at a faster rate than planned. This resulted in lower grade stockpiled material from the Southwest pit being fed to the mill instead of the planned higher grade material from the SB Zone. Average mill head grade for the second quarter 2009 was 2.60 g/t, an improvement from the grades milled in the first quarter 2009 which was 1.92 g/t. This compares to 3.41 g/t recorded in the second quarter 2008. In addition to the lower grade of Southwest ore, recoveries associated with this ore were lower at 66% due to its varying degrees of telluride content and other refractory metallurgical characteristics. This compares with a recovery of 76.3% in the same quarter of 2008.

The realized gold price in the second quarter of 2009 was $903 per ounce compared to $889 per ounce in the same period in 2008.

Cost of Sales

Cost of sales at Kumtor in the second quarter of 2009 was $70.7 million compared to $75.4 million in the same quarter of 2008. This is primarily due to lower ounces sold and lower operating costs.

Operating cash costs at Kumtor decreased $2.0 million in the second quarter of 2009 compared to the same quarter of 2008. This variance can be explained as follows:

Mining costs for the quarter ending June 2009 were $32.5 million, $3.0 million or 9% lower than the quarter ended June 2008. This arose primarily due to lower expenditures on maintenance materials and supplies due to the capitalization of major overhauls ($2.9 million), as well as reduced spending on fuels ($2.7 million), dewatering materials ($0.2 million), geotechnical drilling ($0.2 million), and tires ($0.1 million). This was partially offset by increased spending on explosives and blasting supplies ($1.4 million), lubricants ($0.7 million), higher labour costs ($0.4 million) and lower equipment allocations ($0.3 million).

Milling costs for the quarter ended June 2009 were $13.3 million, $1.2 million or 10% higher than the quarter ended June 2008. This was primarily due to increased costs of reagents and consumables

($1.3 million), as well as increased costs for electricity ($0.2 million). This was partially offset by reduced spending on piping ($0.2 million).

Site Administration costs for the quarter ended June 2009 were $9.7 million, $0.2 million or 2% lower than the quarter ended June 2008, primarily due to a favourable inventory adjustment from supplier credit notes ($0.3 million), lower spending on food and supplies ($0.2 million), lower fuel costs ($0.2 million), partially offset by various small unfavourable variances in equipment allocations, travel costs, insurance costs and rent costs.

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented. On a unit cost basis, cost of sales per ounce sold for the second quarter of 2009 increased to $859 compared to $645 for the second quarter of 2008. This reflects the lower ore production from the pit leading to higher per unit inventory costs and lower sales for the period.

Total cash cost per ounce produced in the second quarter 2009 was $723 compared to $540 per ounce for the same period in 2008. The increase results primarily from the lower production in 2009.

Kumtor Regional Administration

Bishkek Administration costs for the second quarter of 2009 were $3.5 million, a decrease of $0.3 million compared to the same period in 2008.

Depreciation and Amortization

Depreciation and amortization costs increased by $5.8 million over the same period of 2008 due primarily to a depreciation adjustment resulting from the componentization of the heavy duty mobile equipment in 2008 and significant additions to capital in the second half of 2008 and at the beginning of 2009. This was partially offset by a decrease in mined ounces in the quarter leading to a reduction in units of production depreciation for mining assets.

Exploration

Exploration costs for the second quarter of 2009 were $2.3 million, $1.3 million or 35% lower than the second quarter of 2008 mainly due to lower spending on exploration consumables ($0.3 million), fuel ($0.3 million), equipment rentals ($0.2 million) and labour costs ($0.4 million). Drilling productivity improved resulting in lower costs, in addition to the reduced drilling program in 2009 during the period.

Capital Expenditures

Capital Expenditures in the second quarter of 2009 totaled $17.4 million compared to $10.9 million in the same quarter of 2008. This consisted of $11.0 million of sustaining capital, predominately spent on the heavy duty equipment overhaul program ($5.1 million), the purchase of a spare ball / regrind bull gear ($2.1 million), spending on the continuing construction of the shear key and tailings dam ($2.2 million) and the purchase of two CAT 785 haul truck boxes ($0.4 million). Growth capital investment totaled $6.4 million spent mainly on the SB zone underground

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development including expenditures for construction of the decline ($4.2 million) and purchase of mining equipment for Phase II of the underground project ($1.0 million). Other significant growth capital includes the purchase of a new Liebherr 80 tonne crane ($1.2 million).

First Six Months of 2009 Compared with First Six Months of 2008

Revenue and Gold Production

Revenue for the first six months of 2009 decreased to $131.6 million from $164.1 million in same period of 2008 primarily as a result of lower production and lower sales volumes (144,490 ounces sold for the six months of 2009 compared to 182,490 ounces sold in the same period of 2008). Kumtor produced 144,488 ounces of gold for the six months of 2009 compared to 185,894 ounces of gold in the same period of 2008. The decrease results primarily from lower ore production, lower ore grades and lower recovery. The ore grade averaged 2.27 g/t with a recovery of 68% for the six months period of 2009, compared to 2.98 g/t with a recovery of 75.8% in the same period of 2008.

The higher average realized gold price per ounce for the six month period in 2009 of $911 compared to $899 in 2008 was due to higher gold spot prices.

Cost of Sales

Cost of sales at Kumtor in the first half of 2009 was $119.3 million compared to $112.2 million in the same period of 2008. This is primarily due to higher operating costs and lower ore production leading to higher unit costs for ounces sold, partially offset by reduced sales volumes in the year.

Operating cash costs at Kumtor increased $12.2 million for the first half of 2009 compared to the same period of 2008. This variance can be explained as follows:

Mining costs for year-to-date June 2009 were $72.2 million, $6.2 million or 9% higher than the same period in 2008. This arose primarily due to higher than 2008 year-to-date expenditures on explosives and blasting supplies ($3.0 million), as well as dewatering supplies including piping and pumps, ($2.7 million). Other unfavourable variances include higher labour costs ($1.7 million) and higher lubrication costs ($1.5 million). This was partially offset by favourable price and consumption variances for diesel fuel in 2009 ($3.2 million) and lower maintenance expenses due to increased capitalization of heavy duty equipment overhaul projects in 2009 ($2.2 million).

Milling costs year-to-date June 2009 were $25.8 million, $4.0 million or 18% higher than the same period in 2008. This was primarily due to higher costs for reagents and consumables ($3.1 million), higher assay lab costs ($0.5 million), direct purchase of cyclones ($0.4 million), higher labour costs ($0.3 million) and higher spending on maintenance materials and supplies ($0.2 million). This was partially offset by lower spending on piping ($0.3 million).

Site Administration costs year-to-date June 2009 were $19.3 million, $2.0 million or 11% higher than the same period in 2008, primarily due to higher labour costs ($1.2 million), higher equipment rental costs ($0.6 million), insurance costs ($0.6 million), higher rent ($0.3 million), and electricity costs ($0.2 million). Other unfavourable variances include higher spending on business travel ($0.2 million), higher production taxes ($0.2 million), and an increased allocation of both service equipment and site services for the period ($0.1 million). This was partially offset by favourable inventory adjustments from supplier credits ($0.3 million), lower spending on food and supplies ($0.3 million), lower fuel costs ($0.2 million), and lower spending on expense projects ($0.1 million).

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented. On a unit cost basis, cost of sales per ounce sold increased to $826 compared to $595 for the same period of 2008. This reflects the lower gold production leading to higher unit costs. Other unfavourable variances include the increased operating costs between the two periods as explained above.

Total cash cost per ounce produced for the six months ended June 2009 was $859 compared to $596 per ounce for the same period in 2008. The increase results primarily from the lower production in 2009 and higher mining, milling and administration costs as discussed previously. The exclusion of operating and revenue-based taxes, as a result of the Agreement on New Terms, has required a restatement of the first quarters of 2009 and 2008 cash cost per ounce produced to $1,035 and $680 per ounce respectively (from $1,121 and $766 per ounce reported previously).

Kumtor Regional Administration

Bishkek Administration costs year-to-date June 2009 were $7.1 million, $0.9 million or 14% higher than the same period in 2008. This was mainly due to higher labour and rent costs as well as increased spending on computer software. This was partially offset by lower spending on legal and banking fees, and various small expense projects.

Depreciation and Amortization

Depreciation and amortization costs increased year-to-date by $13.1 million over the same period of 2008 due primarily to a depreciation adjustment resulting from the componentization of the heavy duty mobile equipment in 2008 and significant additions to capital in the second half of 2008 and the beginning of 2009. This was partially offset by decrease in mine ore ounces leading to a reduction in units of production depreciation for mining assets.

Exploration

Exploration costs in the first half of 2009 were $5.6 million, $1.1 million or 16% lower than the same period in 2008 mainly due to reduced spending on labour, rental equipment, and consumables and supplies. Drilling productivity improved resulting in lower costs, in addition to the reduced drilling program in 2009.

Capital Expenditures

Capital Expenditure in the first half of 2009 was $39.1 million compared to $18.5 million in the same period 2008. This consisted of $27.6 million of sustaining capital, predominately spent on the heavy duty equipment overhaul program ($15.1 million), the purchase of a new 9350 Liebherr shovel ($4.8 million), the purchase of equipment for the pit and till dewatering projects ($1.4 million), continued spending on the tailings dam project ($2.2 million), and the purchase of a spare ball / regrind bull gear ($2.1 million). Growth capital investment totaled $11.5 million spent mainly on the SB zone underground development including expenditures for construction of the decline and supporting structures for Phase I ($9.2 million), the purchase of equipment for Phase II ($1.0 million), as well as the purchase of a new Liebherr 80 tonne crane ($1.2 million).

Boroo

Located in Mongolia, this open pit mine was the first hard rock gold mine in Mongolia and to date it has produced approximately 1.3 million ounces. During the second quarter of 2009, there were zero lost-time accidents, two first aid injuries, and no reportable environmental spills.

Second Quarter 2009 Compared with Second Quarter 2008

Revenue and Gold Production

Revenue in the second quarter 2009 decreased to $30.0 million from $39.9 million in the second quarter 2008. The decrease is primarily due to lower ounces sold in 2009, 33,014 compared to 44,999 ounces sold in the second quarter 2008. The lower sold ounces were as a result of 39% lower gold production in the second quarter 2009 compared to 2008 (28,990 ounces compared to 47,139 ounces in 2008) mainly due to the operational shutdown caused by a labour strike followed by the suspension of Boroo's mining license.

Gold production in the second quarter 2009 was 18,149 ounces lower than for the same period in 2008. This is mainly due to approximately 16,000 planned ounces not being processed as a result of the operational shutdown (the strike and the license suspension commencing from May 26th and June 12th, 2009 respectively), lower mill recovery (69% vs. 84% in 2008) as processing up to 40% refractory ore in the mill feed decreased production by 4,682 ounces, and lower head grade (2.48 g/t vs. 2.92 g/t in 2008) which further decreased production by 7,100 ounces. This was partially offset by the operation of the heap leach process which produced 9,370 ounces in the second quarter 2009.

The mine stopped adding cyanide to the heap leach pad at the end of April 2009 due to the expiry of the temporary operating permit for the heap leach operation. The Company had been awaiting the final operating permit for the heap leach facility when Boroo's main operating licenses were suspended on June 12, 2009. The Company continues to work with the Mongolian authorities to obtain the final heap leach operating permit.

Although the suspension of Boroo's main operating licenses has been lifted on July 27, 2009, the Company is continuing its discussions with the regulatory authorities regarding their concerns. Boroo expects to resume full mining and milling operations before the end of July. See "Other Corporate Developments- Mongolia".

The realized gold price in the second quarter 2009 was $910 per ounce compared to $888 per ounce in the same period in 2008.

Cost of Sales

Cost of sales in the second quarter of 2009 was $11.3 million compared to $10.9 million in the comparative quarter 2008.

Operating cash costs decreased $2.3 million in the second quarter 2009 compared to the same period in 2008. This variance can be explained as follows:

Mining costs for the second quarter were $3.8 million, $1.6 million or 30% lower than the comparative period in 2008. The decrease was mainly due to the strike and license suspension which limited the mining activity and lowered the variable mining costs ($1.3 million cost reduction). In addition, there were cost savings in diesel, equipment rental and blasting materials, and reduced overall cost for consumables. This is mainly due to a decrease in production from 60,000 to 40,000 tonnes per day.

Milling costs for the second quarter 2009 were $4.1 million, $1.0 million or 20% lower than the same quarter in 2008 primarily as a result of the strike and license suspension.

Heap leaching activity accumulated $1.5 million of costs in the second quarter 2009 for crushing and processing activities and for overheads. In the second quarter 2008 most of the heap leach related costs were capitalized due to the commissioning of the facility which was completed at the end of June 2008.

Site administration costs for the second quarter 2009 remained unchanged at $1.9 million compared to the same period in 2008.

Royalties and other operating costs decreased by $1.3 million in the second quarter 2009 compared to the same period in 2008, reflecting the reduced sales levels in 2009.

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented. On a unit cost basis, cost of sales per ounce sold for the second quarter of 2009 increased to $339 compared to $232 for the second quarter of 2008. This increase compared to the 2008 result is mainly due to an increase in the price and consumption of consumables, in part to improve throughput and recoverability, and the inclusion of heap leaching activity in 2009.

Total cash cost per ounce produced in the second quarter 2009 was $511 compared to $370 per ounce for the same period in 2008. The increase results primarily from the impact of the shutdown on production. If you exclude the fixed costs incurred during the shutdown period, the second quarter 2009 total cash cost per ounce produced would be $396.

Mine Standby Costs

Boroo accumulated $3.3 million of standby costs during the first half of 2009 due to the temporary suspension of its operations as a result of a labour dispute and following the suspension of its main operating license by the Mongolian authorities.

Boroo Regional Administration

Regional administration costs at Boroo for the second quarter 2009 were 2.3 million, $0.2 million or 8% lower than the same quarter in 2008.

Depreciation and Amortization

Depreciation and amortization in the second quarter 2009 increased by $2.8 million compared to the same period in 2008. This is mainly due to the increased capitalization during 2008 of pit 3 pre-strip amounting to $13.6 million as well as the addition of heap leach facilities that commenced operation in June 2008 amounting to $20.9 million. These additional capitalizations increased the depreciation expense by $1.8 million compared to the second quarter of 2008. The remaining variance is mainly due the increase in reclamation assets in the first quarter 2009, based on the updated closure cost estimates, which increased the anticipated reclamation cost by $10.9 million. These additional costs are being amortized over the remaining mine production.

Exploration

Exploration expenditures in Mongolia totaled $0.5 million in the second quarter 2009 compared to $0.6 million in 2008.

Capital Expenditures

Capital expenditures in the second quarter of 2009 amounted to $0.1 million which was spent on sustaining capital, compared to $10.7 million in 2008, which included $3.9 million of sustaining capital. The reduction is mainly due to more significant expenditures in the second quarter of 2008 for pre-stripping costs in pit 3 amounting to $4.6 million and completing the heap leach facility amounting to $2.4 million. No major capital projects were undertaken during the second quarter of 2009.

First Six months of 2009 Compared with First Six Months of 2008

Revenue and Gold Production

In first half of 2009 revenue decreased to $71.2 million from $91.1 million in 2008 due to 22% lower sales volumes (79,410 ounces in 2009 compared to 101,858 ounces in 2008), marginally offset by a higher average realized gold price in 2009 ($897 per ounce vs. $895 in 2008). The lower ounces sold resulted from lower production of gold in 2009 compared to 2008 mainly due to the operational shutdown resulting from the strike and followed by the suspension of Boroo's mining license. See "Other Corporate Developments – Mongolia".

Gold production at Boroo was 69,173 ounces in 2009, a reduction of 23,632 ounces of gold produced as compared to the first half of 2008. This is mainly due to the roughly 16,000 ounces not being produced resulting from the operational shutdown (strike and license suspension), lower plant recovery (67% vs. 84% in 2008) as up to 40% refractory ore in the mill feed caused 13,743 ounces lower production, and lower head grade (2.40 g/t vs. 2.83 g/t in 2008) causing an additional shortfall of 14,220 ounces. These shortfalls were partially offset by the 18,663 ounces produced by the heap leach in the first half of 2009.

Cost of Sales

Cost of sales at Boroo for the first half of 2009 was $31.9 million compared to $27.7 million in 2008.

Operating cash costs at Boroo increased in 2009 to $30.2 million compared to $28.8 million in the first half of 2008. The increase of $1.4 million can be explained as follows:

Mining costs to June 2009 were $9.5 million, $1.7 million or 15% lower than the comparative first six months of 2008. The reduction was mainly due to the reduced mining activity resulting from the strike and license suspension. Cost savings included diesel, equipment rental and blasting material costs due to the reduction in the production rate from 60,000 tpd to 40,000 tpd. The unit cost of diesel decreased from $0.97/litre to $0.69/litre in the first half of 2009 as compared to the same period in 2008.

Milling costs for the first six months of 2009 were $9.4 million compared to $9.2 million for the same period in 2008. The 2% increase reflects primarily the increase in the price and consumption of consumables, in particular grinding balls.

Heap leaching costs for the first half of 2009 totaled $3.8 million for crushing, processing and for overheads. Heap leaching activities commenced at the end of June 2008.

Site administration costs to June 2009 were largely unchanged at $3.8 million compared to $3.5 million in the same period of 2008.

Royalties and other operating costs decreased by $1.2 million in the first half of 2009 compared to the same period in 2008, reflecting the reduced sales levels in 2009.

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented. On a unit cost basis, cost of sales per ounce sold for the first half of 2009 increased to $443 compared to $272 for the same period in 2008. This includes the impact of the strike and shutdown costs of $3.3 million expensed in the second quarter of 2009. Excluding the costs associated with the strike and shutdown the cost of sales per ounce sold for the first half of 2009 would be $313: the increase compared to the 2008 result is mainly due to an increase in the price and consumption of certain consumables, in part to improve throughput and recoverability, and the inclusion of heap leaching activity in 2009.

Total cash cost per ounce produced in the first half of 2009 was $492 compared to $362 per ounce for the same period in 2008. If you exclude the costs associated with the strike and the shutdown, the first half 2009 cash cost per ounce would be $444. This increase mainly reflects the reduced production levels as a result of lower grades and recoveries in 2009 compared to the prior year (2.40 g/t vs. 2.83 g/t and 66.9 % vs. 84.4%) and due to higher prices for certain consumables in 2009.

Mine Standby Costs

Standby costs at the Boroo mine during the first six months of 2009 totalled $3.3 million as a result of the operation's suspension due to a labour dispute and a temporary suspension of the main mining license by the Mongolian authorities.

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Boroo Regional Administration

Regional administration costs at Boroo for the first half of 2009 compared to the same period in 2008 was unchanged at $3.8 million.

Depreciation and Amortization

Depreciation and amortization costs in the first half of 2009 increased by $6.8 million compared to the previous year. This was primarily due to the increased capitalization in 2008 for the pit 3 pre-strip and for the heap leach facility resulting in higher depreciation and amortization in 2009.

Exploration

Exploration expenditures in Mongolia totaled $0.8 million in the second quarter 2009 compared to $0.9 million in 2008.

Capital Expenditures

Capital expenditures in the first half of 2009 were $0.4 million compared to $18.6 million in 2008. This is mainly due to pre-stripping costs in pit 3 amounting to $7.5 million, heap leach capital expenditures amounting to $5.6 million, and tailings dam repair costs of $2.4 million, all incurred in the first half of 2008.

Other Financial Information – Related Party Transactions

Cameco Corporation

Centerra is 48.5% owned by Cameco Corporation ("Cameco"), currently Cameco retains 52.7% voting rights.

Kyrgyzaltyn and the Government of the Kyrgyz Republic

Effective June 11, 2009, revenues from the Kumtor mine are subject to a management fee of $1.00 per ounce based on sales volumes (previously $1.50 per ounce), payable to Kyrgyzaltyn, which holds approximately 22.2% of the outstanding common shares of Centerra.

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 or the Government of the Kyrgyz Republic, and the amounts paid and accrued by Kyrgyzaltyn to KGC according to the terms of the Gold and Silver Sales Agreement between Kumtor Operating Company ("KOC", a subsidiary of the Company), Kyrgyzaltyn and the Kyrgyz Republic.

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($ thousands)	Three months ended June 30		Six months ended June 30	
	2009	**2008**	**2009**	**2008**
Management fees paid by KGC to Kyrgyzaltyn	**115**	**173**	**209**	**274**
Concession payments paid by KGC to Kyrgyz Republic	**(365)**	**462**	**(116)**	**730**
Total	**(250)**	**635**	**93**	**1,004**
Gross gold and silver sales from KGC to Kyrgyzaltyn	**74,689**	**103,121**	**132,297**	**164,955**
Deduct: refinery and financing charges	**(391)**	**(530)**	**(729)**	**(855)**
Net sales revenue received by KGC from Kyrgyzaltyn	**74,298**	**102,591**	**131,568**	**164,100**

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 Sales Agreement (GSSA) entered into between KOC, Kyrgyzaltyn and the Government of the Kyrgyz Republic. Kyrgyzaltyn is permitted to pay for gold delivered up to 12 calendar days after delivery at a price that is fixed based on the London PM fixed price of gold on the London Bullion Market. The obligations of Kyrgyzaltyn are partially secured by a pledge of a portion of the Centerra shares owned by Kyrgyzaltyn, the value of which fluctuates with the market price.

As at June 30, 2009, a receivable of $15.1 million was outstanding under these arrangements (June 30, 2008 - $19.7 million).

Quarterly Results – Last Eight Quarters

Over the last eight quarters, Centerra's results reflect the positive impact of rising gold prices, increased gold production at Kumtor in 2007 and 2008, offset by rising cash costs and reduced production at Kumtor for the first half of 2009 due to the unplanned mining of ice and the removal of waste in the vicinity of the central pit. Unusual items of $49.3 million were recorded in the second quarter of 2009 as a result of the ratification of the Agreement on New Terms. The results for the first and second quarters of 2008 and the third and fourth quarters of 2007 reflect the impact from unusual items of $4.5 million, and $42.2 million of gains in the respective 2008 quarters and $95.2 million and $36.4 million of charges in the respective 2007 quarters as the impact on the ultimate shares to be issued to the Kyrgyz Government was adjusted for the market price of Centerra shares.

$ millions, except per share data	**2009**		**2008**				**2007**	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	104	98	241	139	143	113	89	98
Earnings (loss) before unusual items	(30)	(20)	43	17	14	24	10	5
Net earnings (loss)	(80)	(20)	43	17	56	19	(27)	(90)
Earnings (loss) per share before unusual items (basic and diluted)	(0.14)	(0.09)	0.20	0.08	0.06	0.11	0.03	0.02
Earnings (loss) per share (basic and diluted)	(0.36)	(0.09)	0.20	0.08	0.26	0.09	(0.12)	(0.42)

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Other Corporate Developments

Kyrgyz Republic

On April 24, 2009, the Company announced that it had entered into the Agreement on New Terms, which resolves all of the existing disputes between the Company, Cameco and the Government with respect to the Kumtor Project. On April 30, 2009, the Company announced that the Kyrgyz Parliament had ratified the Agreement on New Terms and enacted legislation authorizing its implementation including the new tax regime.

The Agreement on New Terms provides for the Government's full commitment to and support for the Company's continuing long-term development of the Kumtor Project and the Government has agreed not to take any action that deprives the Company of any of its rights in respect of the Kumtor Project.

On June 11, 2009, the Company announced the closing of the transactions contemplated by the Agreement on New Terms and that the parties had executed restated project agreements to incorporate the provisions of the Agreement on New Terms including providing for the settlement of all outstanding claims between them including those currently the subject of international arbitration as well as for the expansion of the Company's existing concession area to include the area of its exploration and development license. The Government will also support further and additional exploration activity by the Company in the Kyrgyz Republic by inviting it to consider opportunities to acquire additional exploration and mining licenses.

Taxes applicable to the Kumtor project have been replaced with a simplified, new tax regime effective January 1, 2008. Under the new tax regime, gross revenue will be taxed at a rate of 14%, which includes a 1% monthly contribution to the Issyk-Kul Oblast Development Fund. The new tax regime replaces income tax (10% of taxable income), mineral resource tax (5% of revenue), emergency fund tax (1.5% of revenue), road tax (0.8% of revenue), withholding taxes (10-30% depending on the nature of the payment), the Issyk-Kul Social Fund tax (2-4% of taxable income), all custom duties and certain other taxes.

The restated project agreements provide for an annual payment of 4% of gross revenue against which all capital and exploration expenditures in the Kyrgyz Republic are fully credited. Expenditures not applied for credit in the year are carried forward for credit in future years.

The Company paid the Government, a related party, approximately $22.4 million comprised of: (i) an $11.0 million difference between the taxes paid under the existing tax regime and the taxes that would have been payable under the new tax regime for the period from January 1, 2008 to December 31, 2008, (ii) $1.75 million in full satisfaction of all liabilities or claims of any governmental authority against the Company or any of its affiliates in respect of any matter arising before the closing of the transactions contemplated by the Agreement on New Terms and (iii) an advance on taxes of approximately $9.65 million related to 2009.

The Company has issued to the Government 18,232,615 common shares from its treasury and Cameco has agreed to transfer to the Government up to 25,300,000 common shares of the Company,

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which are to be released to the Government upon the satisfaction of certain conditions, including, among other things, if Cameco's interest in the Company falls below 10,800,000 common shares. Until that time Cameco retains voting control over approximately 52.7% of the issued and outstanding shares of Centerra. No restrictions have been placed on the Company's ability to issue common shares in the future. The Agreement on New Terms contemplated that the Company's Board of Directors will be expanded to include an additional independent director nominated by the Kyrgyz Government.

After closing of the transactions and upon the satisfaction of all conditions to the transfer of shares by Cameco, the Kyrgyz Government could own up to 33.0% of the Company, Cameco 37.8% and the balance, 29.2%, would be held by the remaining shareholders.

Mongolia

On May 26, 2009, unionized employees initiated an illegal work stoppage at the Boroo Mine, which resulted in a temporary suspension of mining and milling. The labour dispute with the Boroo Trade Union was settled on June 16, 2009, but mining and milling remains suspended as a result of the license suspensions discussed below. The key terms of the settlement provide enhanced future redundancy benefits to permanent employees. The Company believes the settlement will not have a material impact on future cash costs.

As disclosed on June 12, 2009, the Company received a notice from the Minerals Resources Authority of Mongolia suspending the Boroo Mine's main operating licenses for a period up to three months. During June and July the Company worked with the relevant regulatory authorities in Mongolia to address concerns raised by them. The Company announced on July 27, 2009 that the suspension had been lifted for the mining and milling operations. The Company is continuing its discussions with the regulatory authorities regarding their concerns. The mine stopped adding cyanide to the heap leach pad at the end of April 2009 due to the expiry of the temporary operating permit for the heap leach operation. The Company had been awaiting the final operating permit for the heap leach facility when Boroo's main operating licenses were suspended on June 12, 2009. The Company continues to work with the Mongolian authorities to obtain the final heap leach operating permit.

Centerra continued discussions with the government working group with respect to an investment agreement for the Gatsuurt Project.

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

Critical Accounting Estimates

Centerra prepares its consolidated financial statements in accordance with Canadian GAAP. In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented and in the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and various other factors believed to be reasonable under the circumstances. In reference to the Company's significant accounting policies as described in note 3 to the December 31, 2008 Consolidated Financial Statements management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements.

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

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

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

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

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

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

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

Changes in Accounting Policies

Centerra's unaudited interim consolidated financial statements for the three and six months ended June 30, 2009 were prepared following accounting policies consistent with Centerra's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2008, except for the following changes in accounting policies.

Effective January 1, 2009, the Company adopted the new recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook section 3064, Goodwill and Intangible assets. This standard establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA's Emerging Issues Committee ("EIC") withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, companies will no longer be able to defer certain costs and revenues incurred prior to commercial production at new mine operations. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

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

On March 27, 2009, the Emerging Issues Committee of the CICA approved abstract EIC-174, *Mining Exploration Costs*, which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The Company has applied this new abstract for the three months ended March 31, 2009 and there was no significant impact on its financial statements as a result of applying this abstract.

New Pronouncements

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The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling interests.*

Section 1582 replaces section 1581 and establishes standards for the accounting of a business combination. It provides the Canadian equivalent to IFRS 3 - *Business Combinations.* The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace section 1600, *Consolidated Financial Statements.* Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS lAS 27 - C*onsolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company does not anticipate that the adoption of these standards will impact its financial results.

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

As disclosed in the December 31, 2008 Annual Report Management's Discussion and Analysis ("MD&A"), the Company's IFRS project has completed its preliminary study phase and has now progressed to the evaluation and development phases.

Evaluation and development work on the IFRS project continued during the three months ended June 30, 2009. In May the Company provided formalized training to the Board of Directors as a part of its overall executive training program. This session followed the training provided to senior management during the first quarter. As well in the first quarter the Company performed an evaluation and assessment of the IFRS 1 transition standard with the purpose of selecting the optional exemptions allowed to the Company under IFRS 1. IFRS 1 requires that first-time adopters select accounting policies that comply with each IFRS effective at the end of its first IFRS reporting period (March 31, 2011 for the Company), and apply those policies to all periods presented in its first IFRS financial statements. IFRS 1 also provides relief on transition in certain areas by providing optional exemptions to full retrospective application. In the second quarter, results from this preliminary assessment regarding optional exemptions to be elected were presented and discussed with the Audit Committee. Tentative approval was obtained for these elected optional exemptions.

During the second quarter, the Company completed a preliminary in-depth review of its accounting policies and the impact from adopting IFRS, as well as the associated impact of the IFRS transition on business activities. As a result, IFRS-compliant accounting policies were developed for the Company. These IFRS-complied accounting policies were discussed with management and will be presented to the Audit Committee for their review and approval during the third quarter of 2009.

Also planned for the third quarter is the assessment and evaluation of internal control design and effectiveness for all accounting policy changes identified. The Company's target is to complete the evaluation and development phases by the end of the third quarter of 2009 and to begin quantifying differences over the fourth quarter 2009 and first quarter 2010. As these quantitative impacts are finalized, the company intends to disclose such impacts in its future MD&A's.

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

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

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

Outlook for 2009

Production

For the full year of 2009, Centerra expects consolidated gold production of 680,000 to 730,000 ounces, which is lower than the prior guidance of 720,000 to 770,000 ounces. The reduction in gold production guidance is due to lower than expected production at Boroo due to the operational shutdown which resulted from the strike and subsequent suspension of the main operating licenses.

Gold production for the full year 2009 at the Kumtor mine is forecast to be 560,000 to 600,000 ounces, which is unchanged from prior guidance. Production from the nearby Sarytor deposit has not been included this year in Kumtor's current mine plan. The production from Sarytor has been deferred until 2012.

Details of Kumtor's 2009 quarterly production profile were published in a news release on June 12, 2009. Production in the first two quarters of 2009 was negatively affected by the mining activities related to sustaining the cutback of the ice creep into the pit from the Davidov glacier. However, overall, Kumtor's 2009 guidance on gold production is not expected to be affected by the accelerated mining of ice and waste material. The Company expects that due to an unplanned maintenance shutdown of the SAG mill in the first quarter, the planned 2-week shutdown of the Kumtor mill to replace the ball mill ring gear and the SAG mill liner, originally scheduled for the third quarter of 2009 will be delayed to 2010. The third quarter production is forecast to exceed the production in the same quarter of last year by approximately 30,000 ounces due to the availability of high grade material for processing. The Company expects the highest production in the fourth quarter of 2009, when the high-grade ore in the SB Zone will be mined.

At Boroo, gold production is forecast to be 120,000 to 130,000 ounces, which is lower than the prior guidance of 160,000 to 170,000 ounces. The revised production guidance for Boroo reflects the impact of the labour strike and license suspension and the expiration of the temporary heap leach operating permit. The mining activities at Boroo were halted on May 26, 2009 due to the strike at the mine site followed by the suspension of the mining licenses on June 12, 2009. On July 27, 2009, the suspension of Boroo's main operating licenses was lifted for the mining and milling operations. The Company is continuing its discussions with the regulatory authorities regarding their concerns. The Company is working with the Mongolian authorities to have the final operating permit for the heap leach facility issued. Resumption of heap leach operations at Boroo would add approximately 3,000 ounces per month to the Company's gold production guidance.

Cash cost per ounce

The prior 2009 outlook for consolidated cash costs per ounce of $465 to $505 has been revised to $410 to $450 per ounce to reflect the reduced production at Boroo and the closing of all transactions under the Agreement on New Terms. As disclosed previously the majority of taxes at Kumtor have been replaced with a revenue-based tax which is excluded from the total cash costs. Accordingly, the outlook for total cash costs per ounce produced excludes the revenue-based tax.

Total cash cost for 2009 for Kumtor is expected to be in the range of $390 to $430 per ounce produced. Other than adjusting the unit cost to reflect the application of the Agreement on New Terms, the prior guidance for total cash per ounce at Kumtor is unchanged. Centerra expects that the higher cost profile at Kumtor in the first two quarters of 2009 will be offset by higher production in the third and fourth quarters.

Total cash cost for 2009 for Boroo is expected to be in the range of $495 to $535 per ounce produced which is higher than the prior guidance of $465 to $505 per ounce. The revised cash cost guidance for Boroo reflects lower production due to the strike and subsequent suspension of the main operating licenses. The cash cost at Boroo would be lower if heap leach operations are resumed.

Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Centerra's production and unit costs are forecast as follows:

	2009 Production Forecast (ounces of gold)	**2009 Total Cash Cost[(1)]** ($ per ounce)
Kumtor	560,000 – 600,000	390 – 430
Boroo	120,000 – 130,000	495 – 535
Consolidated	680,000 – 730,000	410 – 450

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

Major Assumptions and Sensitivities

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The following material assumptions have been updated from the prior disclosed guidance in light of current market conditions. In particular, material assumptions or factors used to forecast production and costs include the following:

- a gold price of $900 per ounce,
- exchange rates:
    - $1USD:$1.12CAD
    - $1USD:42 Kyrgyz Som
    - $1USD:1,425 Mongolian Tugrik
    - $1USD:0.71 Euro
- diesel price assumption:
    - $0.50/litre at Kumtor
    - $0.85/litre at Boroo

Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was about $64 per barrel.

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

Sensitivities	**Change**	**Impact on** *($ millions)*			
		Costs	**Revenues**	**Cash flow**	**Earnings before income tax**
Gold Price	**$25/oz**	1.6	12.5	10.5	10.9
Diesel Fuel	**10%**	$5/oz	-	2.2	2.2
Kyrgyz som	**1 som**	0.6	-	0.6	0.6
Mongolian tugrik	**25 tugrik**	0.1	-	0.1	0.1
Canadian dollar	**10 cents**	1.5	-	1.5	1.5

Other important assumptions that are implicit in the Company's production, cost and capital guidance are as follows:

- grades and recoveries at Kumtor increase as expected through the third and fourth quarters to achieve the forecast gold production,
- no further delays in or interruption of scheduled production from our mines, including due to natural phenomena, labour or regulatory disputes or other developmental and operational risks,
- the dewatering and depressurization programs at Kumtor continue to produce the expected results and the water management system works as planned,
- Boroo ore does not become more refractory in nature affecting mill recoveries,
- no further labour disruption at the Boroo mine site,
- no further suspension of Boroo's operating licenses,
- prices for fuel oil, reagents and other consumables will remain consistent with Company estimates, and
- all necessary permits, licences and approvals are received in a timely manner.

Production and cost forecasts for 2009 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed under the heading "Caution Regarding Forward-Looking Information".

Kumtor Mill Shutdown

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

Similarly, the maintenance and change-out of the Kumtor SAG mill liner which was scheduled for the third quarter of 2009 has been postponed until early 2010. However should the current liner and/or the ring gear not last until the end of the year, an unplanned shutdown would be required which would have an adverse affect on the production, costs and earnings of the Company.

Further Creep of Waste and Ice Material at Kumtor

During the second quarter of 2009, continued movement of waste and ice from the South East Ice Wall into the Kumtor open pit required the mining of ice and waste which reduced the production of ore. Management is working to neutralize and further stabilize this advanced creep, which by the end of the quarter was being significantly mitigated. While work is planned over the balance of the 2009 year to sustain the cutback of the ice creep into the pit there is no guarantee that these efforts will avert further negative impact on the Company's expected production, costs and earnings.

Boroo License Suspension and Production Shutdown

As disclosed on June 12, 2009, the Company received a notice from the Minerals Resources Authority of Mongolia suspending the Boroo Mine's main operating licenses for a period up to three months. The Company disclosed in its July 27, 2009 news release that the suspension had been lifted for mining and milling operations.

The mine stopped adding cyanide to the heap leach pad at the end of April 2009 due to the expiry of Boroo's temporary heap leach permit. The Company had been awaiting the authorization of the final heap leach operating permit when the mine's main operating licenses were suspended. See "Other Corporate Developments – Mongolia".

Exploration and Business Development

Exploration expenditures are expected to total $25 million and the business development program is forecast at $4.1 million for 2009 to support merger and acquisition initiatives of the Company for the year.

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

Capital Expenditures

The capital requirement in 2009 is estimated to be $107.0 million, including $45.1 million of sustaining capital and $61.9 million of growth capital. This represents a total increase of $7.0 million from prior guidance primarily due to an increase in growth capital at Kumtor.

Growth capital includes:

Projects	**2009 Growth Capital Expenditures Forecast** (millions of dollars)
Kumtor	$47.3
Boroo	$0.6
Gatsuurt	$14.0
Consolidated Total	$61.9

At Kumtor the largest expenditures are: $32.1 million assigned to the development of the two development drifts (Phase I and II to access and drill the SB and Stockwork Zone resources), $11.3

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million for the initial funds for the Phase II mining fleet and long lead items, and various other projects of $3.9 million. The Company increased the growth capital guidance at Kumtor by $11.3 million which includes $14.4 million for additional development costs for Phase II and reduced other growth capital expenditures by $3.1 million either by cancelling or delaying other projects.

The $14.0 million for Gatsuurt includes road construction and site infrastructure development, which is unchanged from the prior estimates. Additional capital expenditures for the next phase of development, which includes $10.0 million to initiate the basic and detail engineering and $15.1 million for procurement and construction management will only be invested if the Company is successful in obtaining an acceptable tax stabilization agreement for Gatsuurt with the government authorities of Mongolia. The 55 kilometre road to the Gatsuurt mine site has been designed and submitted for permitting to the appropriate government agencies. The 14-month construction period began in the second quarter of 2009.

Administration

Annual corporate and administration expenses without unusual items are expected to amount to approximately $30 million in 2009 which is unchanged from prior guidance.

Corporate Taxes

Kumtor

Effective April 30, 2009 (being the date the Kyrgyz Parliament ratified the Agreement on New Terms) Kumtor became subject to a new tax regime pursuant to which income taxes and other taxes were replaced by taxes computed by reference to Kumtor's revenue. Under the new tax regime, a tax of 13% of gross revenue is payable monthly plus, effective January 1, 2009, a payment equal to 1% of gross revenue is made monthly to the Issyk-Kul Oblast Development Fund. The new tax regime replaces taxes payable pursuant to the prior investment agreement, including income taxes at 10% of taxable income, a mineral resource tax at 5% of revenue, an emergency fund tax at 1.5% of revenue, a road tax at 0.8% of revenue, withholding taxes imposed on payments to non-residents with rates ranging from 10%-30% depending on the nature of the payment, an Issyk-Kul Social Fund tax with a rate of 2-4%% of income, all customs duties, and certain other taxes.

Boroo

The corporate income tax rate for Boroo Gold Company, for 2009 and subsequent years, is 25% for taxable income over 3 billion tugrik (approximately $2.1 million at the quarter end foreign exchange rate) with a tax rate of 10% for taxable income up to that amount.

For further discussion of the factors that could cause actual results to differ materially, please refer to "Risk Factors" in Centerra's 2008 Annual Management's Discussion and Analysis and to Centerra's 2008 Annual Information Form including the section titled "Risk Factors", available on SEDAR at www.sedar.com. For information on forward-looking information see "Caution Regarding Forward-Looking Information".

Non-GAAP Measures

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

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

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

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

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Centerra:				
Cost of sales, as reported	**$ 82.0**	$ 86.3	**$ 151.2**	$ 139.9
Adjust for: Refining fees & by-product credits	**0.1**	(0.1)	**0.3**	(0.4)
Regional Office administration	**5.8**	5.9	**10.9**	10.0
Mining Standby Costs	**3.3**	-	**3.3**	-
Operating taxes excluded (1)	**(3.2)**	(10.1)	**(8.7)**	(16.5)
Non-operating costs	**(3.9)**	(0.5)	**(5.9)**	0.1
Inventory movement	**(10.4)**	(4.1)	**7.0**	11.3
Total cash cost - 100%	**$ 73.7**	$ 77.4	**$ 158.1**	$ 144.4
Depreciation, Depletion, Amortization and Accretion	**25.9**	17.2	**47.8**	27.9
Inventory movement - non-cash	**(5.0)**	(1.2)	**(2.9)**	1.4
Total production cost - 100%	**$ 94.6**	$ 93.4	**$ 203.0**	$ 173.7
Ounces poured - 100% (000)	**101.5**	118.3	**222.2**	224.0
Total cash cost per ounce	**$ 667**	$ 489	**$ 740**	$ 518
Total production cost per ounce	**$ 856**	$ 590	**$ 950**	$ 595
Kumtor:				
Cost of sales, as reported	**$ 70.7**	$ 75.4	**$ 119.3**	$ 112.2
Adjust for: Refining fees & by-product credits	**0.1**	(0.4)	**0.2**	(0.7)
Regional Office administration	**3.5**	3.8	**7.1**	6.2
Mining Standby Costs	**-**	-	**-**	-
Operating taxes excluded (1)	**(3.2)**	(10.1)	**(8.7)**	-16.5
Non-operating costs	**(3.7)**	(0.6)	**(5.7)**	(0.2)
Inventory movement	**(8.5)**	(8.1)	**11.9**	9.9
Total cash cost - 100%	**$ 58.9**	$ 60.0	**$ 124.1**	$ 110.9
Depreciation, Depletion, Amortization and Accretion	**$ 18.7**	$ 13.3	**$ 32.6**	$ 19.9
Inventory movement - non-cash	**$ (5.1)**	$ (2.1)	**$ (3.7)**	$ 0.4
Total production cost - 100%	**$ 72.5**	$ 71.2	**$ 153.0**	$ 131.2
Ounces poured - 100% (000)	**81.5**	111.2	**144.5**	185.9
Total cash cost per ounce	**$ 723**	$ 540	**$ 859**	$ 596
Total production cost per ounce	**$ 890**	$ 640	**$ 1,059**	$ 663
Boroo:				
Cost of sales, as reported	**$ 11.3**	$ 10.9	**$ 31.9**	$ 27.7
Adjust for: Refining fees & by-product credits	**-**	0.3	**0.1**	0.3
Regional Office administration	**2.3**	2.1	**3.8**	3.8
Mining Standby Costs	**3.3**	-	**3.3**	-
Operating taxes excluded (1)	**-**	-	**-**	-
Non-operating costs	**(0.2)**	0.1	**(0.2)**	0.3
Inventory movement	**(1.9)**	4.0	**(4.9)**	1.4
Total cash cost - 100%	**$ 14.8**	$ 17.4	**$ 34.0**	$ 33.5
Depreciation, Depletion, Amortization and Accretion	**7.2**	3.9	**15.2**	8.0
Inventory movement - non-cash	**0.1**	0.9	**0.8**	1.0
Total production cost - 100%	**$ 22.1**	$ 22.2	**$ 50.0**	$ 42.5
Ounces poured - 100% (000)	**29.0**	47.1	**69.2**	92.8
Total cash cost per ounce	**$ 511**	$ 370	**$ 492**	$ 362
Total production cost per ounce	**$ 762**	$ 472	**$ 723**	$ 459

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

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The scientific and technical information in this document was prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”) and was reviewed, verified and compiled by Centerra’s geological and mining staff under the supervision of Ian Atkinson, Certified Professional Geologist, Centerra’s Vice-President, Exploration, who is the qualified person for the purpose of NI 43-101.

Caution Regarding Forward-Looking Information

This Management’s Discussion and Analysis and the documents incorporated by reference herein, contain statements which are not current statements or historical facts and are “forward-looking information” within the meaning of applicable Canadian securities laws. All statements, other than statements of historical fact, contained or incorporated by reference in this Management’s Discussion and Analysis constitute forward-looking information. Wherever possible, words such as “plans”, “expects” or “does not expect”, “budget”, “forecasts”, “projections”, “anticipate” or “does not anticipate”, “believe”, “intent”, “potential”, “strategy”, “schedule”, “estimates” and similar expressions or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved and other similar expressions have been used to identify forward-looking information. These forward-looking statements relate to, among other things Centerra’s expectations regarding, future growth, results of operations (including, without limitation, future production and sales, and operating and capital expenditures), performance (both operational and financial), business and political environment and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities.

Although the forward-looking information in this Management’s Discussion and Analysis reflects Centerra’s current beliefs on the date of this Management’s Discussion and Analysis based upon information currently available to management and based upon what management believes to be reasonable assumptions, Centerra cannot be certain that actual results, performance, achievements, prospects and opportunities, either expressed or implied, will be consistent with such forward-looking information. By its very nature, forward-looking information necessarily involves significant known and unknown risks, assumptions, uncertainties and contingencies that may cause Centerra’s actual results, assumptions, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking information. These risks and uncertainties include, among other things, the resolution of issues at the Boroo mine relating to the suspension of the Boroo licenses in June 2009 as described above under the heading “Other Corporate Developments – Mongolia”, the receipt of a final permit to operate the heap leach operation at the Boroo mine, gold prices, replacement of reserves, reduction in reserves related to geotechnical risks, ground movements, political risk, nationalization risk, changes in laws and regulations, civil unrest, labour unrest, legal compliance costs, reserve and resource estimates, production estimates, exploration and development activities, competition, operational risks, environmental, heath and safety risks, costs associated with reclamation and decommissioning, defects in title, seismic activity, cost and availability of labour, material and supplies, increases in production and capital costs, permitting and construction to raise the tailings dam height and increase the capacity of the existing Kumtor tailing dam, illegal mining, enforcement of legal rights, decommissioning and reclamation cost estimates, future financing and personnel. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See “Risk Factors” in the Company’s 2008 Annual Information Form and Annual Management’s Discussion and Analysis available on SEDAR at www.sedar.com.

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 information and statements contained in this Management’s Discussion and Analysis. 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 July 29, 2009. Centerra assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

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Centerra Gold Inc.

Consolidated Financial Statements

For the Six Months and Quarter Ended June 30, 2009

(Unaudited)

(Expressed in United States Dollars)

Centerra Gold Inc.

Consolidated Balance Sheets
(Expressed In Thousands of United States Dollars)

	June 30, 2009 (Unaudited)	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 120,449	$ 149,583
Short-term investments	-	17,781
Amounts receivable	21,243	30,247
Income taxes recoverable	233	3,323
Inventories (note 3)	155,163	170,157
Prepaid expenses	7,580	18,012
	304,668	389,103
Property, plant and equipment	388,320	394,933
Goodwill	129,705	129,705
Long-term receivables and other	6,980	5,917
Long-term inventories (note 3)	21,478	18,009
Future income tax asset	5,514	3,160
	551,997	551,724
Total assets	$ 856,665	$ 940,827
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 24,532	$ 35,611
Taxes payable	2,461	14,493
Current portion of future income tax liability	6,849	-
Current portion of provision for reclamation (note 5)	3,888	3,458
	37,730	53,562
Provision for reclamation (note 5)	27,611	29,322
Future income tax liability	-	1,121
	27,611	30,443
Contingent common shares issuable (note 6)	-	89,084
Shareholders' equity (note 7)		
Share capital	646,081	523,107
Contributed surplus	33,388	32,904
Retained earnings	111,855	211,727
	791,324	767,738
Total liabilities and shareholders' equity	$ 856,665	$ 940,827

Commitments and contingencies (notes 6 and 9)

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

Centerra Gold Inc.
Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)
(Unaudited)
(Expressed In Thousands of United States Dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2009	**June 30, 2008**	**June 30, 2009**	**June 30, 2008**
Revenue from Gold Sales	**$ 104,345**	$ 142,562	**$ 202,774**	$ 255,238
Expenses				
Cost of sales [1]	**81,915**	86,264	**151,173**	139,928
Mine standby costs (note 4)	**3,343**	-	**3,343**	-
Regional office administration	**5,787**	5,919	**10,862**	10,022
Depreciation, depletion and amortization	**25,707**	17,084	**47,494**	27,500
Accretion and reclamation expense (note 5)	**713**	336	**1,288**	753
Revenue based taxes (note 8(a))	**5,280**	-	**5,280**	-
Exploration and business development	**4,333**	5,185	**10,026**	10,119
Other (income) and expenses	**(276)**	254	**(112)**	459
Corporate administration	**7,698**	7,463	**12,700**	13,948
	134,500	122,505	**242,054**	202,729
Earnings (loss) before unusual items and income taxes	**(30,155)**	20,057	**(39,280)**	52,509
Unusual items-Kyrgyz settlement (note 6)	**(49,333)**	42,178	**(49,333)**	37,710
Earnings (loss) before income taxes	**(79,488)**	62,235	**(88,613)**	90,219
Income tax expense (note 8 (b))	**98**	6,242	**11,259**	14,954
Net earnings (loss) and comprehensive income (loss)	**$ (79,586)**	$ 55,993	**$ (99,872)**	$ 75,265
Basic and diluted earnings (loss) per common share (note 7)	**$ (0.36)**	$ 0.26	**$ (0.46)**	$ 0.35
[1] Excludes depreciation, depletion and amortization expenses of	**25,468**	16,864	**46,974**	27,046

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2009	**June 30, 2008**	**June 30, 2009**	**June 30, 2008**
Operating activities				
Net earnings (loss)	**$ (79,586)**	$ 55,993	**$ (99,872)**	$ 75,265
Items not involving cash:				
Depreciation, depletion and amortization	**25,707**	17,084	**47,494**	27,500
Accretion and reclamation expense	**713**	336	**1,288**	753
Loss on disposal of plant and equipment	**217**	(343)	**537**	-
Stock based compensation expense	**456**	(187)	**815**	-
Unusual items-Kyrgyz settlement (note 6)	**31,616**	(42,178)	**31,616**	(37,710)
Future income tax expense (recovery)	**(2,448)**	454	**3,373**	3,418
Long-term inventory	**(1,086)**	2,598	**(3,469)**	2,050
Other operating items	**504**	1,899	**(1,157)**	1,067
	(23,907)	35,656	**(19,375)**	72,343
Decrease (increase) in working capital	**6,633**	(25,046)	**12,940**	(33,731)
Cash provided by (used in) operations	**(17,274)**	10,610	**(6,435)**	38,612
Investing activities				
Additions to property, plant and equipment	**(18,706)**	(18,726)	**(42,426)**	(36,111)
Short-term investments	**-**	-	**17,781**	-
Proceeds from disposition of property,plant and equipment	**-**	-	**2**	-
Cash used in investing	**(18,706)**	(18,726)	**(24,643)**	(36,111)
Financing activities				
Issuance of common shares for cash	**1,944**	-	**1,944**	-
Cash provided by financing	**1,944**	-	**1,944**	-
(Decrease) Increase in cash and cash equivalents during the period	**(34,036)**	(8,116)	**(29,134)**	2,501
Cash and cash equivalents at beginning of the period	**154,485**	116,099	**149,583**	105,482
Cash and cash equivalents at end of the period	**$ 120,449**	$ 107,983	**$ 120,449**	$ 107,983

Supplemental disclosure with respect to cash flows

Cash and cash equivalents consist of :				
Cash	**$ 41,194**	$ 57,189	**$ 41,194**	$ 57,189
Cash equivalents	**79,255**	50,794	**79,255**	50,794
	$ 120,449	$ 107,983	**$ 120,449**	$ 107,983

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

Centerra Gold Inc.
Consolidated Statements of Shareholders' Equity
(Unaudited)
(Expressed In Thousands of United States Dollars)

	Number of Common Shares	Amount	Contingent Common Shares Issuable	Contributed Surplus	Retained Earnings	Total
Balance at December 31, 2007	216,318,188	$ 523,107	$ 126,794	$ 30,767	$ 60,350	$ 741,018
Contingent common shares issuable revalued (note 6)	-	-	4,468	-	-	4,468
Stock-based compensation expense	-	-	-	187	-	187
Inventory adjustments, on adoption of						-
accounting standard, net of tax (note 3)	-	-	-	-	16,612	16,612
Net earnings for the period	-	-	-	-	19,272	19,272
Balance at March 31, 2008	216,318,188	$ 523,107	$ 131,262	$ 30,954	$ 96,234	$ 781,557
Contingent common shares issuable revalued (note 6)	-	-	(42,178)	-	-	(42,178)
Contingent common shares issuable reclassified (note 6)	-	-	(89,084)	-	-	(89,084)
Stock-based compensation expense	-	-	-	1,126	-	1,126
Net earnings for the period	-	-	-	-	55,994	55,994
Balance at June 30, 2008	216,318,188	$ 523,107	$ -	$ 32,080	$ 152,228	$ 707,415
Stock-based compensation expense	-	-	-	279	-	279
Net earnings for the period	-	-	-	-	16,886	16,886
Balance at September 30, 2008	216,318,188	$ 523,107	$ -	$ 32,359	$ 169,114	$ 724,580
Stock-based compensation expense	-	-	-	545	-	545
Net earnings for the period	-	-	-	-	42,613	42,613
Balance at December 31, 2008	216,318,188	$ 523,107	$ -	$ 32,904	$ 211,727	$ 767,737
Stock-based compensation expense	-	-	-	359	-	359
Net loss for the period	-	-	-	-	(20,286)	(20,286)
Balance at March 31, 2009	216,318,188	$ 523,107	$ -	$ 33,263	$ 191,441	$ 747,810
Common shares issued for New Term Agreement (note 6)	18,232,615	120,700	-	-	-	120,700
Common shares issued on exercise of stock options	306,425	2,274	-	(330)	-	1,944
Stock-based compensation expense	-	-	-	455	-	455
Net loss for the period	-	-	-	-	(79,586)	(79,586)
Balance at June 30, 2009	**234,857,228**	**$ 646,081**	**$ -**	**$ 33,388**	**$ 111,855**	**$ 791,324**

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

1. Basis of Presentation

These unaudited interim consolidated financial statements of Centerra Gold Inc. ("Centerra" or the "Company") have been prepared by management in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") for interim financial statements. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with Canadian GAAP have been condensed or excluded. As a result, these unaudited interim consolidated financial statements do not contain all disclosures required to be included in the annual consolidated financial statements and should be read in conjunction with the most recent audited annual consolidated financial statements and notes thereto for the year ended December 31, 2008.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The operating cash flow and profitability of the Company are affected by various factors, including the amount of gold produced and sold, the market price of gold, operating costs, interest rates, environmental costs and the level of exploration activity and other discretionary costs and activities. The Company is also exposed to fluctuations in currency exchange rates, interest rates, political risk and varying levels of taxation. The Company seeks to manage the risks associated with its business; however, many of the factors affecting these risks are beyond the Company's control.

As at June 30, 2009 and December 31, 2008, Centerra held a 100% interest in each of the following significant investments: the Kumtor mine, the Boroo mine, and the Gatsuurt property.

2. Significant Accounting Policies:

These unaudited interim consolidated financial statements are prepared following accounting policies consistent with the Company's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2008, except for the following changes in accounting policies:

2. Significant Accounting Policies (continued):

Adoption of New Accounting Standards and Developments

a. Goodwill and Intangible assets

Effective January 1, 2009, the Company adopted the new recommendations of CICA Handbook section 3064, *Goodwill and Intangible assets.* This standard establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, *Revenues and Expenses* during the pre-operating period. As a result of the withdrawal of EIC 27, companies are no longer be able to defer certain costs and revenues incurred prior to commercial production at new mine operations. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

b. Credit Risk

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

c. Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved abstract EIC-174,-*Mining Exploration Cost*s, which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. Application of this new abstract resulted in no significant impact on its financial statements.

2. Significant Accounting Policies (continued):

d. New Pronouncements

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling interests.*

Section 1582 replaces section 1581 and establishes standards for the accounting of a business combination. It provides the Canadian equivalent to IFRS 3 - *Business Combinations.* The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace section 1600, *Consolidated Financial Statements.* Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Section 1602 establishes standards for accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - C*onsolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company does not anticipate that the adoption of these standards will impact its financial results.

(Expressed in thousands of United States Dollars)

3. Inventories

(Thousands of US$)	**June 30, 2009**	December 31, 2008
Stockpiles (a)	**$ 45,756**	$ 49,698
Gold in-circuit	**10,633**	6,394
Heap leach in circuit	**4,575**	5,913
Gold doré	**15,132**	15,239
	76,096	77,244
Supplies	**100,545**	110,922
	176,641	188,166
Less: Long-term inventory (heap leach)	**(21,478)**	(18,009)
Total inventories-current portion	**$ 155,163**	$ 170,157

(a) Upon adoption of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, *Inventories* at January 1, 2008, $10.4 million of previously written off heap leach inventory and $10.0 million of mineralized material now reclassified as low grade ore inventory following the lowering of the cut-off grade ($16.6 million, net of tax in total) was recorded as inventory with a corresponding recognition in retained earnings.

As at June 30, 2009, the Company recorded an expense of $5.3 million (2008 – Nil) to write-down inventories to net realizable value. There were no reversals of write-downs during the three months and six months ended June 30, 2009. Write-downs and reversals are included in cost of sales.

4. Mine Standby Costs

During the second quarter ended June 30, 2009, the Company's mining operations at Boroo was temporarily suspended due to labour disputes initiated by unionized workers, followed by the suspension of the main operating licenses initiated by the Minerals Resources Authority of Mongolia (note 9). The Company incurred and expensed the amount of $3.3 million for labour, maintenance and mine support costs directly as a result of the labour disputes and suspension of the main operating licenses at Boroo.

(Expressed in thousands of United States Dollars)

5. Asset Retirement Obligations

The total future asset retirement obligations were estimated by management based on estimated costs to reclaim mine sites and facilities and estimated timing of the costs to be incurred in future periods.

The Company has estimated the total undiscounted future decommissioning and reclamation costs to be $43.1 million as at June 30, 2009 (December 31, 2008 - $46.4 million). These payments are expected to occur over the 2009 to 2016 period. The Company used weighted average credit adjusted risk free rates of 6.99% at Kumtor and 8% at Boroo to calculate the present value of the asset retirement obligations.

The following table reconciles the Company's discounted liability for asset retirement obligations:

	Three Months Ended		**Six Months Ended**	
(Thousands of US$)	**June 30/09**	**June 30/08**	**June 30/09**	**June 30/08**
Balance, beginning of period	**$ 31,243**	$ 21,856	**$ 32,780**	$ 20,868
Liabilities settled	**(457)**	(112)	**(595)**	(184)
Revisions in cost	**-**	223	**(1,974)**	866
Accretion expense	**713**	336	**1,288**	753
Balance, end of period	**31,499**	22,303	**31,499**	22,303
Less: current portion	**(3,888)**	-	**(3,888)**	
	$ 27,611	$ 22,303	**$ 27,611**	$ 22,303

During the first quarter ended March 31, 2009, the Company revised its previous closure cost update performed in December 2008 at the Boroo mine site. As a result a decrease to the present value of the closure cost estimate of $2.0 million at Boroo was recorded during the six months ended June 30, 2009 ($0.2 million and $0.8 million for the three months and six months ended June 30, 2008).

(Expressed in thousands of United States Dollars)

6. Unusual Items – Kyrgyz Settlement

(Thousands of US$)	Three Months Ended June 30/09	Three Months Ended June 30/08	Six Months Ended June 30/09	Six Months Ended June 30/08
a) Contingent common shares issuable	**$ 31,616**	$ (42,178)	**$ 31,616**	$ (37,710)
b) Legal claims settlement	**1,750**	-	**1,750**	-
c) Tax settlement	**15,024**	-	**15,024**	-
d) Legal and related costs	**943**	-	**943**	-
	$ 49,333	$ (42,178)	**$ 49,333**	$ (37,710)

a. Contingent Common Shares Issuable:

On April 24, 2009, the Company announced that an agreement (the "Agreement on New Terms") had been reached between Centerra, Cameco Corporation ("Cameco"), the Kyrgyz Republic (the "Government"), Kyrgyzaltyn JSC ("Kyrgyzaltyn"), Kumtor Operating Company ("KOC") and Kumtor Gold Company ("KGC") that provides for the Government's full commitment to and support for Centerra's continuing long-term development of the Kumtor project. As a result of the agreement which was approved by the Kyrgyz Parliament on April 30, the parties executed restated project agreements to incorporate the provisions of the Agreement on New Terms, including the settlement of all outstanding claims as well as replacing the tax regime applicable to the Kumtor project with a revenue-based tax regime. Pursuant to the Agreement on New Terms, Centerra agreed to issue 18,232,615 common shares from its treasury to Kyrgyzaltyn, a company wholly owned by the Government. Cameco agreed to transfer to the Government between 14.1 million and 25.3 million common shares of Centerra, which are to be released to the Government upon the satisfaction of certain conditions.

On June 11, 2009, the transactions contemplated by the Agreement on New Terms were completed. Pursuant to the agreement and as part of the closing, the Company issued from treasury on June 11, 2009, 18,232,615 common shares of Centerra at the closing share price of $6.62 (Cdn. $7.30) to Kyrgyzaltyn, a related party.

As a result, the Company recorded an addition to share capital of $120.7 million. The previously recorded liability, contingent common shares issuable of $89.1 million was drawn down and an additional expense of $31.6 million was recorded in the second quarter of 2009.

6. Unusual Items – Kyrgyz Settlement(continued)

b. Legal Claims Settlement

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

c. Tax Settlement

Pursuant to the Agreement on New Terms, as described in note 6 (a) above, the Company and the Government have agreed to replace the former tax regime applicable to the Kumtor project with a simplified, tax regime with effect from January 1, 2008. Under the new tax regime, gross revenue will be taxed at a rate of 13%, plus, effective January 1, 2009, a payment of 1% of gross revenue will be made to the Issyk-Kul Oblast Development Fund. The new tax regime replaces income taxes (10% of taxable income), a mineral resource tax (5% of revenue), an emergency fund tax (1.5% of revenue), a road tax (0.8% of revenue), withholding taxes (10%-30% depending on the nature of the payment), an Issyk-Kul Social Fund tax (2%-4% of income), all customs duties, and certain other taxes.

The settlement with the Government was enacted on April 30, 2009 with the ratification of the Kyrgyz parliament. As a result, presentation in these statements of the old tax regime, income and other taxes, continued until the end of April 30, 2009, with the revenue based taxes as required under the new tax regime (see note 8 (a), Revenue-based taxes) presented starting from May 1, 2009 onwards.

The net tax settlement expense pursuant to this agreement as at April 30, 2009 totalled $15.0 million. This net amount includes a paid settlement for the 2008 year of $20.7 million, a credit of $6.4 million for taxes paid to be applied in 2009 and a tax expense of $0.7 million representing the difference between the requirements under the new tax regime as compared to the old tax regime for the period of January to April 2009.

In addition, the Company is required to make an annual payment of 4% of gross revenue reduced by an amount equal to the sum of all capital and exploration expenditures made by the Company in the Kyrgyz Republic. Any excess of the amount of capital and exploration expenditures made in the year over the tax amount otherwise payable will be carried forward for offset against amounts otherwise due in future years.

As at June 30, 2009 the excess spent by the Company on capital and exploration over the required 4% of gross revenue is $41.2 million. This excess amount will be carried forward and applied against future commitments under this tax.

6. Unusual Items – Kyrgyz Settlement (continued)

d. Legal and related expenses

The Company paid and accrued $0.9 million in legal and related expenses related to the negotiation of the Agreement on New Terms with Kyrgyz government described in note 6 (a).

7. Shareholders' Equity

a. Share Capital

Centerra is authorised to issue an unlimited number of common shares, class A non-voting shares and preference shares with no par value.

b. Earnings (Loss) Per Share

The basic net earnings (loss) per share is computed by dividing the net earnings (loss) applicable to common shares by the weighted average number of common shares outstanding during the year.

The diluted net earnings (loss) per share is computed by dividing the net earnings (loss) applicable to common shares by the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents such as stock options and contingent common shares issuable (classified as equity). The diluted net earnings (loss) per share is calculated using the treasury method, where the exercise of options is assumed to be at the beginning of the period the proceeds from the exercise of options, and the amount of compensation expense measured but not yet recognized in income are assumed to be used to purchase common shares of the Company at the average market price during the period; and the incremental number of common shares [the difference between the number of shares assumed issued and the number of shares assumed purchased] is included in the denominator of the diluted earnings per share computation.

Stock options to purchase common shares are not included in the computation of diluted net earnings (loss) per share in years when net losses are recorded given that they are anti-dilutive.

(Expressed in thousands of United States Dollars)

7. Shareholders' Equity (continued)

b. Earnings (Loss) Per Share (continued)

	Three Months Ended	
	June 30/09	**June 30/08**
Basic weighted average number of common shares outstanding (thousands)	**220,472**	216,318
Effect of stock options (thousands)	**-**	1,138
Diluted weighted average number of common shares outstanding (thousands)	**220,472**	217,456

	Six Months Ended	
	June 30/09	**June 30/08**
Basic weighted average number of common shares outstanding (thousands)	**217,354**	216,318
Effect of stock options (thousands)	**-**	1,281
Diluted weighted average number of common shares outstanding (thousands)	**217,354**	217,599

For the three and six months ended June 30, 2009 all potentially dilutive securities have been excluded from the dilutive calculation as they would have all been anti dilutive.

c. Stock-Based Compensation

The impact of Stock-Based Compensation is summarized as follows:

(Millions of US$ except as indicated)	Number outstanding	Expense/(Income) Three months ended		Expense/(Income) Six months ended		Liability	
	June 30/09	**June 30/09**	June 30/08	**June 30/09**	June 30/08	**June 30/09**	Dec 31/08
(i) Centerra stock options	**2,271,176**	**$ 0.5**	$ (0.3)	**$ 0.8**	$ 0.1	**$ -**	$ -
(ii) Centerra -PSU [1]	**1,170,160**	**0.8**	(2.6)	**1.0**	(1.8)	**1.0**	-
(iii) Centerra annual-PSU [2]	**426,665**	**1.4**	-	**1.9**	0.5	**1.8**	0.3
(iv) Deferred share units	**331,292**	**0.4**	(1.2)	**0.4**	(1.1)	**1.5**	1.1
(v) Cameco stock options	**54,000**	**0.4**	0.5	**0.4**	0.1	**0.9**	0.6
		$ 3.5	$ (3.6)	**$ 4.5**	$ (2.2)	**$ 5.2**	$ 2.0

1) Centerra performance share units.
2) Centerra Annual performance share units

(Expressed in thousands of United States Dollars)

7. Shareholders' Equity (continued)

c. Stock-Based Compensation (continued

Movements in the number of options and units year-to-date are summarized as follows:

	Number outstanding Dec 31/08	Issued	Exercised	Forfeited / Expired	Number outstanding June 30/09	Number Vested June 30/09
(i) Centerra stock options	1,848,165	816,802	(393,791)	-	2,271,176	729,346
(ii) Centerra -PSU	718,877	620,565	-	(169,282)	1,170,160	-
(iii) Centerra annual- PSU	116,183	463,012	(107,978)	(44,552)	426,665	211,579
(iv) Deferred share units	298,077	58,428	(25,213)	-	331,292	331,292
(v) Cameco stock options	55,200	-	(1,200)	-	54,000	54,000

On February 17, 2009, Centerra granted 816,802 stock options at a strike price of Cdn $4.81 per share. The fair value of the stock options was determined using the Black-Scholes valuation model, assuming an expected life of 5-years, 83.47% volatility and a risk-free rate of return of 1.74%. The resulting value per option granted was Cdn $3.61. The estimated fair value of the options is expensed over their three year vesting period.

8. Taxes

a.) Revenue Based Taxes

Revenue based taxes are payable to the Kyrgyz government under the Agreement on New Terms (note 6 (c)) which received the approval of the Kyrgyz Parliament on April 30, 2009.

Under this agreement, taxes are imposed at a rate of 13% of gross revenue. In addition, contribution of 1% of gross revenue will be made to the Issyk-Kul Oblast Development Fund. This new Kyrgyz tax regime eliminates income taxes and certain other operating taxes that were paid by Kumtor under the previous tax regime (see note 6 (c)).

Separate presentation in the income statement of these new revenue-based taxes is effective from May 1, 2009. The 13% revenue-based tax expensed for the months of May and June 2009 totals $4.9 million, while the Issyk-Kul tax of 1% of gross revenue for this same period totals $0.4 million.

8. Taxes (continued)

b.) Corporate Income taxes

The Company recorded income tax expenses of $0.1 million and $11.3 million during the three months and six months ended June 30, 2009 ($6.2 million and $14.9 million three months and six months ended June 30, 2008).

Kumtor
As discussed in note 6 with respect to the Agreement on New terms, effective April 30, 2009 Kumtor became subject to a new tax regime (note 8(a)) pursuant to which income taxes and other taxes, were replaced by taxes computed by reference to Kumtor's revenue. Included in income tax is a Nil provision and $2.9 million recovery for the three months and six months ended June 30, 2009 ($0.3 million and $1.8 million for the three months and six months period ended June 30, 2008) computed on Kumtor earnings from January 1, 2009 to April 30, 2009 at an income tax rate of 12%, including 2% for the Issyk-Kul Social Fund.

Boroo
The corporate income tax rate for Boroo for 2009 and subsequent years is 25% of taxable income in excess of 3 billion Tugriks (about $2.1 million at the exchange rate at the balance sheet date), and 10% for income up to that amount.

During the three month and six month periods ended June 30, 2009, Boroo recorded $0.1 million and $14.1 million ($5.9 million and $15.0 million for the three months and six months ended June 30, 2008) as income tax expense.

9. Commitments and Contingencies

Commitments
As at June 30, 2009, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $28.7 million (Kumtor $28.6 million, Boroo $0.1 million): these are expected to be settled over the next twelve months.

Contingencies

Mongolia
As disclosed on June 12, 2009, the Company received a notice from the Minerals Resources Authority of Mongolia suspending the Boroo mine's main operating licenses for a period up to three months. During June and July, the Company worked with the relevant regulatory authorities in Mongolia to understand the concerns raised by them. The Company announced on July 27, 2009 that the suspension had been lifted for the mining and milling operations. The Company is continuing its discussions with the regulatory authorities regarding their concerns. Boroo expects to resume full mining and milling operations by the end of July.

(Expressed in thousands of United States Dollars)

9. Commitments and Contingencies (continued)

The mine stopped adding cyanide to the heap leach pad at the end of April 2009 due to the expiry of the temporary operating permit for the heap leach operation. The Company had been awaiting the final operating permit for the heap leach facility when Boroo's main operating licenses were suspended on June 12, 2009. The Company continues to work with the Mongolian authorities to obtain the final heap leach operating permit.

10. Related Party Transactions

Kyrgyzaltyn and the Government of the Kyrgyz Republic

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

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

	Three Months Ended	
(Thousands of US$)	**June 30/09**	**June 30/08**
Management fees to Kyrgyzaltyn	**$ 116**	$ 173
Concession payments to the Kyrgyz Republic	**(365)**	462
	$ (249)	$ 635
Gross gold and silver sales to Kyrgyzaltyn	**$ 74,689**	$ 103,121
Deduct: refinery and financing charges	**(391)**	(530)
Net sales revenue received from Kyrgyzaltyn	**$ 74,298**	$ 102,591

	Six Months Ended	
(Thousands of US$)	**June 30/09**	**June 30/08**
Management fees to Kyrgyzaltyn	**$ 209**	$ 274
Concession payments to the Kyrgyz Republic	**(116)**	730
	$ 93	$ 1,004
Gross gold and silver sales to Kyrgyzaltyn	**$ 132,297**	$ 164,955
Deduct: refinery and financing charges	**(729)**	(855)
Net sales revenue received from Kyrgyzaltyn	**$ 131,568**	$ 164,100

10. Related Party Transactions (continued)

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

Pursuant to the Agreement on New Terms (note 6), the Gold and Silver Sale Agreement was amended with new terms. Effective June 11, 2009, Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days.

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn. As at June 30, 2009, $15.1 million was outstanding under these arrangements (December 31, 2008 - $24.1 million).

11. Fair Value of Financial Instruments

The Company has various financial instruments comprising of cash and cash equivalents, short-term investments, receivables, a Reclamation trust fund, accounts payable and accrued liabilities and short-term debt.

The carrying values of these financial instruments equal their book values as at June 30, 2009 and December 31, 2008

12. Financial Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

These are discussed in detail in the notes to the December 31, 2008 Annual Financial Statements. The following updates this annual disclosure and for events in the three months and six months ended June 30, 2009 as relevant:

(Expressed in thousands of United States Dollars)

12. Financial Risk Exposure and Risk Management (continued)

i) Counterparty Risk

Counterparty risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. Counterparty risk can be assessed both in terms of credit risk and liquidity risk. For cash and equivalents and accounts receivable, credit risk represents the carrying amount on the balance sheets. Furthermore, the Company takes measures that are intended to ensure its gold dore customers, suppliers and banking services providers can fulfill their contractual obligations. However, the current global economic situation may have increased the risk of default by these parties.

Default by one or more of the Company's gold purchasers, bankers or suppliers could materially impact the Company's liquidity, financial condition and results of operations.

ii) Currency Risk

As required, the Company either makes purchases at the prevailing spot price to fund corporate activities or enters into short-term forward contracts to purchase Canadian dollars. During the three months and six months ended June 30, 2009, $2.3 million and $5.7 million of such forward contracts were executed ($1.5 million and $3.0 million - three months and six months ended June 30, 2008). Contracts to purchase of $2.8 million were outstanding at June 30, 2009 (Nil – December 31, 2008).

The exposure of the Company's financial assets and liabilities to currency risk as at June 30, 2009 are as follows:

(Thousands of US$)	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	Australian Dollar	European Euro
Financial Assets					
Cash and cash equivalents	$ 535	$ 163	$ 2,875	$ -	$ -
Amounts receivables	104	3,499	679	-	4
	$ 639	$ 3,662	$ 3,554	$ -	$ 4
Financial Liabilities					
Accounts payable and accrued liabilities	$ 3,805	$ 183	$ 3,545	$ 102	$ 1,956

A strengthening of the US Dollar by 5% against the Canadian Dollar, the Kyrgyz Som and the Mongolian Tugrik at June 30, 2009, with all other variables held constant would have lead to additional before tax net income of $0.09 million as a result of a change in value of the financial assets and liabilities denominated in those currencies.

12. Financial Risk Exposure and Risk Management (continued)

iii) Interest Rate Risk

Fluctuations in market interest rates during the three months and six months ended June 30, 2009 have not had a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

iv) Concentration of Credit Risk

Kyrgyzaltyn, a state-owned refinery in the Kyrgyz Republic, is Kumtor's sole customer and is a shareholder of Centerra. To partially mitigate exposure to potential credit risk related to Kumtor sales, the Company has an agreement in place whereby Kyrgyzaltyn has pledged 2,850,000 of Centerra shares as security against an individual gold shipment, in the event of default on payment.

Based on movements in Centerra's share price, and the value of individual gold shipments, over the course of the three months and six months ended June 30, 2009 the maximum exposure during the three months and six months ended June 30, 2009, reflecting the shortfall in the value of the security as compared to the value of a given shipment, was approximately $5.1 million and $15.6 million.

The Company manages credit risk, in respect of short-term investments, by maintaining bank accounts with highly-rated U.S. and Canadian banks and investing only in highly-rated Canadian and U.S. Governments bills, term deposits or banker's acceptances with highly-rated financial institutions, and corporate issues that can be promptly liquidated.

At the balance sheet date, approximately 2.5% of the Company's liquid assets were held with local Kyrgyz, Mongolian and certain non-rated foreign banks and 19% with each of HSBC Bank and Citigroup. The remainder of cash and cash equivalents, and short-term investments were held in government securities, term deposits, banker's acceptances and highly-rated corporate issues.

13. Comparative Information

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

14. Segmented Information

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

14. Segmented Information (continued)

Geographic Segmentation of Revenue

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

(Expressed in thousands of United States Dollars)

14. Segmented Information (continued)

Three months ended June 30, 2009

($ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	**$ 74.3**	**$ 30.0**	**$ -**	**$ 104.3**
Expenses				
Cost of sales	**70.7**	**11.3**	**-**	**82.0**
Mine standby costs	**-**	**3.3**	**-**	**3.3**
Regional office administration	**3.5**	**2.3**	**-**	**5.8**
Depreciation, depletion and amortization	**18.8**	**6.6**	**0.3**	**25.7**
Accretion and reclamation expense	**0.3**	**0.4**	**-**	**0.7**
Revenue based taxes	**5.3**	**-**	**-**	**5.3**
Exploration and business development	**2.3**	**0.5**	**1.5**	**4.3**
Interest and other	**0.3**	**(1.1)**	**0.5**	**(0.3)**
Corporate administration	**0.6**	**0.5**	**6.6**	**7.7**
Earnings (loss) before unusual items and income taxes	**(27.5)**	**6.2**	**(8.9)**	**(30.2)**
Unusual items-Kyrgyz settlement				**(49.3)**
Earnings (loss) before income taxes				**(79.5)**
Income taxes				**0.1**
Net loss				**$ (79.6)**
Capital expenditures for the quarter	**$ 17.4**	**$ 0.3**	**$ -**	**$ 17.7**
Assets (excluding Goodwill)	**$ 430.3**	**$ 273.2**	**$ 23.5**	**$ 727.0**

Three months ended June 30, 2008

($ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	$ 102.6	$ 39.9	$ -	$ 142.5
Expenses				
Cost of sales	75.4	10.9	-	86.3
Regional office administration	3.8	2.1	-	5.9
Depreciation, depletion and amortization	13.0	3.8	0.2	17.0
Accretion	0.3	0.1	-	0.4
Revenue based taxes	-	-	-	-
Exploration and business development	3.7	0.6	0.9	5.2
Interest and other	2.7	(1.3)	(1.2)	0.2
Corporate administration	0.7	0.5	6.3	7.5
Earnings (loss) before unusual items and income taxes	2.9	23.3	(6.2)	20.0
Unusual items-Kyrgyz settlement				42.2
Earnings before income taxes				62.2
Income tax expense				6.2
Net earnings				$ 56.0
Capital expenditures for the quarter	$ 10.9	$ 11.1	$ 0.1	$ 22.1
Assets (excluding Goodwill)	$ 450.8	$ 261.9	$ 13.7	$ 727.4

(Expressed in thousands of United States Dollars)

14. Segmented Information (continued)

Six months ended June 30, 2009

($ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	**$ 131.6**	**$ 71.2**	**$ -**	**$ 202.8**
Expenses				
Cost of sales	**119.3**	**31.9**	**-**	**151.2**
Mine standby costs	**-**	**3.3**	**-**	**3.3**
Regional office administration	**7.1**	**3.8**	**-**	**10.9**
Depreciation, depletion and amortization	**32.5**	**14.5**	**0.5**	**47.5**
Accretion and reclamation expense	**0.6**	**0.7**	**-**	**1.3**
Revenue based taxes	**5.3**	**-**	**-**	**5.3**
Exploration and business development	**5.8**	**0.8**	**3.4**	**10.0**
Interest and other	**(0.1)**	**(1.0)**	**1.0**	**(0.1)**
Corporate administration	**1.2**	**0.9**	**10.6**	**12.7**
Earnings (loss) before unusual items and income taxes	**(40.1)**	**16.3**	**(15.5)**	**(39.3)**
Unusual items-Kyrgyz settlement				**(49.3)**
Earnings (loss) before income taxes				**(88.6)**
Income tax expense				**11.3**
Net loss				**$ (99.9)**
Capital expenditures for the period	**$ 39.1**	**$ 0.8**	**$ 0.1**	**$ 40.0**
Assets (excluding Goodwill)	**$ 430.3**	**$ 273.2**	**$ 23.5**	**$ 727.0**

Six months ended June 30, 2008

($ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	$ 164.1	$ 91.1	$ -	$ 255.2
Expenses				
Cost of sales	112.2	27.7	-	139.9
Regional office administration	6.2	3.8	-	10.0
Depreciation, depletion and amortization	19.4	7.7	0.4	27.5
Accretion	0.5	0.3	-	0.8
Revenue based taxes	-	-	-	-
Exploration and business development	7.0	1.0	2.1	10.1
Interest and other	4.8	(2.1)	(2.2)	0.5
Corporate administration	1.3	1.1	11.5	13.9
Earnings (loss) before unusual items and income taxes	12.7	51.6	(11.8)	52.5
Unusual items-Kyrgyz settlement				37.7
Earnings before income taxes				90.2
Income tax expense				15.0
Net earnings				$ 75.2
Capital expenditures for the period	$ 18.5	$ 19.1	$ 0.3	$ 37.9
Assets (excluding Goodwill)	$ 450.8	$ 261.9	$ 13.7	$ 727.4

To view the maps/graphics discussed in this news release, please visit the following link:

http://file.marketwire.com/release/cgkumtor730.pdf