# NEWS RELEASE
# Centerra Gold Reports 2010 Results;
# Fourth Quarter Earnings $153 million or $0.65 per share

*(This news release contains forward-looking information that is subject to assumptions and risk factors set out on page 11 and in our Cautionary Note Regarding Forward-looking Information on page 21. All figures are in United States dollars.)*

***To view the 2010 Management's Discussion and Analysis and the Audited Financial Statements and Notes for the year-ended December 31, 2010, please visit the following link:***
http://media3.marketwire.com/docs/cg0224.pdf

**Toronto, Canada, February 24, 2011:** Centerra Gold Inc. (TSX: CG) today reported fourth quarter 2010 net earnings of $153.1 million or $0.65 per common share based on revenues of $323.3 million, compared to net earnings of $140.0 million or $0.60 per common share on revenues of $323.9 million in the same quarter of 2009.

Centerra's consolidated gold production for the fourth quarter of 2010 totalled 249,866 ounces at a total cash cost of $311 per ounce compared to 296,048 ounces at a total cash cost of $276 per ounce in the corresponding quarter of 2009. During the fourth quarter 2010, production was lower at both Boroo and Kumtor compared to the fourth quarter of 2009.

## 2010 Fourth Quarter Highlights

- Proven and probable mineral reserves increased to 8.2 million contained ounces of gold as a result of reserve increases at Kumtor and Gatsuurt.
- Kumtor's open pit mine life extended to 2021.
- Fourth quarter revenue increased 180% over the third quarter to $323 million.
- Cash provided by operations of $137 million or $0.58 per share in the fourth quarter.
- Entered into a $150 million three-year revolving credit facility with the European Bank for Reconstruction and Development.

Cash provided by operations in the fourth quarter of 2010, net of working capital changes and other operating items was $137.1 million compared to $188.6 million in the fourth quarter of 2009 as a result of lower gold sales, higher working capital levels, partially offset by the higher average realized price of gold ($1,375 per ounce vs. $1,129 per ounce in the fourth quarter of 2009).

For 2010, the Company recorded net earnings of $322.6 million or $1.37 per common share on revenues of $846.5 million reflecting a 22% increase in realized gold price in the year and the gain from the sale of the

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REN property of $34.9 million. Net earnings for 2009 were $60.3 million or $0.27 per share on revenues of $685.5 million, after reflecting a charge for unusual items of $49.3 million relating to the Kyrgyz settlement. Consolidated 2010 gold production was 678,941 ounces at a total cash cost of $444 per ounce, compared with consolidated gold production of 675,592 ounces at a total cash cost of $459 per ounce for the prior year. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures" in this news release.)

During 2010, cash provided by operations was $271.4 million or $1.15 per share up from $245.6 million or $1.08 per share in 2009, reflecting the higher net earnings, primarily as a result of the higher average gold price realized.

**Commentary**

Stephen Lang, President and CEO of Centerra Gold commented, "Our operations generated strong cash flow during the quarter of $137 million and Centerra ended the year with a balance sheet that includes $413 million in cash and short-term investments and no debt outstanding."

"For 2011, consolidated gold production is expected to be in the 600,000 to 650,000 ounce range and total cash costs are expected in the $460 to $495 per ounce range. The production profile at Kumtor differs significantly from recent years in that Kumtor is expected to have consistent quarterly production throughout the year."

"The Mongolian Parliament continues to assess the water and forest legislation enacted in 2009 and we remain optimistic that this issue will ultimately be resolved and Gatsuurt will move forward. However, as we are uncertain regarding the timing we have not included Gatsuurt in our 2011 outlook," he concluded.

## Year-end Reserves and Resources

### Reserves

As reported in the Company's news release of February 7, 2011, Centerra's proven and probable reserves, as of December 31, 2010, increased 1.7 million contained ounces (before accounting for 2010 production) to 8.2 million ounces of contained gold, compared to 7.3 million ounces as of December 31, 2009. This represents an increase of 24% before accounting for 885,000 contained ounces processed at Kumtor and Boroo during 2010. All 2010 year-end reserves were estimated using a gold price of $1,000 per ounce compared to $825 per ounce at December 31, 2009.

### Resources

As of December 31, 2010, Centerra's measured and indicated resources increased by 18% or 739,000 ounces over the December 31, 2009 figures to total 4.9 million ounces of contained gold, compared to 4.1 million contained ounces as of December 31, 2009.

The Company's inferred resources total 3.5 million ounces of contained gold a decrease by 34,000 contained ounces of gold year-over-year. The majority of the inferred resources are at Kumtor, in the high-grade underground SB Zone, which totals 1.4 million contained ounces of gold with an average grade of 15.3 g/t and in the high-grade underground Stockwork Zone which totals 638,000 contained ounces of gold with an average grade of 12.1 g/t.

## Financial and Operating Summary

### Highlights

| | Three Months Ended December 31 | | | Year Ended December 31 | | |
|---|---|---|---|---|---|---|
| **Financial and Operating Summary** | **2010** | **2009** | **% Change** | **2010** | **2009** | **% Change** |
| Revenue - $ millions | **323.3** | 323.9 | (0%) | **846.5** | 685.5 | 23% |
| Cost of sales - $ millions [(1)] | **68.7** | 74.1 | (7%) | **263.9** | 295.9 | (11%) |
| Earnings before unusual items - $ millions [(2)] | **153.1** | 140.0 | 9% | **322.6** | 109.6 | 194% |
| Earnings per common share before unusual items - $ basic and diluted | **0.65** | 0.60 | 8% | **1.37** | 0.48 | 185% |
| Unusual items (gain) - $ millions | - | - | - | - | 49.3 | (100%) |
| Net earnings - $ millions | **153.1** | 140.0 | 9% | **322.6** | 60.3 | 435% |
| Earnings per common share - $ basic and diluted | **0.65** | 0.60 | 8% | **1.37** | 0.27 | 407% |
| Cash provided by operations - $ millions | **137.1** | 188.6 | (27%) | **271.4** | 245.6 | 11% |
| Capital expenditures -$ millions | **55.4** | 28.7 | 93% | **212.0** | 89.8 | 136% |
| Weighted average common shares outstanding - basic (thousands) [(3)] | **235,181** | 234,857 | 0% | **235,488** | 226,699 | 4% |
| Weighted average common shares outstanding - diluted (thousands) [(3)] | **235,657** | 235,379 | 0% | **235,862** | 226,801 | 4% |
| | | | | | | |
| Average gold spot price - $/oz | **1,367** | 1,100 | 24% | **1,225** | 973 | 26% |
| Average realized gold price - $/oz | **1,375** | 1,129 | 22% | **1,235** | 1,013 | 22% |
| | | | | | | |
| Gold sold – ounces | **235,191** | 286,888 | (18%) | **685,389** | 676,394 | 1% |
| Cost of sales - $/oz sold | **292** | 258 | 13% | **385** | 438 | (12%) |
| Gold produced – ounces | **249,866** | 296,048 | (16%) | **678,941** | 675,592 | 0% |
| Total cash cost[(4) (5)] - $/oz produced | **311** | 276 | 13% | **444** | 459 | (3%) |
| Total production cost[(4) (5)] - $/oz produced | **405** | 384 | 5% | **560** | 607 | (8%) |

(1) Cost of sales excludes regional office administration.
(2) Net earnings before unusual items is a non-GAAP measure and is discussed under "Non-GAAP Measures".
(3) As of December 31, 2010, the Company had 235,869,397 common shares issued and outstanding.
(4) Total cash cost and total production cost are non-GAAP measures and are discussed under "Non-GAAP Measures".
(5) As a result of Kumtor's Restated Investment Agreement, total cash cost and total production cost per ounce measures exclude operating and revenue-based taxes.

Revenue in the fourth quarter of 2010 was $323.3 million compared to $323.9 million during the same period the previous year. Lower ounces sold in the fourth quarter of 2010 were fully offset by a higher realized gold price ($1,375 per ounce in the fourth quarter of 2010 versus $1,129 per ounce in the fourth quarter of 2009).

The Company produced 249,866 ounces in the fourth quarter of 2010, 16% less than the same period in 2009. The lower gold production was primarily due to lower production at both Boroo and Kumtor. The Boroo production in the fourth quarter of 2010 was lower by 27,520 ounces or 56% compared to the same period of 2009 due to lower grades and lower recovery of the ore processed by the mill and the heap leach facility remains idle. The Kumtor production in the fourth quarter of 2010 was 8% lower than the comparable period of 2009 due to lower mill throughput (down 8%) mainly as a result of the labour dispute and related ten day work stoppage.


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Total cash cost per ounce produced was $311 in the fourth quarter of 2010 compared to $276 per ounce in the same period of 2009. Cash operating costs of $77.7 million in the fourth quarter of 2010 were $4.1 million or 7% lower than the $81.8 million in the same period in 2009. However, gold production was down by 16% or 46,182 ounces for the same period, which more than offset the favourable variance coming from the reduced cash operating costs. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost.")

Capital expenditures in the fourth quarter of 2010 amounted to $55.4 million of which $9.4 million was spent and accrued on sustaining capital projects and $46.0 million invested in growth capital. The major growth components are related to the underground development at Kumtor ($9.5 million), the capitalized pre-stripping for cut-back 12B ($14.7 million), the purchase of Liebherr shovels ($9.7 million), CAT 789 haul truck purchases ($7.1 million), and D45 drill purchases ($2.5 million) at Kumtor. In addition, the Company spent $1.2 million at Boroo and the Gatsuurt development project. Capital expenditures in the same quarter of 2009 were $28.7 million, which included $5.7 million of sustaining capital and $23.0 million of growth capital.

Exploration expenditures for the fourth quarter were $11.2 million dollars compared to $8.5 million in the fourth quarter of 2009 reflecting higher spending at Kumtor and on exploration projects in Mongolia. For a detailed update on fourth quarter exploration activities please refer to the Company's news release of February 7, 2011.

On November 16, 2010, Centerra entered into a $150 million three-year revolving credit facility (the "Credit Facility") with the European Bank for Reconstruction and Development ("EBRD") as the sole lender. The interest payable on any outstanding borrowings is LIBOR plus 2.9%. The Credit Facility is for general corporate purposes, including working capital, investments and acquisitions and capital expenditures to finance the development of the Company's existing properties in the Kyrgyz Republic and Mongolia, and for future investments and acquisitions in other EBRD countries of operations. Availability under the Credit Facility is subject to customary conditions precedent.

## Full Year 2010

For the full year 2010, revenue increased by $161 million, or 23%, to $846.5 million compared to $685.5 million in the same period of 2009 primarily due to a 22% increase in the realized gold price. The average realized gold price for 2010 was $1,235 per ounce compared to $1,013 per ounce in the same period of 2009 reflecting higher spot prices for gold throughout the year and the concentration of sales during the fourth quarter of 2010 when gold prices were higher. Gold sold in 2010 totalled 685,389 ounces (568,390 ounces from Kumtor and 116,999 ounces from Boroo), which was higher than 2009 ounces sold of 676,394 (511,092 ounces from Kumtor and 165,302 ounces from Boroo).

Gold production was 678,941 ounces in 2010 compared to the 675,592 ounces reported in 2009. This primarily represents an 8% increase in gold production at Kumtor due to higher grades and higher recoveries processed through the mill. Production at Boroo was 26% lower in 2010 as a result of lower head grades and recoveries through the mill as well as lower contribution from the heap leach operation which remained idle pending issuance of a final operating permit by the government authorities. At Boroo, the ore became increasingly refractory during 2010 and the grades and recoveries continued to decline throughout the year. Mining activities at Boroo ceased December 1, 2010.

Total cash cost per ounce produced for 2010 decreased to $444 compared to $459 per ounce in 2009. (Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".) The


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decrease in 2010 reflects the impact of lower operating costs and higher production at Kumtor, partially offset by the impact of lower production at Boroo as discussed in the "Operations Update" for Kumtor and Boroo.

For the year 2010, capital expenditures totalled $212.0 million of which $44.0 million was spent and accrued on sustaining capital projects and $168.0 million invested in growth capital. The major growth capital components are related to spending at Kumtor mainly on fleet expansion and pre-stripping of waste ($109.5 million), the SB and Stockwork Zone underground development at Kumtor ($36.9 million), the Gatsuurt development project ($17.2 million) and raising the tailings dam at Boroo ($4.4 million). For the full year 2009, capital expenditures totaled $89.8 million, which included $40.1 million of sustaining capital and $49.7 million of growth capital.

Exploration expenditures in 2010 were $31.3 million compared to $25.0 million in 2009 reflecting higher spending in Mongolia and an increase in exploration activities elsewhere.

## Operations Update
## Summary of Key Operating Results

| | Three Months Ended December 31 | | | Year Ended December 31 | | |
|---|---|---|---|---|---|---|
| **Kumtor Operating Results** | **2010** | 2009 | **% Change** | **2010** | 2009 | **% Change** |
| Revenue - $ millions | **288.9** | 263.1 | 10% | **704.3** | 523.7 | 34% |
| Gold sold – ounces | **209,929** | 231,799 | (9%) | **568,390** | 511,092 | 11% |
| Average realized gold price – $/oz | **1,376** | 1,135 | 21% | **1,239** | 1,025 | 21% |
| Cost of sales - $ millions (1) | **54.4** | 57.4 | (5%) | **213.2** | 236.5 | (10%) |
| Cost of sales - $/oz sold | **259** | 248 | 5% | **375** | 463 | (19%) |
| Tonnes mined - 000s | **29,561** | 25,995 | 14% | **116,466** | 115,544 | 1% |
| Tonnes ore mined – 000s | **2,812** | 1,759 | 60% | **5,765** | 4,464 | 29% |
| Tonnes milled - 000s | **1,303** | 1,414 | (8%) | **5,594** | 5,780 | (3%) |
| Average mill head grade - g/t (2) | **7.06** | 6.92 | 2% | **4.02** | 3.74 | 7% |
| Recovery - % | **84.1** | 84.4 | (0%) | **79.5** | 76.7 | 4% |
| Gold produced – ounces | **228,433** | 247,095 | (8%) | **567,802** | 525,042 | 8% |
| Total cash cost (3) (4) - $/oz produced | **262** | 245 | 7% | **411** | 460 | (11%) |
| Total production cost (3) (4)-$/oz produced | **349** | 346 | 1% | **515** | 588 | (12%) |
| | | | | | | |
| Capital expenditures - $ millions | **53.3** | 16.0 | 232% | **186.5** | 73.4 | 154% |
| | | | | | | |
| **Boroo Operating Results** | | | | | | |
| Revenue - $ millions | **34.4** | 60.8 | (43%) | **142.2** | 161.8 | (12%) |
| Gold sold – ounces | **25,262** | 55,089 | (54%) | **116,999** | 165,302 | (29%) |
| Average realized gold price - $/oz | **1,362** | 1,104 | 23% | **1,215** | 979 | 24% |
| Cost of sales - $ millions (1) | **14.3** | 16.7 | (14%) | **50.7** | 59.4 | (15%) |
| Cost of sales - $/oz sold | **566** | 303 | 87% | **434** | 359 | 21% |
| Total tonnes mined - 000s | **2,717** | 3,624 | (25%) | **11,358** | 12,396 | (8%) |
| Tonnes mined heap leach – 000s | **196** | 1,170 | (83%) | **1,694** | 3,481 | (51%) |
| Tonnes ore mined direct mill feed -000’s | **325** | 1,250 | (74%) | **2,399** | 2,913 | (18%) |
| Tonnes ore milled - 000s | **633** | 628 | 1% | **2,466** | 2,077 | 19% |
| Average mill head grade - g/t (2) | **1.53** | 2.91 | (47%) | **1.38** | 2.56 | (46%) |
| Recovery - % | **69.0** | 79.1 | (13%) | **71.8** | 72.9 | (2%) |
| Gold produced – ounces | **21,433** | 48,953 | (56%) | **111,139** | 150,550 | (26%) |
| Total cash cost (3) - $/oz produced | **836** | 435 | 93% | **611** | 456 | 34% |
| Total production cost (3)-$/oz produced | **994** | 634 | 57% | **786** | 673 | 17% |
| | | | | | | |
| Capital expenditures (Boroo) - $ millions | **1.0** | 2.3 | (56%) | **7.9** | 3.3 | 140% |
| Capital expenditures (Gatsuurt) - $ millions | **0.9** | 10.3 | (91%) | **17.2** | 12.9 | 34% |

(1) Cost of sales for 2010 and its comparative years exclude regional office administration.
(2) g/t means grams gold per tonne.
(3) Total cash cost and total production cost are non-GAAP Measures and are discussed under “Non-GAAP Measures”.
(4) Kumtor’s total cash cost and total production cost per ounce measures exclude operating and revenue-based taxes.


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## Kumtor

At the Kumtor mine, gold production was 228,433 ounces in the fourth quarter of 2010, compared to 247,095 ounce in the same quarter in 2009. Lower mill throughput during the quarter (down 8%) mainly as a result of the labour dispute and related ten day work stoppage resulted in 18,662 ounces lower gold production compared to the same period of 2009.

The mill head grade in the fourth quarter of 2010 averaged 7.06 g/t with a recovery of 84.1% compared to 6.92 g/t with a recovery of 84.4% in the same quarter of 2009. The gold production increased 232% in fourth quarter of 2010 from the third quarter of 2010, as the high-grade SB Zone was mined in the quarter.

Total cash cost per ounce produced, a non-GAAP measure of production efficiency, was $262 in the fourth quarter compared to $245 a year earlier. The quarter-over-quarter increase in total cash cost was primarily due to lower gold production partially offset by lower operating costs. Operating costs decreased by $0.9 million or 2% primarily due to lower mining costs (down $2.5 million) partially offset by higher milling costs ($0.7 million) and higher site administration costs ($0.9 million). The lower mining costs of $2.5 million reflect an allocation to capital of $10.9 million of mining costs expended on the pre-stripping of cut-back 12B, partially offset by higher costs for diesel fuel ($4.2 million) as a result of the introduction of the fuel export duty by the Russian Government, higher national labour costs ($2.2 million) due to the new collective bargaining agreement, higher maintenance costs ($1.0 million) and higher tire costs ($0.4 million) due to the expanded mine fleet, and higher camp catering costs ($0.6 million). The milling and site administration costs increased due to higher national labour, power and diesel costs.

Exploration expenditures totaled $3.7 million for the fourth quarter of 2010, up from $2.8 million in the fourth quarter 2009, as a result of increased activity.

During the fourth quarter of 2010, capital expenditures were $53.3 million, which included $8.5 million of sustaining capital spent mainly on the heavy equipment overhaul program ($6.1 million) and shear key, buttress and tailings dam construction ($1.3 million). Growth capital investment totalled $44.8 million mainly on pre-strip capitalization ($14.7 million), the underground development ($9.5 million), purchase of Liebherr shovels ($9.7 million), purchase of CAT 789 haul trucks ($7.1 million) and other equipment and projects ($3.8 million).

The SB Zone underground decline (Decline #1) has now advanced a total of 1,080 metres. Poor ground conditions limited the advance rate in the quarter. Kumtor's new life-of-mine plan will expand the open pit and deepen the final ultimate open pit by about 24 metres, resulting in the need to reorient Decline #1, moving the decline further to the south. The re-alignment will require that the decline be driven deeper via a ramp resulting in a 9 to 12 month delay to access the SB Zone for delineation drilling to late 2012. Exploration and geotechnical drilling will continue in the first quarter of 2011. Overall, it is estimated that 600 metres has been added to the required development of Decline #1, 250 metres for the re-alignment and 350 metres to achieve the greater depth.

The Stockwork Zone underground decline (Decline #2) has advanced a total of 744 metres (including the second heading for exploration). Decline #2 will facilitate the access to the Stockwork Zone and the SB Zone from the north for further exploration and delineation drilling. The second heading in decline #2 established for the exploration and delineation drilling program for the Stockwork Zone has advanced 200 metres toward the north. Drill bays have been established along the planned 400 metres access drift. Poor ground conditions in the headings limited the advance rate in the latter portion of the fourth quarter 2010. Exploration and delineation drilling of the Stockwork Zone resource commenced in the fourth quarter of 2010 as planned and will continue into 2011.

## Boroo & Gatsuurt

At the Boroo mine in the fourth quarter of 2010, gold production was 21,433 ounces 56% lower than the same period in 2009. The lower gold production was primarily due to lower mill head grade of 1.53 g/t and lower recovery of 69.0%, compared to the fourth quarter of 2009 mill head grade of 2.91 g/t and a recovery of 79.1%.

Total cash costs per ounce produced, a non-GAAP measure of production efficiency, increased to $836 in the fourth quarter of 2010 from $435 in the fourth quarter of 2009. The quarter-over-quarter increase in unit cash cost per ounce produced was due to lower gold production ($557 per ounce) offset by lower operating costs and lower royalties ($156 per ounce) in the 2010 period. Royalties decreased in 2010 by $1.4 million due to 43% lower sales in the 2010 quarter. Operating costs at Boroo were down $2.3 million quarter-over-quarter primarily due to reduced mining ($1.2 million) and heap leaching ($1.4 million) costs partially offset by higher milling costs ($0.2 million). The mining costs were lower as Boroo ceased mining activities at the end of November 2010. Heap leaching costs were $1.4 million lower as no crushing and stacking activities occurred in the fourth quarter of 2010, while in the same quarter of 2009 Boroo performed limited activities and incurred related costs.

During the fourth quarter of 2010 exploration expenditures in Mongolia increased to $3.4 million from $1.7 million in the same period in 2009. The exploration work in the fourth quarter 2010 was conducted at the Gatsuurt, Ulaan Bulag and other properties along the Yeroogol trend and on land holdings acquired in eastern Mongolia.

During the fourth quarter of 2010, capital expenditures at Boroo were $1.0 million, $0.7 million of sustaining capital and $0.3 million of growth capital on raising the main cell of the tailings dam to process Boroo ores.

At the Gatsuurt project, $0.9 million of growth capital was spent in the quarter primarily related to completing the site preparation. Road construction to the Gatsuurt project is complete and all site preparation is complete. Minimal capital spending is planned on the Gatsuurt project going forward while waiting for the final approvals and regulatory commissioning to commence mining.

## 2011 Outlook

Centerra's gold production and unit costs for 2011 are forecast as follows:

| | **2011 Production Forecast** (ounces of gold) | **2011 Total Cash Cost(1)** ($ per ounce produced) |
|---|---|---|
| Kumtor | 550,000 – 600,000 | 430 – 460 |
| Boroo | 50,000 | 865 |
| Consolidated | 600,000 – 650,000 | 460 – 495 |

(1) Total cash cost is a non-GAAP measure and includes mine operating costs such as mining, processing, regional office administration, royalties and production taxes (except at Kumtor where revenue-based taxes are excluded), but exclude amortization, reclamation costs, financing costs, capital development and exploration.

Centerra's 2011 consolidated gold production is forecast to be 600,000 to 650,000 ounces. Total cash cost in 2011 is expected to be $460 to $495 per ounce produced. Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures".

The Kumtor mine is expected to produce 550,000 to 600,000 ounces in 2011. The production profile at Kumtor differs significantly from recent years in that it is expected to have consistent quarterly production throughout the year. Kumtor's total cash cost for 2011 is expected to be $430 to $460 per ounce produced.

At the Boroo mine, gold production is forecast to be 50,000 ounces and assumes no mining activities at Boroo in 2011. Boroo's total cash cost is expected to be $865 per ounce produced in 2011. The 2011 forecast also assumes no production from the heap leach facility or the Gatsuurt project due to uncertainties with permitting, final approvals and regulatory commissioning. The Boroo mill is expected to process the remaining direct mill feed stockpiled ore at Boroo until the end of May 2011 with an average grade of approximately 1.44 g/t. For the balance of the year, the Boroo mill is expected to process stockpiled material with grades between 0.76 – 0.81 g/t. At the current reserve gold price assumption of $1,000 per ounce, the Boroo operation could potentially continue to feed the mill for at least a further two years utilizing existing low-grade stockpiles.

Receipt of the final heap leach operating permit would add approximately 3,500 to 4,000 ounces of gold a month. At Gatsuurt, the project is ready to begin production of the oxide ore on receipt of the final approvals and regulatory commissioning.

## 2011 Exploration Expenditures

Exploration expenditures of $34 million are planned for 2011, an increase from $31 million in 2010. The 2011 program will continue the aggressive exploration work at the Kumtor mine together with an increase in the exploration in the Kumtor district with target definition and drilling programs on the properties acquired in 2010 and planned expenditures of about $13 million. In Mongolia $5 million is allocated for target definition and drill programs on the Gatsuurt project and on our land holdings along the Yeroogol trend and in eastern Mongolia.

In 2011, drilling programs will continue on the Kara Beldyr project in Russia to determine the resource potential of the property. Drilling programs will also continue in Turkey and Nevada. In addition, generative programs will continue in Russia, China, Turkey and the U.S. to increase the pipeline of projects that the Company is developing to meet its longer term growth targets.

## 2011 Capital Expenditures

The capital expenditures for 2011 are estimated to be $213 million, including $38 million of sustaining capital and $175 million of growth capital.

Capital expenditures include:

| **Projects** | **2011 Growth Capital** ($ millions) | **2011 Sustaining Capital** ($ millions) |
|---|---|---|
| Kumtor mine | 170 | 36 |
| Mongolia | 5 | 1 |
| Corporate | - | 1 |
| Consolidated Total | 175 | 38 |

## <u>Kumtor</u>

At Kumtor, during 2011 total capital expenditures are forecast to be $206 million including $36 million of sustaining capital. The largest sustaining capital spending will be on the major overhaul maintenance of the heavy duty mine equipment ($19 million), expenditures for the shear key, buttress and tailings dam construction works ($5 million) and for equipment replacement and other items ($12 million).

Growth capital investment at Kumtor for 2011 is forecast at $170 million primarily for the purchase of seven CAT 789 haul trucks ($21 million), purchase of remaining equipment for the North Wall expansion project ($28 million), pre-strip costs related to the development of the open pit ($63 million) and a waste dump expansion project ($3 million). Also, $52 million is included in growth capital investment for the underground growth capital, of which $40 million has been allocated to advance the two underground declines to develop the SB Zone and Stockwork Zone, as well as, $5 million for delineation drilling and $6 million for capital purchases and other costs in 2011.

**Boroo & Gatsuurt (Mongolia)**

At Boroo, 2011 sustaining capital expenditures are expected to be $1 million and growth capital is forecast at $5 million primarily for the tailings dam construction to expand the capacity of the Boroo tailings facility to allow treatment of waste.

No capital for the development of the deeper sulphide ores at Gatsuurt has been forecast and will only be invested following successful regulatory commissioning of the Gatsuurt project. The engineering and construction of the bio-oxidation facility to be located at the Boroo mill, which is needed to treat Gatsuurt sulphide ores, will be restarted only after the approval to begin mining at Gatsuurt has been received from the Government of Mongolia.

## Corporate Administration

Corporate and administration expenses for 2011 are forecast at $44 million.

## Taxes

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

The corporate income tax rate for Centerra's Mongolian subsidiary, Boroo Gold Company is 25% for taxable income over 3 billion Mongolian tugriks (approximately $2.4 million at the 2010 year-end foreign exchange rate) with a tax rate of 10% for taxable income up to that amount.

Production, cost and capital forecasts for 2011 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed under the headings "Major Assumptions", "Kyrgyz Republic", "Update on Mongolian Legislation", "New Graduated Royalty Fee" and "Caution Regarding Forward-Looking Information".

## Sensitivities

Centerra's revenues, earnings and cash flows for 2011 are sensitive to changes in certain variables and the Company has estimated their impact on revenues, net earnings and cash from operations.

| | Change | Impact on *($ millions)* | | | |
|---|---|---|---|---|---|
| | | **Costs** | **Revenues** | **Cash flow** | **Earnings before income tax** |
| Gold Price | **$50/oz** | 4.8 | 31.6 | 26.8 | 26.8 |
| Diesel Fuel [1] | **10%** | 4.2 | - | 4.2 | 4.2 |
| Kyrgyz som | **1 som** | 1.9 | - | 1.9 | 1.9 |
| Mongolian tugrik | **25 tugrik** | 0.6 | - | 0.6 | 0.6 |
| Canadian dollar | **10 cents** | 3.7 | - | 3.7 | 3.7 |

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

## Major Assumptions

The following material assumptions have been used to forecast production, operating and capital costs and future capital expenditures:

- a gold price of $1,300 per ounce,
- exchange rates:
  - $1USD:$1.03 CAD
  - $1USD:48.50 Kyrgyz Som
  - $1USD:1,250 Mongolian Tugrik
  - $1USD:0.74 Euro
- diesel fuel price assumption:
  - $0.78/litre at Kumtor
  - $0.94/litre at Boroo

The assumed diesel price of $0.78/litre at Kumtor includes a customs export duty imposed by the Russian authorities on the diesel fuel exported to the Kyrgyz Republic. Russia imposed a customs duty of approximately $194 per tonne on gasoline and diesel fuel exports to the Kyrgyz Republic that went into effect on April 1, 2010. The customs export duty for 2011 is assumed to be at approximately $0.18/litre or $212.77 per tonne of diesel fuel; however, there have been public statements made by Kyrgyz authorities that it could be revoked retroactive to January 1, 2011. Should the Russian authorities revoke the customs export duty, Kumtor's cash costs are expected to decrease by approximately $17 million annually.

Diesel fuel is sourced from separate Russian suppliers for Kumtor and Boroo and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was approximately $84 per barrel.

Other important assumptions include the following:

- any recurrence of political and civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine,

- grades and recoveries at Kumtor will remain consistent with the life-of-mine plan to achieve the forecast gold production,

- the dewatering program at Kumtor continues to produce the expected results and the water management system works as planned,


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- the remedial plan to deal with the Kumtor waste and ice movement continues to be successful ( see "Kumtor Mine - Remedial Plan to Manage the High Movement Area" in the Company's December 7, 2009 news release),

- no unplanned delays in or interruption of scheduled production from our mines, including due to civil unrest, natural phenomena, labour, regulatory or political disputes, equipment breakdown or other developmental and operational risks,

- certain issues at Boroo raised by the General Department of Specialized Inspection ("SSIA") concerning state alluvial reserves, the production and sale of gold from the Boroo heap leach facility and other matters will be resolved through negotiation without material adverse impact on the Company, see "Other Corporate Developments, Mongolia, Mongolian Legislation" in the Company's MD&A for the period ended December 31, 2010,

- no further suspension of Boroo's operating licenses, and

- all necessary permits, licenses and approvals are received in a timely manner.

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

## Kyrgyz Republic

On October 10, 2010, parliamentary elections were held in the Kyrgyz Republic, with five parties receiving sufficient votes to be represented in the Parliament. In mid-December 2010, a coalition government was formed by three parties and on December 18, 2010, the parliament elected a speaker and Mr. Almazbek Atambayev was approved as Prime Minister of the Kyrgyz Republic.

On October 1, 2010, unionized employees of the Company's Kumtor mine in the Kyrgyz Republic commenced an illegal work stoppage which continued until October 10, 2010 when employees returned to work. The then current collective agreement, which was scheduled to expire on December 31, 2010, was replaced with a new collective agreement that was ratified by the union. The new collective agreement will expire on December 31, 2012. During the ten-day work stoppage, production at the Kumtor mine was suspended.

Kumtor Operating Company ("KOC"), the Company's Kyrgyz Republic operating subsidiary, pays Kyrgyz Republic Social Fund ("Social Fund") contributions in respect of the base wages of its national employees. In late 2010, the Social Fund notified KOC of its position that KOC should pay contributions to the Social Fund not only in respect of base wages but also in respect of the premium compensation that KOC is required to pay employees for work at high-altitude. A potential adjustment to the Social Fund contribution for the 2010 year as a result of this matter, could require an additional payment ranging from zero to $7.4 million. The position of the Social Fund is inconsistent with its past practices and with prior audits of KOC, completed as recently as 2009. KOC plans to continue to vigorously dispute the Social Fund's position. At this time, the likelihood of liability is not determinable and as a result, no amounts have been accrued in the Company's financial statements in respect of this matter.

## Update on Mongolian Legislation

In Mongolia, the Company continued to work with the Minerals Resource Authority of Mongolia ("MRAM") and the Mongolian General Department of Specialized Inspection ("SSIA") with respect to several outstanding issues arising from the inspections at the Boroo mine carried out by the SSIA in mid-2009. As at the end of 2010, the number of outstanding issues has decreased. In 2010, the Company also worked with the SSIA and the Mongolian Specialized Minerals Council in relation to the very significant claim for compensation that the Company received from the SSIA in October 2009 regarding state alluvial reserves covered by the Boroo mine licenses. While Centerra cannot give assurances, it believes that settlement of the outstanding matters and the alluvial claim (which the Company disputes) will be concluded through negotiations and will not result in a material impact.

In March 2010, the Company received a letter from MRAM stating that certain of its mining and exploration licenses, including the Gatsuurt mining licenses, could be revoked under the water basin and forestry law which was enacted by the Mongolian Parliament in July 2009 (the "Water and Forest Law"). Under the Water and Forest Law, mineral prospecting, exploration and mining in water basins and forestry areas in Mongolia would be prohibited, and the affected licenses would be revoked. The legislation provides a specific exemption for "mineral deposits of strategic importance", which would exempt the Boroo mining licenses from the application of the legislation. Centerra's Gatsuurt licenses and its other exploration license holdings in Mongolia however, are currently not exempt. Under the Minerals law of Mongolia, Parliament on its own initiative or, on the recommendation of the Government, may designate a mineral deposit as strategic. Such designation could result in Mongolia receiving up to a 34% interest in the deposit. The March 2010 letter requested that the Company provide a preliminary estimate of expenses incurred in relation to each license that could be revoked and the compensation that the Company would expect to receive if such licenses were to be revoked. The Company submitted a detailed estimate to MRAM in March 2010.

In April 2010, the Company received a letter from the Ministry of Mineral Resources and Energy ("MMRE") indicating that the Gatsuurt licenses were within the area designated, on a preliminary basis, as land where mineral mining is prohibited under the Water and Forest Law, and that the MMRE would communicate with the Company further on negotiations with respect to an investment agreement for the Gatsuurt project once the MMRE received additional clarity on the impact of the Water and Forest Law on the Gatsuurt project.

In November 2010, Mongolia's cabinet announced its intention to initiate the revocation of 1,782 mineral licenses under the Water and Forest Law on a staged basis, beginning with the revocation of 254 alluvial gold mining licenses. The Company has four licenses on the list of alluvial gold mining licenses that may be revoked. None of these licenses are material to the Company. In particular, Centerra's principal Gatsuurt hardrock mining licenses are not on the list of alluvial licenses to be revoked. In accordance with the Water and Forest Law, the Company submitted in February 2011 a formal request for compensation for the four licenses to be revoked.

The Mongolian Government has announced that it is considering taking the following actions as the next stages of its implementation of the Water and Forest Law:

- preparing and submitting to the cabinet a proposal to designate as "strategic" those deposits, development of which would contribute to regional social and economic development and, at the same time, require significant amounts of compensation;

- revoking all licenses for non-gold mining operations which utilize surface water;
- revoking all 460 gold exploration licenses and providing compensation ;
- revoking all 931 non-gold exploration licenses and providing compensation;
- revoking and providing compensation to all remaining affected mining licenses.

Of the Company's 55 mineral licenses, 36 licenses (including the Gatsuurt hard rock licenses) are included in the 1,782 licenses referred to in the cabinet announcement as subject to staged revocation.

The Company understands that Mongolia's cabinet expects that the Water and Forest Law will take until approximately November 2012 to fully implement. According to statements by officials, the Government estimates that the total compensation due to mining companies for the revocation of their licenses will amount to approximately US$4 billion, which is about equal to Mongolia's annual gross domestic product for 2009.

The Water and Forest Law has attracted opposition from Mongolia's alluvial miners, the Mongolian National Mining Association and other groups. The Company also understands that a group of parliamentarians has proposed amendments to the Water and Forest Law to reduce its impact on environmentally-sound mining operations.

While the Company has continued to receive permits and approvals in connection with the road construction to Gatsuurt and for construction of surface facilities at the project, in November 2010, the Company received a letter from the MMRE indicating that operations at the Gatsuurt project cannot be commenced while the implementation of the Water and Forest Law is being resolved. Accordingly, it is anticipated that further approvals and regulatory commissioning of Gatsuurt will be delayed as a result of the Water and Forest Law.

Centerra is reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the Water and Forests Law having a limited impact on the Company's Mongolian activities. There can be no assurance, however, that this will be the case. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the project or Gatsuurt is designated as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources or eliminated entirely. A revocation of the Company's mineral licenses, including the Gatsuurt mineral license, could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

## New Graduated Royalty Fee

In November 2010, the Mongolian Parliament enacted a graduated royalty tax that will apply to all mining projects as of January 1, 2011, including the Gatsuurt project when commissioned and the Ulaan Bulag Prospect. This graduated royalty replaces the previous flat 5% royalty fee on gold. Pursuant to the graduated royalty fee, the royalty rate is tied to the price of gold such that there is a 1% increase in the royalty fee for every $100 increase in the price of gold per ounce above a certain price. In the case of gold, there is a basic 5% royalty fee that applies while gold is less than $900 per ounce. At $900 per ounce the royalty fee increases to 6%, at $1,000 per ounce the royalty is 7%, at $1,100 the royalty is 8%, and at $1,200 the royalty is 9%. The highest royalty fee rate is reached at 10% at $1,300 per ounce and above. For example an ounce of gold sold at $1,000 per ounce would be subject to a royalty of 7% or $70.

The graduated royalty became effective as of January 1, 2011 for all mining projects in Mongolia. On January 19, 2011, the Standing Committee of the State Great Hural of Mongolia issued a resolution to the Government which, among other things, resolved to direct the Government to enter into negotiations to have the graduated royalty structure apply to business entities that have already entered into a stability and/or an investment agreement. This would include the Company's Boroo mine which is currently operating pursuant to a stability agreement entered with the Mongolian government. The Company is of the opinion that the Boroo stability agreement provides, among other things, legislative stabilization for its Boroo operations and accordingly the graduated royalty fee is not applicable to Boroo's remaining operations. However, the Company cannot provide any guarantees that Boroo will not be made subject to the graduated royalty fee. If the graduated royalty fee does apply, it may have an adverse impact on Centerra's future cash flows, earnings, results of operations or financial condition. Regardless of whether the graduated royalty fee applies to the Boroo operation, it will apply to gold produced from the Gatsuurt mine, when developed.

## Operations and Labour

At the Boroo mine, mining activity ceased at the end of November 2010. The Boroo mill is expected to continue to operate for a least a further two years processing low-grade stockpiled ores. Because of the delay in receiving the necessary approvals and regulatory commissioning of the Gatsuurt project due to the uncertainty of the Water and Forest Law, the Company laid off approximately 250 workers at the Boroo mine on December 1, 2010, which the Company had originally planned to redeploy from Boroo to Gatsuurt.

See "Risk Factors" in the Company's most recently filed annual information form, available on SEDAR at www.sedar.com and see also the discussion below under the heading "Cautionary Note Regarding Forward-looking Information".

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

Total cash costs include mine operating costs such as mining, processing, administration, royalties and production taxes (except at Kumtor where revenue-based taxes and production taxes are excluded), but exclude amortization, reclamation costs, financing costs, capital development and exploration. Certain amounts of stock-based compensation have been excluded as well. Total production costs includes total cash cost plus depreciation, depletion and amortization. Total cash cost per ounce produced, total production cost per ounce produced and cost of sales per ounce sold have been included because certain investors use this information to assess performance and also to determine the ability of Centerra to generate cash flow for use in investing and other activities. The inclusion of total cash cost per ounce 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 are a non-GAAP measure. It has been included because certain investors use this information to assess how the Company would perform when items not considered to be usual in nature are excluded. This may enable investors to better understand year-over-year changes in income.

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

| (unaudited) ($ millions, unless otherwise specified) | | Three months ended December 31, 2010 | Three months ended December 31, 2009 | Year ended December 31, 2010 | Year ended December 31, 2009 |
|---|---|---|---|---|---|
| *Centerra:* | | | | | |
| Cost of sales, as reported | | **$ 68.7** | $ 74.1 | **$ 263.9** | $ 295.9 |
| Adjust for: | Refining fees & by-product credits | **(0.3)** | 0.2 | **(0.1)** | 0.6 |
| | Regional office administration | **7.4** | 7.5 | **23.4** | 23.2 |
| | Mining Standby Costs | **1.3** | - | **1.3** | 4.1 |
| | Operating taxes excluded (1) | **-** | - | **-** | (8.7) |
| | Non-operating costs | **0.8** | (0.6) | **-** | (1.3) |
| | Inventory movement | **(0.2)** | 0.6 | **12.8** | (3.6) |
| Total cash cost - 100% | | **$ 77.7** | $ 81.8 | **$ 301.3** | $ 310.2 |
| Depreciation, depletion, amortization and accretion | | **21.6** | 29.5 | **78.2** | 104.3 |
| Inventory movement - non-cash | | **1.9** | 2.3 | **0.4** | (4.5) |
| Total production cost - 100% | | **$ 101.2** | $ 113.6 | **$ 379.9** | $ 410.0 |
| Ounces poured - 100% (000) | | **249.8** | 296.1 | **678.9** | 675.6 |
| Total cash cost per ounce produced | | **$ 311** | $ 276 | **$ 444** | $ 459 |
| Total production cost per ounce produced | | **$ 405** | $ 384 | **$ 560** | $ 607 |
| ***Kumtor:*** | | | | | |
| Cost of sales, as reported | | **$ 54.4** | $ 57.4 | **$ 213.2** | $ 236.5 |
| Adjust for: | Refining fees & by-product credits | **(0.3)** | 0.1 | **(0.2)** | 0.4 |
| | Regional office administration | **4.8** | 5.1 | **15.5** | 15.3 |
| | Mining Standby Costs | **1.3** | - | **1.3** | - |
| | Operating taxes excluded (1) | **-** | - | **-** | (8.7) |
| | Non-operating costs | **0.8** | (0.2) | **-** | (0.7) |
| | Inventory movement | **(1.2)** | (1.9) | **3.6** | (1.2) |
| Total cash cost - 100% | | **$ 59.8** | $ 60.5 | **$ 233.4** | $ 241.6 |
| Depreciation, depletion, amortization and accretion | | **17.7** | 20.4 | **59.6** | 73.7 |
| Inventory movement - non-cash | | **2.4** | 1.7 | **(0.5)** | (6.6) |
| Total production cost - 100% | | **$ 79.9** | $ 82.6 | **$ 292.5** | $ 308.7 |
| Ounces poured - 100% (000) | | **228.4** | 247.1 | **567.8** | 525.0 |
| Total cash cost per ounce produced | | **$ 262** | $ 245 | **$ 411** | $ 460 |
| Total production cost per ounce produced | | **$ 349** | $ 334 | **$ 515** | $ 588 |
| ***Boroo:*** | | | | | |
| Cost of sales, as reported | | **$ 14.3** | $ 16.7 | **$ 50.7** | $ 59.4 |
| Adjust for: | Refining fees & by-product credits | **-** | 0.1 | **0.1** | 0.2 |
| | Regional office administration | **2.6** | 2.4 | **7.9** | 7.9 |
| | Mining Standby Costs | **-** | - | **-** | 4.1 |
| | Operating taxes excluded (1) | **-** | - | **-** | - |
| | Non-operating costs | **-** | (0.4) | **-** | (0.6) |
| | Inventory movement | **1.0** | 2.5 | **9.2** | (2.4) |
| Total cash cost - 100% | | **$ 17.9** | $ 21.3 | **$ 67.9** | $ 68.6 |
| Depreciation, depletion, amortization and accretion | | 3.9 | 9.1 | **18.6** | 30.6 |
| Inventory movement - non-cash | | (0.5) | 0.6 | **0.9** | 2.1 |
| Total production cost - 100% | | **$ 21.3** | $ 31.0 | **$ 87.4** | $ 101.3 |
| Ounces poured - 100% (000) | | **21.4** | 49.0 | **111.1** | 150.6 |
| Total cash cost per ounce produced | | **$ 836** | $ 435 | **$ 611** | $ 456 |
| Total production cost per ounce produced | | **$ 994** | $ 634 | **$ 786** | $ 673 |

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

**Centerra Gold Inc.**

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

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| | (Unaudited) | |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 330,737 | $ 176,904 |
| Short-term investments | 82,278 | 145,971 |
| Restricted cash | 795 | - |
| Amounts receivable | 97,281 | 44,281 |
| Current portion of future income tax asset | 1,601 | 1,555 |
| Inventories | 183,207 | 151,822 |
| Prepaid expenses | 22,221 | 11,718 |
| | 718,120 | 532,251 |
| Property, plant and equipment | 515,949 | 380,979 |
| Goodwill | 129,705 | 129,705 |
| Long-term receivables and other | 17,299 | 6,554 |
| Long-term inventories | 12,877 | 23,120 |
| Future income tax asset | 2,722 | 1,418 |
| | 678,552 | 541,776 |
| **Total assets** | $ 1,396,672 | $ 1,074,027 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 65,221 | $ 49,178 |
| Taxes payable | 27,354 | 35,066 |
| Current portion of provision for reclamation | 9,728 | 8,169 |
| Current portion of future income tax liability | - | 7,662 |
| | 102,303 | 100,075 |
| Provision for reclamation | 24,891 | 21,533 |
| **Shareholders' equity** | | |
| Share capital | 655,178 | 646,081 |
| Contributed surplus | 33,240 | 34,298 |
| Retained earnings | 581,060 | 272,040 |
| | 1,269,478 | 952,419 |
| **Total liabilities and shareholders' equity** | $ 1,396,672 | $ 1,074,027 |



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

| | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| | December 31, 2010 | December 31, 2009 | December 31, 2010 | December 31, 2009 |
| **Revenue from Gold Sales** | **$ 323,348** | $ 323,894 | **$ 846,473** | $ 685,490 |
| **Expenses** | | | | |
| Cost of sales [(1)] | **68,654** | 74,121 | **263,895** | 295,944 |
| Mine standby costs | **1,280** | - | **1,280** | 4,081 |
| Depreciation, depletion and amortization | **21,279** | 29,274 | **77,002** | 103,748 |
| Accretion and reclamation expense | **255** | 638 | **1,912** | 2,363 |
| Revenue-based taxes | **40,452** | 36,834 | **98,597** | 60,179 |
| Exploration and business development | **11,745** | 8,834 | **32,446** | 25,826 |
| Other (income) and expenses | **(1,072)** | (967) | **(330)** | (1,711) |
| General and administration | **29,311** | 19,682 | **76,282** | 56,219 |
| | **171,904** | 168,416 | **551,084** | 546,649 |
| Gain on sale of REN property | **-** | - | **(34,866)** | - |
| **Earnings before unusual items and income taxes** | **151,444** | **155,478** | **330,255** | **138,841** |
| Kyrgyz settlement | - | - | - | 49,333 |
| **Earnings before income taxes** | **151,444** | **155,478** | **330,255** | **89,508** |
| Income tax expense (recovery) | **(1,683)** | 15,523 | **7,615** | 29,195 |
| **Net earnings and comprehensive income** | **$ 153,127** | $ 139,955 | **$ 322,640** | $ 60,313 |
| **Basic and diluted net earnings per common share** | **$ 0.65** | $ 0.60 | **$ 1.37** | $ 0.27 |
| [(1)] Excludes depreciation, depletion and amortization expenses | **21,146** | 29,227 | **76,506** | 102,999 |

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

| | Three Months Ended | | Twelve Months Ended | |
|---|---|---|---|---|
| | **December 31, 2010** | December 31, 2009 | **December 31, 2010** | December 31, 2009 |
| **Operating activities** | | | | |
| Net earnings | **$ 153,127** | $ 139,955 | **$ 322,640** | $ 60,313 |
| Items not involving cash: | | | | |
| Depreciation, depletion and amortization | **21,279** | 29,274 | **77,002** | 103,748 |
| Accretion and reclamation expense | **255** | 638 | **1,912** | 2,363 |
| Loss on disposal of property plant and equipment | **598** | 115 | **1,964** | 831 |
| Stock based compensation expense | **418** | 455 | **1,598** | 1,724 |
| Gain on disposal of REN property | **-** | - | **(34,866)** | - |
| Unusual items-Kyrgyz settlement | **-** | - | **-** | 31,616 |
| Future income tax (recovery) expense | **(4,982)** | 2,989 | **(9,012)** | 6,727 |
| Long-term inventory | **17,431** | (265) | **10,243** | (5,111) |
| Long-term other assets | **1,236** | - | **(10,745)** | - |
| Other operating items | **(589)** | 277 | **(1,623)** | (1,724) |
| | **188,773** | 173,438 | **359,113** | 200,487 |
| Decrease (increase) in working capital | **(51,682)** | 15,147 | **(87,685)** | 45,079 |
| **Cash provided by operations** | **137,091** | 188,585 | **271,428** | 245,566 |
| **Investing activities** | | | | |
| Additions to property, plant and equipment | **(59,123)** | (28,397) | **(208,224)** | (92,073) |
| Short-term investments matured (purchased) | **(30,023)** | (145,971) | **63,693** | (128,190) |
| Contribution to social development project | **(795)** | - | **(795)** | |
| Proceeds from disposition of property,plant and equipment | **-** | 10 | **44** | 74 |
| Proceeds from disposition of REN property | **-** | - | **34,866** | - |
| **Cash used in investing** | **(89,941)** | (174,358) | **(110,416)** | (220,189) |
| **Financing activities** | | | | |
| Issuance of common shares for cash | **1,184** | - | **6,441** | 1,944 |
| Dividends paid | **-** | - | **(13,620)** | - |
| **Cash provided by (used in) financing** | **1,184** | - | **(7,179)** | 1,944 |
| Increase in cash and cash equivalents during the period | **48,333** | 14,227 | **153,833** | 27,321 |
| Cash and cash equivalents at beginning of the period | **282,403** | 162,677 | **176,904** | 149,583 |
| **Cash and cash equivalents at end of the period** | **$ 330,737** | $ 176,904 | **$ 330,737** | $ 176,904 |

**Supplemental disclosure with respect to cash flows**

| | | | | |
|---|---|---|---|---|
| **Cash and cash equivalents consist of :** | | | | |
| Cash | **$ 81,314** | $ 102,204 | **$ 81,314** | $ 102,204 |
| Cash equivalents | **249,423** | 74,700 | **249,423** | 74,700 |
| | **$ 330,737** | $ 176,904 | **$ 330,737** | $ 176,904 |
| **Additions to property,plant and equipment** | | | | |
| Capital expenditures during the period | **$ 55,392** | $ 28,727 | **$ 211,977** | $ 89,764 |
| Reduction (increase) to accruals included in additions to PP&E | **7,212** | (330) | **(272)** | 2,309 |
| Exclusion of non cash addition to PP&E | **(3,481)** | - | **(3,481)** | - |
| Additions to property, plant and equipment | **$ 59,123** | $ 28,397 | **$ 208,224** | $ 92,073 |

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

| | Number of Common Shares | | Amount | | Contributed Surplus | | Retained Earnings | | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2008** | **216,318,188** | **$** | **523,107** | **$** | **32,904** | **$** | **211,727** | | **767,738** |
| Common shares issued for Agreement on New Terms | 18,232,615 | | 120,700 | | - | | - | | 120,700 |
| Common shares issued on exercise of stock options | 306,425 | | 2,274 | | (330) | | - | | 1,944 |
| Stock-based compensation expense | - | | - | | 1,724 | | - | | 1,724 |
| Net loss for the period | - | | - | | - | | 60,313 | | 60,313 |
| **Balance at December 31, 2009** | **234,857,228** | **$** | **646,081** | **$** | **34,298** | **$** | **272,040** | **$** | **952,419** |
| Common shares issued on exercise of stock options | 1,012,169 | | 9,097 | | (2,656) | | - | | 6,441 |
| Stock-based compensation expense | - | | - | | 1,598 | | - | | 1,598 |
| Dividends declared | - | | - | | - | | (13,620) | | (13,620) |
| Net earnings for the period | - | | - | | - | | 322,640 | | 322,640 |
| **Balance at December 31, 2010** | **235,869,397** | **$** | **655,178** | **$** | **33,240** | **$** | **581,060** | **$** | **1,269,479** |

***To view the 2010 Management's Discussion and Analysis and the Audited Financial Statements and Notes for the year-ended December 31, 2010, please visit the following link:*** http://media3.marketwire.com/docs/cg0224.pdf

The 2010 Audited Financial Statements and Notes and Management's Discussion and Analysis for the year-ended December 31, 2010 have been filed on the System for Electronic Document Analysis and Retrieval ('SEDAR') at www.sedar.com and are available at the Company's web site at: www.centerragold.com

## Qualified Person

The reserves and resources estimates and 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 Senior Vice-President, Global Exploration, who is the qualified person for the purpose of NI 43-101.

The Kumtor deposit is described in a technical report dated December 16, 2009 prepared in accordance with NI 43-101. The technical report has 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. An updated NI 43-101 technical report is being prepared and will be completed and filed on SEDAR in mid-March.

The Boroo deposit is described in a technical report dated December 17, 2009 prepared in accordance with NI 43-101, which is available on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Boroo deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Boroo site are the same as, or similar to, those described in the technical report.

The Gatsuurt deposit is described in the Company's most recently filed AIF and in a technical report dated May 9, 2006 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 Gatsuurt deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Gatsuurt project are the same as, or similar to, those described in the technical report or AIF.

## Cautionary Note Regarding Forward-looking Information

This news release and the documents referred to herein contain statements which are not statements of current or historical facts and are "forward-looking information" within the meaning of applicable Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. Wherever possible, words such as "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "forecast", "projections", "estimate", "may", "will", "schedule", "potential", "strategy" and other similar expressions have been used to identify forward-looking information. These forward-looking statements relate to, among other things, the statements made under the heading, "2011 Outlook", including the Company's expectations regarding future growth, results of operations, future production and sales, operating capital expenditures, and performance; planned exploration drilling in 2011; mining plans at each of the Company's operations and at the Gatsuurt property; 2011 exploration expenditures; 2011 capital expenditures; the resolution of the social fund dispute with respect to high altitude premiums paid to national employees at the Kumtor mine; the impact of the Water and Forest Law on the Company's Mongolian activities; the receipt of permitting and regulatory approvals at the Company's Gatsuurt development property; the application of the new graduated royalty fee regime under the 2006 Mongolian Minerals Law to the Company's Mongolian properties; permitting of the Company's heap leach activities at the Boroo mine; anticipated delays and approvals and regulatory commissioning of the Company's Gatsuurt development property as a result of the Water and Forest Law; the Company's business and political environment and business prospects; and the timing and development of new deposits.

Although the forward-looking information in this news release reflects Centerra's current beliefs as of the date of this news release based on 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. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking information.

Material assumptions used to forecast production and costs include those described under the heading "2011 Outlook". Other factors that could cause actual results or events to differ materially from current expectations include, among other things: the sensitivity of the Company's business to the volatility of gold prices; the political risks associated with the Company's principal operations in the Kyrgyz Republic and Mongolia; the impact of changes in, or more oppressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates; the effect of the 2006 Mongolian Minerals Law; the effect of the November 2010 amendments to the 2006 Mongolian Minerals Law on the royalty payments payable in connection with the Company's Mongolian operations; the effect of the Water and Forest Law on the Company's operations in Mongolia; the impact of continued scrutiny from Mongolian regulatory authorities; the impact of changes to, or the increased enforcement of, environmental laws and regulations relating to the Company's operations; the Company's ability to replace its reserves; ground movements at the Kumtor Mine; waste and ice movement at the Kumtor Mine; litigation; the accuracy of the Company's reserves and resources estimate; the accuracy of the Company's production and cost estimates; the success of the Company's future exploration and development activities; competition for mineral acquisition opportunities; the adequacy of the Company's insurance; environmental, health and safety risks; defects in title in connection with the Company's properties; the impact of restrictive covenants in the Company's revolving credit facility; the Company's ability to successfully negotiate an investment agreement for the Gatsuurt development property to complete the development of the mine and the Company's ability to obtain all necessary permits and commissions needed to commence mining activity at the Gatsuurt development property; seismic activity in the vicinity of the Company's operations in the Kyrgyz Republic and Mongolia; long lead times required for equipment and supplies given the remote location of the Company's properties; illegal mining on the Company's Mongolian properties; the Company's ability to enforce its legal rights; the Company's ability to accurately predict decommissioning and reclamation costs; the Company's ability to obtain future financing; the impact of current global financial conditions; the impact of currency fluctuations; the effect of recent market conditions on the Company's short-term investments; the Company's ability to attract and retain qualified personnel; the Company's ability to make payments including payments of principal and interest on the Company's debt facilities; risks associated with the conduct of joint ventures; risks associated with the Company's largest shareholder, the Kyrgyz government; and possible director conflicts of interest. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See "Risk Factors" in the Company's most recently filed AIF available on SEDAR at www.sedar.com.

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

Centerra's mineral reserve and mineral resource figures are estimates and Centerra can provide no assurances that the indicated levels of gold will be produced or that Centerra will receive the gold price assumed in determining its mineral reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While Centerra believes that these mineral reserve and mineral resource estimates are well established and the best estimates of Centerra's management, by their nature mineral reserve and mineral resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences which may ultimately prove unreliable. If Centerra's reserve or reserve estimates for its properties are inaccurate or are reduced in the future, this could have an adverse impact on Centerra's future cash flows, earnings, results or operations and financial condition.

Centerra has not adjusted resource figures included herein in consideration of these risks and, therefore, Centerra can give no assurances that any resource estimate will ultimately be reclassified as proven and probable reserves or incorporated into future production guidance. If Centerra's reserve or resource estimates or production guidance for its gold properties are inaccurate or are reduced in the future, this could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition. Centerra estimates the future mine life of its operations and provides production guidance in respect of its mining operations. Centerra can give no assurance that mine life estimates will be achieved or that actual production will not differ materially from its guidance. Failure to achieve estimates or production guidance could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

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

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 February 23, 2011. 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 operating, developing, exploring and acquiring gold properties primarily in Asia, the former Soviet Union and other emerging markets worldwide. Centerra is a leading North American-based gold producer and is the largest Western-based gold producer in Central Asia. Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is headquartered in Toronto, Canada.

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

## Conference Call

Centerra invites you to join its 2010 fourth quarter, year-end conference call on Thursday, February 24, 2011 at 12:00 noon Eastern Time. The call is open to all investors and the media. To join the call, please dial Toll-Free in North America (800) 920-9723 or International callers dial +1 (212) 231-2907. 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, March 3, 2011 by calling (416) 626-4100 or (800) 558-5253 and using passcode 21507630.

## For more information:

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