



## NEWS RELEASE

(All figures are in United States dollars)

### **Centerra Gold Reports Fourth Quarter Earnings per Share of \$0.09** Successful Exploration Program Results in 2.7 Million Ounces of New Reserves

**Toronto, Canada, January 31, 2006:** Centerra Gold Inc. (TSX: CG) today reported net earnings of \$6.4 million (\$0.09 per common share) in the fourth quarter of 2005, based on revenues of \$75 million. Cash provided by operations, net of working capital changes and other operating items was \$4.8 million. Earnings and cashflow were negatively affected during the quarter by a deferral of a gold shipment as well as the build up of accounts receivable from a gold shipment at Boroo for which payment was received in January 2006. Also during the fourth quarter of 2005, gold production was 166,704 ounces and cash costs were \$300 per ounce. In the fourth quarter of 2004, Centerra reported net earnings of \$14.9 million (\$0.21 per common share), cash from operations of \$25 million and revenues of \$87.7 million. In the same period, gold production was 205,274 ounces at an average cash cost of \$237 per ounce.

For the 12 months ended December 31, 2005, Centerra generated net earnings of \$42.4 million (or \$0.59 per common share) compared to \$50.6 million (or \$0.91 per common share) in 2004. Cash provided by operations was \$83.4 million in 2005 compared to \$88.5 million in 2004. Revenues were \$338.6 million compared to \$247.1 in 2004. Centerra's share of gold production reached a record 787,275 ounces in 2005 compared to 640,779 ounces in 2004. Cash costs increased to \$241 per ounce from \$187 per ounce in 2004.

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#### **2005 Highlights**

- Centerra's reserves totaled 6.2 million ounces of contained gold at the end of 2005, on a 100% project basis (Centerra's share is 6.1 million ounces), an increase of 2.7 million ounces from the end of 2004, before mining of 917,000 ounces of contained gold in 2005.
- Measured and indicated resources at the end of 2005 totaled 6.3 million ounces of contained gold on a 100% project basis (Centerra's share is 5.8 million ounces), an increase of 2.5 million ounces over 2004.
- These reserves additions result in almost three years of additional mine life at Kumtor and one year at Boroo.
- The Gatsurt feasibility study was completed with the potential to significantly extend the life of the Boroo assets.

- An updated life-of-mine plan has Centerra's gold production exceeding one million ounces in 2009.
  - In 2005, Centerra spent \$25.5 million on exploration.
  - Strong cash flow provided by operations in 2005 resulted in cash on hand of \$202 million; Centerra continues to be hedge and debt-free.
  - At Kumtor, capital was committed for the purchase of larger, more productive haulage trucks and mine shovels.
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## Commentary

“2005 was a very good year for Centerra thanks to strong fundamentals in the gold market, solid financial and operating performance and excellent results from our exploration initiatives” said Len Homeniuk, President and CEO. “In fact, based on updated estimates, Centerra's annual gold production is expected to exceed one million ounces in 2009. This is a good time to be in the gold business and we are very excited about our prospects for sustainable growth.”

## Financial Summary

Centerra Gold became a public company on June 30, 2004. The prior year production and financial figures shown throughout reflect Centerra's ownership interest in Kumtor and Boroo are as follows: a 33% interest in Kumtor until June 22, 2004 and 100% thereafter and a 100% interest in Boroo since commercial production commenced on March 31, 2004. This increase in ownership since 2004 was a significant factor in the higher production and revenue recognized in 2005.

Centerra's share of production at the Kumtor and Boroo mines was 166,704 ounces poured for the fourth quarter of 2005 and a record 787,275 ounces for the full year of 2005. This compares with 205,274 and 640,779 ounces for the fourth quarter of 2004 and full year of 2004 respectively. Lower production in the fourth quarter of 2005 was primarily the result of lower average ore grade at Kumtor.

Revenues for the fourth quarter of 2005 declined 14.5% to \$75.0 million from \$87.7 million during the same period one year ago. For the full year 2005, revenues increased 37% to \$338.6 million from \$247.1 million in 2004. The year-over-year decline in fourth quarter revenue was due to the grade related reduction in ounces produced at the Kumtor mine, partially offset by a higher average realized gold price (\$476 per ounce in the fourth quarter of 2005 versus \$430 per ounce in the fourth quarter of 2004).

For the full year of 2005, the average realized gold price improved by 9% to \$433 per ounce from \$397 per ounce for the full year of 2004.

Centerra's total cash cost per ounce of gold in 2005 was \$300 for the fourth quarter and \$241 for the year. Comparative cash costs in 2004 were \$237 for the fourth quarter and \$187 for the year. The year-over-year increases in unit cash costs were due to lower ore grade and production at Kumtor

and higher costs of labour, taxes and consumables at both mines. (Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measure - Total Cash Cost” below.)

Net earnings totaled \$6.4 million or \$0.09 per share in the fourth quarter of 2005 and \$42.4 (\$0.59 per share) for the 12 months of 2005. The comparative results for 2004 were \$14.9 million or \$0.21 per share for the fourth quarter and \$50.6 million or \$0.91 per share for the entire year.

In 2005, the Company generated \$83.4 million in cash from operations of which \$4.8 million was generated in the fourth quarter. This compares with 2004 results of \$88.5 million in cash from operations for the year and \$25 million in the fourth quarter. Cash generated from operations was lower during the fourth quarter of 2005 due primarily to a build up in working capital inventory related to the deferral of a gold shipment as a result of maintenance at the Kyrgyzaltyn refinery, as well as a build up of accounts receivable due to a late shipment at Boroo, which was paid in January 2006.

Sustaining capital expenditures in 2005 amounted to \$15 million. Centerra’s cash position stood at \$202 million at the end of 2005. The Company has no debt or gold hedge positions.

## **Reserves and Resources Update**

In a separate news release dated January 23, 2006, Centerra issued an updated estimate of the resources and reserves at its operating mines and advanced projects. Also included was an update on its drilling activities at the Kumtor pit. Complete listings of these results and relevant maps are available on the Company’s website at:

<http://cnrp.ccnmatthews.com/client/centerra/release.jsp?actionFor=576967&releaseSeq=0&year=2006>

[www.centerragold.com/properties/exploration\\_update\\_January\\_2006](http://www.centerragold.com/properties/exploration_update_January_2006)

At the Kumtor mine 2.3 million ounces of reserves have been added, before the mining of 614,000 ounces of contained gold in 2005, with almost all of this addition being the result of drilling at the SB Zone at the south end of the currently operating pit. Reserve grade has also increased by 18% from 3.3 g/t to 3.8 g/t gold due to the higher grade mineralization being delineated in the SB Zone. At the Boroo mine 349,000 ounces of reserves have been added, which replaces reserves mined in 2005. Additionally, 2.5 million ounces of measured and indicated resources have been added to Centerra’s resource base.

As of December 31, 2005, on a 100% project basis, Centerra’s proven and probable reserves totaled 6.2 million ounces of contained gold (Centerra’s share is 6.1 million ounces), which includes an increase of 2.7 million ounces offset by 917,000 ounces mined in 2005.

As of December 31, 2005, on a 100% project basis, Centerra’s measured and indicated resources totaled 6.3 million ounces of contained gold (Centerra’s share is 5.8 million ounces), which includes an increase of 2.5 million ounces over the December 31, 2004 figures.

The Gatsuurt resource base has been significantly expanded by recent drilling programs on the main zone. A feasibility study was completed in 2005. The preferred option, supported by the study, is to modify the existing Boroo facility by adding a bio-oxidation (BIOX) circuit and processing the refractory material from Gatsuurt at the modified facility following depletion of the Boroo reserves. This has the potential to significantly extend the life of the Boroo facility. Further analysis to optimize the project is continuing.

## Outlook - Five Year Forecast Based on Revised Life-of-Mine Plan

Centerra has substantially increased reserves at the Kumtor and Boroo mines since its initial public offering (IPO) in June 2004. In the one and one-half years since the IPO, reserves at Kumtor have increased by 3.1 million ounces, Boroo by 600,000 ounces and the Gatsuurt project has been progressed significantly. These significant exploration results gives rise to updated life-of-mine production data for Kumtor and Boroo, the next five years of which are summarized below. The full life-of-mine data can be found on Centerra's website at:

[http://www.centerragold.com/media/pdf/properties/kumtor/life\\_of\\_mine\\_kumtor.pdf](http://www.centerragold.com/media/pdf/properties/kumtor/life_of_mine_kumtor.pdf)

Centerra's gold production in 2009 is now forecast to exceed the one million ounce per year threshold.

	Q1 2006	2006	Five Year Annual Forecast			2010
			2007	2008	2009	
<b>Kumtor</b>						
Oz Poured 000's	101	461	533	673	843	764
Total Cash cost <sup>(1)</sup>	\$ 384	\$ 347				
<b>Boroo</b>						
Oz Poured 000's <sup>(2)</sup>	64	268	256	219	195	93
<b>Total Cash cost <sup>(1)</sup></b>	<b>\$ 221</b>	<b>\$ 203</b>				
<b>Consolidated</b>	<b>162</b>	<b>716</b>	<b>776</b>	<b>882</b>	<b>1,028</b>	<b>852</b>
<b>Consolidated Total Cash Cost <sup>(1)</sup></b>	<b>\$ 321</b>	<b>\$ 294</b>				

<sup>(1)</sup> Per ounce Total Cash Cost is a Non-GAAP measure and is discussed under "Non-GAAP Measure - Total Cash Cost".

<sup>(2)</sup> Centerra's share of Boroo's production is 95%.

Centerra has committed to capital spending of \$103 million for 2006. This includes \$87 million of growth capital related to the addition of larger, more productive haulage trucks and shovels as well as other support and auxiliary equipment and infrastructure in support of the increase of mine life at Kumtor. The delivery of the new fleet will be largely completed by year-end 2006. On a life-of-mine basis this capital spending represents \$18 per reserve ounce, when amortized over the remaining life of the mine. The remaining \$16 million of capital spending is for maintenance capital at both mine sites.

The foregoing life-of-mine information is forward-looking information that involves risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking information. See below under “About Centerra” for a further discussion of the factors that could cause actual results to differ materially.

The life-of-mine information is based on the 2005 year-end reserves estimates, which were estimated using a gold price of US\$400, and the implementation of the Company’s expenditure plan to replace its mining fleet and related equipment and infrastructure.

## **About Centerra**

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

Statements contained in this news release, including those under the headings “Outlook -- Revised Five Year Forecast Based on Life-of-Mine Plan”, which are not historical facts are forward-looking statements that involve 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 statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; procurement of required capital equipment and operating parts and supplies; equipment failure; unexpected geological or hydrological conditions; political risks arising from operating in certain developing countries; imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; environmental and safety risks including increased regulatory burdens; seismic activity, weather and other natural phenomena; failure to obtain necessary permits and approvals from government authorities; changes in government regulations and policies including tax and trade laws and policies; ability to maintain and further improve positive labour relations; and other development and operating risks.

Reserve and resource figures included are estimates and no assurances can be given that the indicated levels of gold will be produced or that Centerra will receive the gold price assumed in determining its reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While Centerra believes that the reserve and resource estimates included are well established and the best estimates of Centerra's management, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. 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. The

evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time.

Resources figures included herein have not been adjusted in consideration of these risks and, therefore, no assurances can be given that any resource estimate will ultimately be reclassified as proven or probable reserves.

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

Centerra estimates the future mine life of its operations. No assurance can be given 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.

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

Although Centerra believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this report. Centerra disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## Qualified Person

Robert S. Chapman, P. Geo., Centerra's Director, Mergers & Acquisitions, who is a Qualified Person for the purpose of National Instrument 43-101 is the person responsible for the preparation of the technical information in this news release and related exploration results on Centerra's website.

## Conference Call

Centerra invites you to join its third-quarter conference call on Tuesday January 31, 2006 at 2:00 pm Eastern time. The call is open to all investors and the media. To join the call, please dial (416) 620-9644 or (1-877) 871-4106 (Canada and U.S.). Alternatively, an audio feed will be available on [www.centerragold.com](http://www.centerragold.com). A recorded version of the call will be available on [www.centerragold.com](http://www.centerragold.com) shortly after the call and via telephone until midnight on Tuesday, February 7, 2006 by calling (416) 626-4100 or (1-800) 558-5253 and using pass code 21281533.

## For more information:

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**Additional information on Centerra is available on the Company's web site at: [www.centerragold.com](http://www.centerragold.com) and at SEDAR at [www.sedar.com](http://www.sedar.com).**

## Management's Discussion and Analysis

The following discussion of the financial condition and results of operations of Centerra Gold Inc. (Centerra or the Company) for the three and twelve months ended December 31, 2005 should be read in conjunction with the unaudited consolidated financial statements and the notes of the Company for the period ended December 31, 2005, as well as the audited consolidated financial statements for the company for the year ended December 31, 2004 and management's discussion and analysis of the audited statements, both of which are included in the 2004 Annual Report. The financial statements of Centerra are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and, unless otherwise specified, all figures are in United States dollars. The company's 2004 Annual Report and the Annual Information Form are available at [www.centerragold.com](http://www.centerragold.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### Caution Regarding Forward-Looking Statements

Statements contained herein, including those under the heading "Outlook", which are not historical facts are forward-looking statements that involve 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 statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; procurement of required capital equipment and operating parts and supplies, equipment failure; unexpected geological or hydrological conditions; political risks arising from operating in certain developing countries; imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; environmental and safety risks including increased regulatory burdens; seismic activity, weather and other natural phenomena; failure to obtain necessary permits and approvals from government authorities; changes in government regulations and policies; including tax and trade laws and policies; ability to maintain and further improve positive labour relations; and other development and operating risks.

Reserve and resource figures included are estimates and no assurances can be given that the indicated levels of gold will be produced or that Centerra will receive the gold price assumed in determining its reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While Centerra believes that the reserve and resource estimates included are well established and the best estimates of Centerra's management, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable.

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. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time.

Resources figures included herein have not been adjusted in consideration of these risks and, therefore, no assurances can be given that any resource estimate will ultimately be reclassified as proven or probable reserves.

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

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

Although Centerra believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this report. Centerra disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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

## Consolidated Financial Results

For accounting purposes, Centerra's consolidated financial results for the three and twelve months ended December 31, 2005 reflect fully consolidated interests in the Kumtor and Boroo mines, a 62% interest in REN and a 100% interest in Gatsuurt.

### Highlights – Centerra

Financial Highlights	Three months ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
Revenue - \$ millions	75.0	87.7	338.6	247.1
Gross profit - \$ millions <sup>(1)</sup>	19.9	25.3	92.5	83.4
Net earnings - \$ millions	6.4	14.9	42.4	50.6
Cash provided from operations - \$ millions	4.8	25.0	83.4	88.5
Sales volume - ounces <sup>(2)</sup>	157,665	204,089	781,274	618,843
Ounces poured <sup>(2)</sup>	166,704	205,274	787,275	640,779
Average realized price - \$/oz <sup>(3)</sup>	476	430	433	397
Gold spot market price - \$/oz - average for period	485	434	445	409
Total cash cost - \$/oz <sup>(4)</sup>	300	237	241	187
Earnings per common share - \$ - basic and diluted	0.09	0.21	0.59	0.91
Weighted average shares outstanding - basic - (thousands)	72,080	72,080	72,080	55,604

(1) Gross profit is defined as total revenues less cost of sales and depreciation, depletion and reclamation.

(2) Comprising one-third of Kumtor to June 22, 2004 and 100% thereafter, and 100% of Boroo from March 1, 2004.

(3) Net of the effect of gold hedges, closed in 2004.

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

## Fourth Quarter Results

### Gold Production and Revenue

Fourth quarter revenue in 2005 was \$75.0 million compared to \$87.7 million in the same quarter last year. Production decreased to 166,704 ounces in the fourth quarter of 2005 from 205,274 ounces reported in the fourth quarter of 2004 mainly as a result of lower ore grade at Kumtor.

Centerra realized an average gold price of \$476 per ounce for the fourth quarter of 2005 (including the amortization of \$1.1 million of deferred charges), a significant increase over the \$430 per ounce realized in the same quarter in 2004. This increase was due to higher spot gold prices that averaged \$485 per ounce in the fourth quarter of 2005, compared to \$434 per ounce in the prior year quarter.

Centerra's gold production is unhedged. The impact of prior closures of hedge position's is discussed below under "Gold Hedging".

## **Cost of Sales**

Cost of sales in the quarter remained virtually unchanged year over year at \$43 million, reflecting higher mine production and mill throughput at Boroo and the higher cost of labour, taxes, and consumables. On a unit basis, the total cash cost per ounce was \$300, up from \$237 in 2004, mostly due to lower gold production at Kumtor related to the lower ore grade in 2005.

## **Depreciation, Depletion and Reclamation**

Depreciation, depletion and reclamation decreased to \$12.3 million in the fourth quarter of 2005 from \$20.4 million in the prior year quarter mainly due to the lower production at Kumtor. On a per unit basis, depreciation and amortization for the fourth quarter of 2005 was \$78 per ounce sold compared to \$100 per ounce sold in the fourth quarter of 2004, reflecting the addition of the reserves announced in January 2005.

## **Exploration & Business Development**

Exploration and business development costs of \$8.5 million in the fourth quarter of 2005 increased from \$7.4 million in the fourth quarter of 2004 and reflect the continuation of an enhanced drilling program in support of the Company's growth objective to increase reserves at and around its existing mines as well as investment in growth initiatives including the Gatsuurt feasibility study.

## **Interest and Other**

Interest and other expenses resulted in a net recovery of \$1.1 million in the fourth quarter of 2005 reflecting interest earned of \$1.7 million on the Company's cash and short term investments, partially offset by a foreign exchange loss of \$0.6 million. The comparable amount in the fourth quarter of 2004 was a net recovery of \$2.8 million representing a foreign exchange gain on Centerra's Canadian dollar cash balance combined with interest earned on cash and short term investments. The Company has no outstanding interest-bearing debt.

## **Administration**

Administration costs for the fourth quarter of 2005 were \$6.0 million compared to \$5.9 million in the same period last year.

## **Income Tax**

The tax recovery of \$0.7 million in the fourth quarter of 2005 (\$0.8 million recovery in fourth quarter 2004), includes the recognition of a \$1.6 million reversal of a valuation allowance on Boroo's capital assets, related to the new life of mine plan

## **Net Earnings**

Net earnings for the fourth quarter of 2005 were \$6.4 million or \$0.09 per share compared to \$14.9 million or \$0.21 per share for the same period in 2004. This decrease reflects lower production levels at Kumtor and an increase in administration and operating costs, including labour, taxes and consumables.

## **Liquidity and Capital Resources**

Cash provided from operations was \$4.8 million for the fourth quarter of 2005 compared to \$25.0 million for the prior year fourth quarter. The decrease was mainly due to the lower production levels and an increase in working capital resulting from the timing of shipments and payments.

Cash used in investing activities in the fourth quarter of 2005 was \$14.7 million for capital spending, compared to a total \$4.3 million in the same quarter of 2004. In the fourth quarter of 2005, \$4.5 million was spent on maintenance projects while \$10.1 million was spent on growth projects.

Cash on hand was \$202 million at the end of the fourth quarter of 2005, of which \$48 million was held in Canadian dollars for anticipated Canadian dollar expenditures.

Centerra has sufficient cash to carry out its business plan in 2006.

## **Year-End Results**

Revenue increased for the twelve months ended December 31, 2005 reflecting increased ownership at Kumtor and Boroo, a full year of production at Boroo, and higher spot gold prices. Net earnings were down year over year, primarily due to the lower grade and production at Kumtor, during the second half of the year and the higher cost of labour, taxes, and consumables.

Revenue for the twelve months of 2005 was \$338.6 million compared to \$247.1 million in the same period in 2004. Average realized prices were \$433 per ounce in 2005 compared to \$397 in 2004. Net earnings for the twelve months ended 2005, decreased to \$42.4 million (\$0.59 per share) compared to \$50.6 million (\$0.91 per share) in 2004 reflecting lower grades and production, and higher costs which were partially offset by higher realized gold prices in 2005.

Cash flow from operations for the twelve months of 2005 was \$83.4 million compared to \$88.5 million in the previous year. This change is primarily the result of increased working capital levels.

## **Share Capital**

As of December 31, 2005, Centerra had 72,079,605 common shares outstanding and 200,183 share options outstanding under its stock option plans.

## Gold Hedges

The deferred charges, net of deferred revenue, related to the closing of the gold hedges in 2004, will be recognized in future periods. During the fourth quarter of 2005, \$1.1 million of these deferred charges were recorded in the income statement.

<i>\$ millions</i>	<b>Total</b>
Balance as at December 31, 2004	8.2
Amortized in 2005	(5.4)
Balance as at December 31, 2005	2.8

At December 31, 2005, deferred charges on the balance sheet totaled \$2.8 million and are expected to be amortized as follows:

### Recognition of Deferred Charges (Net of Deferred Revenue)

<i>\$ millions</i>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
2006	1.9	(0.6)	0.4	0.6	2.3
2007	0.5	--	--	--	0.5
Total					2.8

## Market Update

During the fourth quarter of 2005, the spot market gold price reached a high of \$537 per ounce and closed the period at \$513 per ounce. For the three months ended December 31, 2005, the spot market gold price averaged \$485.

## Mine Operations

Operating and financial results of the Kumtor and Boroo mines are shown on a 100% basis. With the completion of the Kumtor restructuring and the acquisition of the AGR minority interest in the second quarter of 2004, Centerra owns 100% of Kumtor and 95% of Boroo.

## Kumtor – 100% Basis

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 more than five and one-half million ounces. During the fourth quarter of 2005, Kumtor experienced no lost-time accidents. Through 2005, Kumtor experienced one lost time accident involving a company employee, and contractors experienced three lost time accidents. Kumtor had no reportable environmental spills during 2005.

Kumtor Operating Results	Three months ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
Sales volume – ounces	87,333	136,646	498,086	632,788
Revenue - \$ millions <sup>(3)</sup>	40.7	57.2	213.8	240.9
Average realized price - \$/oz <sup>(3)</sup>	466	419	429	381
Tonnes mined - 000s	20,862	21,618	81,038	84,855
Tonnes ore mined – 000s	1,890	1,329	6,135	3,303
Tonnes milled - 000s	1,425	1,383	5,649	5,654
Average mill head grade - g/t <sup>(1)</sup>	2.77	4.0	3.38	4.4
Recovery - %	77.6%	80.2%	81.2%	82.1%
Ounces recovered	98,368	141,882	497,497	657,523
Ounces poured	98,973	138,702	501,487	657,329
Total cash costs - \$/oz <sup>(2)</sup>	352	264	274	200
Capital expenditures - \$ millions	10.9	2.7	21.5	4.7

<sup>(1)</sup> g/t means grams per tonne.

<sup>(2)</sup> Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP measure – Total cash cost”.

<sup>(3)</sup> Net of the effect of gold hedges, eliminated in 2004.

## Revenue

Fourth quarter revenue in 2005 decreased to \$40.7 million from \$57.2 million in the fourth quarter of 2004 due to lower grades and production. This was partially offset by an increase in the average realized gold price to \$466 per ounce in the fourth quarter of 2005 from \$419 per ounce in the same period last year. Production was 98,973 poured ounces in the fourth quarter of 2005, 28% less than the same quarter in 2004, due to lower ore grades (an average of 2.77 g/t in the fourth quarter of 2005 compared to 4.0 g/t in the fourth quarter of 2004).

Revenue for the twelve months ended December 31, 2005 declined from the same period in 2004, reflecting reduced production, as a result of lower grades, partially offset by higher realized prices.

The higher average realized price for the three and twelve month periods was due to higher gold spot prices and the elimination of gold hedges in 2004.

## **Cost of Sales**

The cost of sales for the fourth quarter of 2005 and twelve months ended December 31, 2005 was \$28.5 million and \$134.6 million, respectively, compared to \$32.2 million and \$122.5 million for the fourth quarter of 2004 and twelve months ended December 31, 2004.

Total cash costs per ounce increased to \$352 in the fourth quarter of 2005 from \$264 in the fourth quarter of 2004. Total unit cash costs for the twelve months ended December 31, 2005 increased to \$274 compared to \$200 for the twelve months ended December 31, 2004. These increases are primarily a result of a lower average grade fed to the mill and the higher cost of labour, taxes and consumables.

## **Exploration & Business Development**

Exploration and business development expenditures totaled \$4.0 million for the fourth quarter of 2005 and \$14.6 million for the year ended December 31, 2005. The expenditures relate primarily to ongoing drilling in the immediate vicinity of the open pit, and the Sarytor Zones. See also the Company's news release of January 23, 2006.

## Boroo - 100% Basis

The Boroo open pit gold mine in Mongolia began commercial production on March 1, 2004. The mine had no lost-time injuries in the fourth quarter and experienced two lost-time accidents during the year. Boroo had no reportable environmental spills during 2005.

Boroo Operating Results	Three months ended December 31		Twelve months ended December 31	
	2005	2004	2005	2004
Sales volume - ounces <sup>(1)</sup>	70,332	67,443	283,188	217,679
Revenue - \$ millions <sup>(3)</sup>	34.3	30.5	124.8	87.9
Average realized price - \$/oz <sup>(3)</sup>	488	452	441	404
Tonnes mined - 000s	4,705	3,688	18,582	13,656
Tonnes ore mined - 000s	1,108	473	2,865	1,837
Tonnes milled - 000s	589	504	2,231	1,849
Average mill head grade (g/t)	3.85	4.50	4.23	4.50
Recovery - %	90.8%	94.0%	91.5%	93.7%
Ounces recovered <sup>(1)</sup>	66,295	68,268	277,522	251,740
Ounces poured <sup>(1)</sup>	67,731	66,572	285,788	217,998
Total cash cost - \$/oz <sup>(2)</sup>	223	181	183	149
Capital expenditures - \$ millions	3.1	1.6	11.4	7.1

(1) Does not include pre-commissioning production or sales volumes for January and February 2004 of 27,703 ounces.

(2) Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP measure – Total cash cost".

(3) Net of the effect of gold hedges, eliminated in 2004.

## Revenue

Fourth quarter revenue increased to \$34.3 million in 2005 from \$30.5 million in the same period a year ago as a result of a higher realized gold price and higher production. Production was 67,731 poured ounces in the fourth quarter of 2005, up 2% from the fourth quarter of 2004 mostly due to higher throughput resulting from productivity improvements. These improvements offset lower ore grades (3.85 g/t in the fourth quarter of 2005 compared to 4.50 g/t in the fourth quarter of 2004).

Revenue for the twelve months ended December 31, 2005 was \$124.8 million compared to \$87.9 million in the same period of 2004, reflecting a higher realized price per ounce and increased production during the first full year of commercial operations.

Higher average realized prices for the fourth quarter of 2005 and the full year were due to higher gold prices realized and the elimination of gold hedges in 2004.

## **Cost of Sales**

The cost of sales for the fourth quarter of 2005 and twelve months ended December 31, 2005 was \$14.4 million and \$51.6 million, respectively, compared to \$9.8 million and \$28.7 million in the fourth quarter and twelve months of 2004, reflecting the higher sales and production levels.

Total cash costs per ounce increased to \$223 in the fourth quarter of 2005 compared to \$181 in the same period in 2004. For the year ended December 31, 2005, total cash costs per ounce increased to \$183 from \$149 in the year ended December 31, 2004. The increase resulted from the scheduled rebuild of the mining fleet, and the higher cost of labour, taxes, and consumables.

## **Exploration & Business Development**

Exploration and business development expenditures in Mongolia totaled \$2.7 million in the fourth quarter of 2005. For the year ended December 31, 2005, \$8.6 million was spent in Mongolia, of which \$2.2 million was spent in the immediate mine area, \$5.3 million was spent at Gatsuurt and \$0.6 million was spent on Mongolian licenses. In a separate news release dated January 23, 2006, Centerra issued an updated estimate of the resources and reserves at its operating mines and advanced projects.

The Gatsuurt resource base has been significantly expanded by recent drilling programs on the main zone. A feasibility study was completed in 2005. The preferred option, supported by the study, is to modify the existing Boroo facility by adding a bio-oxidation (BIOX) circuit and processing the refractory material from Gatsuurt at the modified facility following depletion of the Boroo reserves. This has the potential to significantly extend the life of the Boroo facility. Further analysis to optimize the project is continuing.

## **Other Financial Information – Related Party Transactions**

### **Cameco Corporation**

Centerra and its subsidiaries maintain inter-company advances to and from Cameco Corporation (“Cameco”) and several of its subsidiaries to fund operations. These advances, which are non-interest bearing and payable on demand, will be repaid in the ordinary course of business.

Effective April 1, 2004, Centerra entered into an administrative services agreement with Cameco whereby Cameco agreed to provide services and expertise to Centerra in return for reimbursement of all of its direct and indirect costs relating to these services.

As a result of the above items, the balance owing to Cameco at December 31, 2005 was \$1.0 million with \$0.2 million of services provided by Cameco during the fourth quarter of 2005 (\$0.8 million of services for the twelve months ended December 31, 2005).

## Kyrgyzaltyn and the Government of the Kyrgyz Republic

The table below summarizes 100% of the management fees, royalties and concession payments paid by the Kumtor Gold Company (“KGC”) to Kyrgyzaltyn JSC (“Kyrgyzaltyn”) or the Government of the Kyrgyz Republic and the amounts paid by Kyrgyzaltyn to KGC according to the terms of the Gold and Silver Sales Agreement between Kumtor Operating Company, Kyrgyzaltyn and the Government of the Kyrgyz Republic. For periods prior to the restructuring, the Centerra financial statements reflect one-third of the charges.

<i>\$ thousands</i>	<b>Three months ended December 31</b>		<b>Twelve months ended December 31</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>Related Parties in the Kyrgyz Republic</b>				
Management fees to Kyrgyzaltyn	131	205	747	949
Concession payments to Kyrgyz Republic	349	546	1,992	2,531
Total	480	751	2,739	3,480
Gross gold and silver sales to Kyrgyzaltyn	42,427	58,931	220,242	257,739
Deduct: refinery and financing charges	(550)	(729)	(2,603)	(2,766)
Net sales revenue received from Kyrgyzaltyn	41,877	58,202	217,639	254,973

Effective as of December 22, 2005, Kyrgyzaltyn and KGC have agreed to temporarily permit Kyrgyzaltyn to pay within twelve days after date of shipment of gold from the Kumtor mine. No later than March 1, 2006, Kyrgyzaltyn will resume the prior practice of pre-paying for gold. Kyrgyzaltyn shall pay interest on unpaid amounts equal to LIBOR plus 0.25%. Kyrgyzaltyn has agreed to sell, after February 1, 2006 but before March 1, 2006, a sufficient number of Centerra shares to yield \$11 million of proceeds. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility, to be used by Kyrgyzaltyn to resume the prior practice of pre-paying for gold. The obligations of Kyrgyzaltyn to KGC are secured by a pledge of a portion of the Centerra shares owned by Kyrgyzaltyn.

## Other

In addition, the Company paid approximately \$109,000 Cdn in the fourth quarter of 2005 (approximately \$429,000 Cdn for the twelve months ended December 31, 2005) to Ms. Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr. Homeniuk. Ms. Stephens provides legal and business advisory services related to international operations.

As at December 31, 2005, a relocation loan in the amount of \$250,000 Cdn was outstanding with Centerra's President and Chief Executive Officer, Mr. Homeniuk. The loan principal is payable in June 2010, while interest is charged as a taxable benefit to Mr. Homeniuk.

## Quarterly Results – Last Eight Quarters

Over the last eight quarters, Centerra's results reflect the positive impact of rising gold prices, the increased ownership in both Kumtor and Boroo in June 2004, partially offset by rising cash costs and reduced production due to lower grades at Kumtor in the last half of 2005.

<i>\$ millions, except per share data</i>	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	75	77	95	92	88	86	47	26
Net earnings	6	9	15	12	15	29	(1)	8
Net Earnings per share (basic & diluted)	0.09	0.12	0.21	0.17	0.21	0.40	(0.02)	0.20

## Other Corporate Developments

### Kyrgyz Republic

In 2005 the Kyrgyz Republic went through a major change in its political life. The former President of the Kyrgyz Republic, Mr. Askar Akayev, was ousted from office following an earlier parliamentary election.

The newly elected parliament designated Mr. Kurmanbeck Bakiyev as the new president of the Kyrgyz Republic. Subsequently, Mr. Kurmanbeck Bakiyev won a presidential election and was confirmed as the President of the Kyrgyz Republic for a five year term. Mr. Felix Kulov has been appointed the Prime Minister of the Kyrgyz Republic.

Throughout 2005, Centerra Gold Inc. and its Kyrgyz subsidiaries worked closely with the new authorities in the Kyrgyz Republic to resolve a number of outstanding issues regarding the Kumtor project, including tax and customs disputes, road blocks and various investigations into the previous Government's activities.

To date, most of the outstanding issues have been resolved. The Company continues its cooperative efforts to resolve the outstanding issues with the newly appointed Government, local authorities of the Issyk-Kul region, where the Kumtor mine is located, and other authorities. The political situation in the Kyrgyz Republic appears to have stabilized somewhat during the last quarter of 2005 and the Company reports normal course of business in the country.

## **Mongolia**

Mongolia is currently engaged in the process of reforming its Government, following dissolution of the previously established coalition cabinet, formed by the two most prominent Mongolian parties. The new cabinet is expected to be dominated by members from the current majority party (Mongolian People's Revolutionary Party). It is expected that the new Government will resume normal work in the near future.

Prior to its dissolution, the previous cabinet was expected to review and implement certain changes to the Mongolian mining code that had the potential to negatively affect the investment climate for the mining industry in Mongolia (although with no direct impact on existing projects, such as Centerra's Boroo project). To date, the new cabinet's position regarding the changes to the Mongolian mining code proposed by the previous cabinet is unclear.

## **Outlook**

### **Production and Unit Cost - 2005 by Quarter and 2006 Forecast**

Centerra is forecasting production in the first quarter of 2006 to total 165,000 ounces.

Production at Kumtor during the first quarter of 2006 is projected to be 101,000 ounces, relatively unchanged from the fourth quarter of 2005 while cash costs are expected to increase approximately 8% to \$384 per ounce in the first quarter of 2006.

Production at Boroo is projected at 64,000 ounces during the first quarter of 2006, approximately 6% lower than the fourth quarter of 2005 as a result of reduced tonnes milled while cash costs are forecast to remain flat at \$221 per ounce in the first quarter of 2006.

For the 2006 year, Centerra is forecasting production of 729,000 ounces, approximately 8% lower than in 2005. Cash costs are forecast to increase to \$294 per ounce in 2006 from \$241 per ounce in 2005.

The mill head grade at Kumtor is expected to average 3.34 g/t in 2006 compared to 3.38 g/t in 2005 and production from the mine is expected to total 461,000 ounces at an average cash cost of \$347 per ounce. Kumtor's life-of-mine plan is focused on accessing the highest available ore grades; this will require mining through lower grades in 2006.

At Boroo, production is expected to decline to a total of 268,000 ounces in 2006 due primarily to a lower mill head grade which is expected to average 3.88 g/t in 2006 compared to 4.23 g/t in 2005. Total cash cost is forecasted to be \$203 per ounce in 2006.

In 2006, a \$25 per ounce change in the gold spot price is anticipated to effect revenues, net earnings and cash from operations by approximately \$18.2 million, \$14.8 million and \$16.9 million respectively.

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

<i>Ounces except where noted</i>	2005					2006	
<i>Ounces except where noted</i>	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	YTD Actual	Q1 Forecast	Year Forecast
Kumtor production (100% Centerra share)	141,558	137,794	123,162	98,973	501,487	101,000	461,000
Boroo's production <sup>(1)</sup>	68,297	71,659	67,197	64,344	271,497	60,800	255,000
Centerra's share of total production	209,855	209,453	190,359	163,317	772,984	161,800	716,000

(1.) Centerra's share of Boroo's production is 95%

<b>Total cash cost</b> <sup>(1.)</sup>	2005					2006	
<i>\$ per ounce</i>	Q1 Actual	Q2 Actual	Q3 Actual	Q4 Actual	YTD Actual	Q1 Forecast	Year Forecast
Kumtor	235	253	277	355	274	384	347
Boroo	165	162	187	223	183	221	203
Consolidated	211	221	245	300	241	321	294

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

## Exploration and Business Development

One of Centerra's priorities in 2006 is to continue to add to its reserves and resources base through its exploration program. Accordingly, the Company has budgeted \$28 million of spending on its program for the 2006 year.

The budget includes \$21 million for exploration plus estimated costs associated with due diligence activities for potential acquisitions and the development of the feasibility study at the Gatsuert deposit.

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

### Kumtor

- Additional drilling programs are planned in the vicinity of the main Kumtor pit to test for strike and dip extensions of the SB and NB zones. A drilling program is planned in the Sarytor target area to further delineate and extend the resource outlined in 2005. The Sarytor area is located about five kilometers from the Kumtor mill.
- Exploration work will continue on other target areas such as Bordoo and Akbel.

### **Boroo**

- At Boroo, drill programs will focus on testing for additional mineralization around the peripheries of the pits.

### **Gatsuurt**

- The Gatsuurt deposit is open at depth and additional drilling is planned to test the high grade mineralization beneath the Gatsuurt Central zone as a potential underground mining opportunity.
- Exploration programs will continue to evaluate Centerra's significant land position. Drilling programs are planned to further explore the Ulan Bulag, Nart, Zurgaadai and Argal target areas.

### **REN**

- Drilling programs will focus on testing under explored areas of favorable alteration and mineralization along two main control structures the Corona Dyke and East fault.

## Five Year Forecast Based on Revised Life-of-Mine:

Centerra has substantially increased reserves at the Kumtor and Boroo mines since the initial public offering (“IPO”) in June 2004. In the one and one-half years since the IPO, reserves at Kumtor have increased by 3.1 million ounces, Boroo by 600,000 ounces and the Gatsuert project has been progressed significantly. These significant exploration results are reflected in an updated life-of-mine production data for Kumtor and Boroo, the next five years of which is summarized below. The full life-of-mine data can be found at Centerra’s website at [www.Centerragold.com](http://www.Centerragold.com). Centerra gold production in 2009 is now forecast to exceed one million ounces.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Kumtor</b>					
Mined Ore tonnes 000's	7,569	6,775	5,138	4,926	6,939
Mined Waste tonnes 000's	93,385	124,800	107,293	113,514	116,337
Total Mined tonnes 000's	101,367	131,575	112,431	118,441	123,275
Ore Mined tonnes/day,000's	20.7	18.6	14.0	13.5	19.0
Total Mine tonnes/day,000's	278	360	307	324	338
Strip Ratio	12.4	18.4	20.9	23.0	16.8
Mill tonnes 000's	5,659	5,658	5,658	5,658	5,658
Mill 000's tonnes/day	15.5	15.5	15.5	15.5	15.5
Mill Grade - g/t	3.31	3.53	4.27	5.31	4.83
Mill Recovery - %	76.2%	82.9%	86.7%	87.4%	87.1%
Oz Poured 000's	461	533	673	843	764
<b>Boroo</b>					
Mined Ore tonnes 000's	2,678	3,298	2,584	3,889	-
Mined Waste tonnes 000's	16,033	15,862	16,116	9,105	-
Total Mined tonnes 000's	18,710	19,160	18,700	12,995	-
Ore Mined tonnes/day	7.3	9.0	7.1	10.7	-
Total Mine tonnes/day	51	52	51	36	-
Strip Ratio	6.0	4.8	6.2	2.3	-
Mill Tonnes - 000's	2,355	2,347	2,347	2,347	2,347
Mill 000's tonnes/day	6.5	6.4	6.4	6.4	6.4
Mill Grade - g/t	3.86	3.79	3.26	2.98	1.41
Mill Recovery - %	91.6%	89.5%	89.1%	86.8%	87.2%
Oz Poured 000's - 100%	268	256	219	195	93
Oz Poured 000's - 95%	255	243	208	185	88
<b>Consolidated</b>					
	716	776	882	1,028	852

## **Administration**

Annual administration expenses are expected to amount to approximately \$21 million. The forecast includes the ongoing costs of maintaining the corporate office and the continued implementation costs of regulatory standards.

## **Corporate Income Taxes**

Corporate income taxes in the Kyrgyz Republic are calculated and provisioned at 20% of taxable income. In 2006, the Boroo project will be in its third year of a three-year 100% income tax holiday.

## **Capital Expenditures**

The capital requirement in 2006 is budgeted at \$103 million. This includes \$87 million in growth capital spending primarily attributable to the addition of larger, more productive haulage trucks and shovels as well as other support and auxiliary equipment and infrastructure in support of the increase of mine life at Kumtor.

## **Sensitivity of Revenue, Earnings & Cashflow from Changes in Gold Price**

A \$25 per ounce change in the gold spot price would be expected to effect revenues, net earnings and cash from operations by approximately \$18.2 million, \$14.8 million (\$0.21 per share) and \$16.9 million respectively.

## **Non-GAAP measure - Total Cash Cost**

This MD&A presents information about total cash cost of production of an ounce of gold for the operating properties of Centerra. Except as otherwise noted, total cash cost per ounce is calculated by dividing total cash costs, as determined using the industry standard published by the Gold Institute, by gold ounces produced for the relevant period.

Total cash costs, as defined in the Gold Institute standard, include mine operating costs such as mining, processing, administration, royalties and production taxes, but exclude amortization, reclamation costs, financing costs and capital, development and exploration.

Total cash cost per ounce has 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 enables investors to better understand year-on-year changes in production costs, which in turn affect profitability and cash flow.

## Total Cash Cost per Ounce can be Reconciled as follows:

### Fourth Quarter 2005:

\$ millions, unless otherwise specified	<b>Kyrgyz Republic (Kumtor)</b>	<b>Mongolia (Boroo)</b>	<b>Total</b>
Cost of sales, as reported	28.5	14.3	42.8
Adjust for:			
Refining fees and by-product credits	(0.1)	-	(0.1)
Non-operating costs	(1.6)	-	(1.6)
Inventory movement	8.1	0.8	8.9
Total cash cost – 100%	34.9	15.1	50.0
Ounces poured – 100% (000's)	98.9	67.7	166.6
Total cash cost per ounce	352.5	222.7	299.7

### Fourth Quarter 2004:

\$ millions, unless otherwise specified	<b>Kyrgyz Republic (Kumtor)</b>	<b>Mongolia (Boroo)</b>	<b>Total</b>
Cost of sales, as reported	32.1	9.9	42.0
Adjust for:			
Refining fees and by-product credits	0.1	-	0.1
Non-operating costs	(1.1)	(1.9)	(3.0)
Inventory movement	5.5	4.0	9.5
Total cash cost – 100%	36.6	12.0	48.6
Ounces poured – 100% (000's)	138.7	66.6	205.3
Total cash cost per ounce	268	181.0	240

## Twelve Months 2005:

\$ Millions, unless otherwise specified	<b>Kyrgyz Republic (Kumtor)</b>	<b>Mongolia (Boroo)</b>	<b>Total</b>
Cost of sales, as reported	134.6	51.6	186.2
Adjust for:			
Refining fees and by-product credits	0.3	(0.3)	0.3
Non-operating costs	(4.5)	1.0	(3.5)
Inventory movement	6.8	0.1	6.9
<b>Total cash cost – 100%</b>	<b>137.2</b>	<b>52.4</b>	<b>189.6</b>
<b>Ounces poured – 100% (000's)</b>	<b>501.5</b>	<b>285.8</b>	<b>787.3</b>
<b>Total cash cost per ounce</b>	<b>273.9</b>	<b>183.4</b>	<b>241.1</b>

## Twelve Months 2004:

\$ Millions, unless otherwise specified	<b>Kyrgyz Republic (Kumtor)</b>	<b>Mongolia (Boroo)</b>	<b>Total</b>
Cost of sales, as reported	81.2	28.7	109.9
Adjust for:			
Refining fees and by-product credits	1.2	-	1.2
Non-operating costs	(2.7)	(2.4)	(5.1)
Inventory movement	9.6	6.2	15.8
Pre-acquisition operating costs <sup>(1)</sup>	42.1	-	42.1
<b>Total cash cost – 100%</b>	<b>131.4</b>	<b>32.5</b>	<b>163.9</b>
<b>Ounces poured – 100% (000's)</b>	<b>657.3</b>	<b>217.9</b>	<b>875.2</b>
<b>Total cash cost per ounce</b>	<b>199.9</b>	<b>149.0</b>	<b>187.3</b>

<sup>(1)</sup> Total cash cost per ounce is calculated on a 100% basis. The adjustment above is needed to increase the pre-acquisition cost of sales (to June 30, 2004), which is recorded at Centerra's share of 33.3%, to the full 100% value.

- End -

**Centerra Gold Inc.**

**Consolidated Financial Statements**

**For the Quarter and Year Ended December 31, 2005**

**(Unaudited)**

**(\$US)**

**Centerra Gold Inc.**  
**Consolidated Balance Sheets**  
(Unaudited)  
(In Thousands of US\$)

	As at	
	Dec 31/05	Dec 31/04
<b>Assets</b>		
Current assets		
Cash	\$ 202,417	\$ 152,591
Accounts receivable	8,951	2,596
Inventories	76,721	56,796
Prepaid expenses	17,151	12,943
	<u>305,240</u>	<u>224,926</u>
Property, plant and equipment	239,098	267,557
Goodwill	154,586	155,520
Long-term receivables, investments and other	7,357	12,456
	<u>401,041</u>	<u>435,533</u>
<b>Total assets</b>	<u>\$ 706,281</u>	<u>\$ 660,459</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 32,129	\$ 32,023
Provision for reclamation	17,897	18,868
Future income taxes	7,013	5,407
	<u>57,039</u>	<u>56,298</u>
Minority interest	4,821	2,410
<b>Shareholders' equity</b>		
Share capital (note 2)	522,383	522,383
Contributed surplus	29,739	29,503
Retained earnings	92,299	49,865
	<u>644,421</u>	<u>601,751</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 706,281</u>	<u>\$ 660,459</u>

Commitments and Contingencies (note 7)  
See accompanying notes to the consolidated financial statements.

**Centerra Gold Inc.****Consolidated Statements of Earnings and Retained Earnings (Deficit)**

(Unaudited)

(In Thousands of US\$)

	Three Months Ended		Twelve Months Ended	
	Dec 31/05	Dec 31/04	Dec 31/05	Dec 31/04
<b>Revenue from</b>				
Gold sales	\$ 75,044	\$ 87,731	\$ 338,583	\$ 245,421
Management fees	-	-	-	1,642
	<u>\$ 75,044</u>	<u>\$ 87,731</u>	<u>\$ 338,583</u>	<u>\$ 247,063</u>
<b>Expenses</b>				
Cost of sales	42,818	42,061	186,177	109,920
Depreciation, depletion and reclamation	12,338	20,418	59,896	53,763
Exploration and business development (note 4)	8,492	7,380	29,931	15,000
Interest and other	(1,074)	(2,807)	(4,773)	(7,582)
Administration	5,941	5,876	17,934	11,544
	<u>68,515</u>	<u>72,928</u>	<u>289,165</u>	<u>182,645</u>
<b>Earnings from operations</b>	<u>6,529</u>	<u>14,803</u>	<u>49,418</u>	<u>64,418</u>
Other expense	-	-	-	8,541
<b>Earnings before income taxes and minority interest</b>	<u>6,529</u>	<u>14,803</u>	<u>49,418</u>	<u>55,877</u>
Income tax expense (recovery) (note 5)	(682)	(849)	4,572	(156)
Minority interest	848	791	2,412	5,398
<b>Net earnings</b>	<u>6,363</u>	<u>14,861</u>	<u>42,434</u>	<u>50,635</u>
Retained earnings (deficit), beginning of period	85,936	35,004	49,865	(770)
<b>Retained earnings (deficit), end of period</b>	<u>\$ 92,299</u>	<u>\$ 49,865</u>	<u>\$ 92,299</u>	<u>\$ 49,865</u>
<b>Basic and diluted earnings per common share [note 3]</b>	<u>\$ 0.09</u>	<u>\$ 0.21</u>	<u>\$ 0.59</u>	<u>\$ 0.91</u>

See accompanying notes to the consolidated financial statements.

**Centerra Gold Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)  
(In Thousands of US\$)

	Three Months Ended		Twelve Months Ended	
	Dec 31/05	Dec 31/04	Dec 31/05	Dec 31/04
<b>Operating activities</b>				
Net earnings	\$6,363	\$14,861	\$42,434	\$50,635
Items not requiring (providing) cash:				
Depreciation, depletion and reclamation	12,338	20,418	59,896	53,763
Deferred charges recognized	1,083	(178)	5,397	6,978
Loss on settlement of debt	-	-	-	9,084
Future income tax expense	(1,361)	(1,734)	2,540	(1,040)
Minority interest	848	791	2,412	5,398
Other	(128)	(5,094)	2,817	3,264
	19,143	29,064	115,496	128,082
Change in working capital	(14,329)	(4,110)	(32,096)	(39,605)
<b>Cash provided by operations</b>	<b>4,814</b>	<b>24,954</b>	<b>83,400</b>	<b>88,477</b>
<b>Investing activities</b>				
Acquisition of net business assets, net of cash acquired	-	-	-	(2,697)
Additions to property, plant and equipment	(14,693)	(4,294)	(33,574)	(11,785)
Net commissioning recoveries	-	-	-	4,223
Redemption of shares, Cameco Ireland	-	-	-	22,900
<b>Cash provided by (used in) investing</b>	<b>(14,693)</b>	<b>(4,294)</b>	<b>(33,574)</b>	<b>12,641</b>
<b>Financing activities</b>				
Proceeds of share issue	-	-	-	84,746
Repayment of long-term debt	-	-	-	(41,509)
Advances from (to) parent company	-	1,055	-	(1,865)
<b>Cash provided by (used in) financing</b>	<b>-</b>	<b>1,055</b>	<b>-</b>	<b>41,372</b>
Increase (decrease) in cash during the period	(9,879)	21,715	49,826	142,490
Cash at beginning of the period	212,296	130,876	152,591	10,101
<b>Cash at end of the period</b>	<b>\$ 202,417</b>	<b>\$ 152,591</b>	<b>\$ 202,417</b>	<b>\$ 152,591</b>

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**1. Basis of Presentation**

The consolidated financial statements of Centerra Gold Inc. (“Centerra”) have been prepared by management in accordance with Canadian generally accepted accounting principles and follow the same accounting principles and methods of application as the most recent annual consolidated financial statements. The financial statements should be read in conjunction with Centerra's annual consolidated financial statements included in the 2004 annual report.

Centerra became a public company on June 30, 2004. Its predecessor company, Cameco Gold Inc., was a division of Cameco Corporation (“Cameco”), which held a one-third interest in Kumtor, a 53% interest in Boroo, a 62% interest in REN and a 73% interest in Gatsuurt.

The restructuring of Centerra resulted in the issue of common shares from the following events: 38,149,071 shares issued from the transfer of gold interests by Cameco Gold, 18,789,717 shares issued from the acquisition of the remaining 2/3 interest in Kumtor, 5,204,605 shares issued from the acquisition of an additional 42% in Boroo, 3,061,212 shares issued from the exchange of Kumtor’s subordinated debt and 6,875,000 shares issued from an initial public offering, including the exercise of an over-allotment by the underwriters.

Since June 30, 2004, Centerra’s ownership interests consist of a 100% interest in the Kumtor mine, a 95% interest in the Boroo mine, a 62% interest in the REN deposit and a 100% interest in the Gatsuurt property. For accounting purposes, Centerra’s consolidated statements reflect proportional consolidation of the Kumtor mine for the first half of 2004 and full consolidation from that point forward, while Boroo reflects full consolidation for the current and comparative periods.

**2. 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. At December 31, 2005, only common shares had been issued as follows:

<b>Number Issued</b>	<b>2005</b> <small>(Number of Shares)</small>	<b>2005</b> <small>(Thousands of \$US)</small>
Beginning and end of period	<b>72,079,605</b>	<b>\$ 522,383</b>

**3. Earnings Per Share Amounts**

Basic and diluted earnings per share is determined by dividing net earnings by the basic and diluted weighted-average number of common shares outstanding respectively during the quarter and year.

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b><u>Dec 31/05</u></b>	<b><u>Dec 31/04</u></b>	<b><u>Dec 31/05</u></b>	<b><u>Dec 31/04</u></b>
	(Thousands)		(Thousands)	
Basic weighted average number of common shares outstanding	<b>72,080</b>	72,080	<b>72,080</b>	55,604
Diluted weighted average number of common shares outstanding	<b>72,137</b>	72,111	<b>72,113</b>	55,622
<b>Basic and diluted earnings per common share</b>	<b>\$0.09</b>	\$0.21	<b>\$0.59</b>	\$0.91

**4. Exploration and Business Development**

	<b>Three months ended</b>		<b>Year ended</b>	
	<b><u>Dec 31/05</u></b>	<b><u>Dec 31/04</u></b>	<b><u>Dec 31/05</u></b>	<b><u>Dec 31/04</u></b>
	(Thousands)		(Thousands)	
Exploration costs	<b>\$ 7,070</b>	\$ 7,380	<b>\$ 25,857</b>	\$ 15,000
Business development and feasibility costs	<b>1,412</b>	-	<b>4,474</b>	-
	<b>\$ 8,482</b>	\$ 7,380	<b>\$ 30,331</b>	\$ 15,000

**5. Income Taxes**

During the fourth quarter of 2005, a valuation allowance on Boroo's capital assets in the amount of \$1.6 million was reversed, resulting from the impact of the new life of mine plan.

**6. Related Party Transactions**

**Cameco Corporation**

Centerra and its subsidiaries maintain inter-company advances to and from Cameco and several of its subsidiaries to fund operations. These advances, which are non-interest bearing and payable on demand, will be repaid in the ordinary course of business.

Effective April 1, 2004 Centerra entered into an administrative services agreement with Cameco whereby Cameco has agreed to provide services and expertise to Centerra in return for reimbursement for all its direct and indirect costs relating to those services.

As a result of the above items, the balance owing to Cameco at December 31, 2005 was \$1.0 million (\$3.7 million at December 31, 2004). Services under the services agreement, in the amount of \$0.2 million and \$0.8 million were provided by Cameco during the fourth quarter and full year 2005, (\$0.2 million and \$0.4 million during fourth quarter and full year 2004).

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Other**

The Company paid approximately \$109,000 Cdn in the fourth quarter of 2005 (approximately \$429,000 Cdn for the 2005 year) to Ms Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr Homeniuk. Ms Stephens provides certain designated legal and business advisory services related to international operations.

At December 31, 2005 a relocation loan in the amount of \$250,000 Cdn was outstanding with Centerra's President and Chief Executive Officer, Mr. Homeniuk. The loan principal is payable in June 2010, while interest is charged as a taxable benefit to Mr. Homeniuk.

**Kyrgyzaltyn and the Government of the Kyrgyz Republic**

The table below summarizes 100% of the management fees, royalties and concession payments paid by Kumtor to Kyrgyzaltyn or the Government of the Kyrgyz Republic and the amounts paid 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. For periods prior to the restructuring, the Centerra financial statements reflect one-third of these charges in accordance with the accounting described in note 1.

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>Dec 31/05</b>	<b>Dec 31/04</b>	<b>Dec 31/05</b>	<b>Dec 31/04</b>
Management fees to Kyrgyzaltyn	\$ 131	\$ 205	\$ 747	\$ 949
Concession payments to the Kyrgyz Republic	349	546	1,992	2,531
	<b>\$ 480</b>	<b>\$ 751</b>	<b>\$ 2,739</b>	<b>\$ 3,480</b>
Gross gold and silver sales to Kyrgyzaltyn	\$ 42,427	\$ 58,931	\$ 220,242	\$ 257,739
Deduct: refinery and financing charges	(550)	(729)	(2,603)	(2,766)
Net sales revenue received from Kyrgyzaltyn	<b>\$ 41,877</b>	<b>\$ 58,202</b>	<b>\$ 217,639</b>	<b>\$ 254,973</b>

Effective as of December 22, 2005, Kyrgyzaltyn and KGC have agreed to temporarily permit Kyrgyzaltyn to pay within twelve days after date of shipment of gold from the Kumtor mine. No later than March 1, 2006, Kyrgyzaltyn will resume the prior practice of pre-paying for gold. Kyrgyzaltyn shall pay interest on unpaid amounts equal to LIBOR plus 0.25%. Kyrgyzaltyn has agreed to sell, after February 1, 2006 but before March 1, 2006, a sufficient number of Centerra shares to yield \$11 million of proceeds. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility, to be used by Kyrgyzaltyn to resume the prior practice of pre-paying for gold. The obligations of Kyrgyzaltyn to KGC are secured by a pledge of a portion of the Centerra shares owned by Kyrgyzaltyn.

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**7. Commitments and Contingencies**

**Kumtor**

a) In its third quarter disclosure, the Company reported that it had filed tax objections to Kumtor's tax and customs assessments and that a review by the tax authorities had reversed portions of the previous assessment.

There has been no further movement during the fourth quarter on the remaining open tax assessment items. These remaining issues are not expected to have a material impact on Centerra's financial position.

b) In the fourth quarter, KGC entered into contracts to purchase plant and equipment for \$62.2 million (December 31, 2004 - \$5.5 million). These commitments are expected to be settled in the following financial year.

**Other**

The Company has entered into a five-year agreement ending June 30, 2009 for certain insurance coverage. Considerations under this agreement require annual payments of approximately \$4.0 million, with a minimum guaranteed payment under this contract of \$8.0 million. This minimum commitment level will be reached in June 2006.

**8. Segmented Information**

Centerra has three reportable segments. The Kyrgyz Republic segment involves the operations of the Kumtor Gold Project and local exploration activities, and the Mongolian segment involves the operations of the Boroo Gold 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.

**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.

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Three months ended December 31, 2005**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 40.7	\$ 34.3	\$ -	\$ 75.0
Expenses				
Cost of sales	28.5	14.3	-	42.8
Depreciation, depletion and reclamation	6.3	5.9	0.1	12.3
Exploration and business development	4.2	2.7	1.6	8.5
Interest and other	0.4	0.4	(1.9)	(1.1)
Administration	0.7	(0.1)	5.4	6.0
<b>Earnings (loss) before income taxes and minority interest</b>	<b>0.6</b>	<b>11.1</b>	<b>(5.2)</b>	<b>6.5</b>
Income tax expense	0.7	(1.6)	0.2	(0.7)
Minority interest		0.8		0.8
<b>Net earnings (loss)</b>	<b>\$ (0.3)</b>	<b>\$ 11.5</b>	<b>\$ (5.0)</b>	<b>6.4</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 10.9</b>	<b>\$ 3.1</b>	<b>\$ 0.7</b>	<b>\$ 14.7</b>

**Three months ended December 31, 2004**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 57.2	\$ 30.5	\$ -	\$ 87.7
Expenses				
Cost of sales	32.1	9.9	-	42.0
Depreciation, depletion and reclamation	13.8	6.5	0.1	20.4
Exploration and business development	3.6	2.5	1.3	7.4
Interest and other	2.8	(2.9)	(2.7)	(2.8)
Administration	0.6	1.2	4.1	5.9
<b>Earnings before income taxes and minority interest</b>	<b>4.3</b>	<b>13.3</b>	<b>(2.8)</b>	<b>14.8</b>
Income tax expense	(1.0)	-	0.1	(0.9)
Minority interest	-	0.8	-	0.8
<b>Net earnings</b>	<b>\$ 5.3</b>	<b>\$ 12.5</b>	<b>\$ (2.9)</b>	<b>\$ 14.9</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 2.7</b>	<b>\$ 1.6</b>	<b>\$ -</b>	<b>\$ 4.3</b>

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Year ended December 31, 2005**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 213.8	\$ 124.8	\$ -	\$ 338.6
Expenses				
Cost of sales	134.6	51.6	-	186.2
Depreciation, depletion and reclamation	35.2	24.2	0.4	59.9
Exploration and business development	14.6	8.6	6.7	29.9
Interest and other	3.9	0.6	(9.3)	(4.8)
Administration	2.8	0.8	14.4	18.0
<b>Earnings (loss) before income taxes and minority interest</b>	<b>22.7</b>	<b>38.9</b>	<b>(12.2)</b>	<b>49.4</b>
Income tax expense	5.3	(1.6)	0.8	4.5
Minority interest		2.4		2.4
<b>Net earnings (loss)</b>	<b>17.4</b>	<b>38.1</b>	<b>(13.0)</b>	<b>\$ 42.4</b>
<b>Total assets (excluding PP&amp;E and goodwill)</b>	<b>95.4</b>	<b>46.8</b>	<b>169.4</b>	<b>311.6</b>
<b>PP&amp;E</b>	<b>147.1</b>	<b>89.3</b>	<b>2.7</b>	<b>239.1</b>
<b>Goodwill</b>	<b>129.7</b>	<b>24.9</b>		<b>154.6</b>
<b>Capital expenditures for the period</b>	<b>\$ 21.5</b>	<b>\$ 11.4</b>	<b>\$ 0.7</b>	<b>\$ 33.6</b>

**Year ended December 31, 2004**

(millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 159.2	\$ 87.9	\$ -	\$ 247.1
Expenses				
Cost of sales	81.2	28.7	-	109.9
Depreciation, depletion and reclamation	31.9	21.8	0.1	53.8
Exploration and business development	6.0	4.4	4.6	15.0
Interest and other	7.2	0.5	(15.3)	(7.6)
Administration	1.3	2.7	7.6	11.6
Other expense	-	-	8.6	8.6
<b>Earnings (loss) before income taxes</b>	<b>31.6</b>	<b>29.8</b>	<b>(5.6)</b>	<b>55.8</b>
Income tax expense (recovery)	(0.3)	-	0.1	(0.2)
Minority interest	-	5.4	-	5.4
<b>Net earnings (loss)</b>	<b>\$ 31.9</b>	<b>\$ 24.4</b>	<b>\$ (5.7)</b>	<b>\$ 50.6</b>
<b>Total assets (excluding PP&amp;E and goodwill)</b>	<b>\$ 76.8</b>	<b>\$ 29.9</b>	<b>\$ 130.8</b>	<b>\$ 237.5</b>
<b>PP&amp;E</b>	<b>163.0</b>	<b>102.7</b>	<b>1.8</b>	<b>267.5</b>
<b>Goodwill</b>	<b>129.7</b>	<b>25.8</b>	<b>-</b>	<b>155.5</b>
<b>Capital expenditures for the year</b>	<b>\$ 4.7</b>	<b>\$ 7.1</b>	<b>-</b>	<b>\$ 11.8</b>

**Centerra Gold Inc.**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**9. Comparative Information**

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