

Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

**For the Quarter Ended March 31, 2012
(Unaudited)**

(Expressed in United States Dollars)

Centerra Gold Inc.
Condensed Consolidated Statement of Financial Position
(Unaudited)

		March 31 2012	December 31 2011
(Expressed in Thousands of United States Dollars)			
	Notes		
Assets			
Current assets			
Cash and cash equivalents		\$ 293,267	\$ 195,539
Short-term investments		152,469	372,667
Restricted cash		239	179
Amounts receivable	3	44,287	56,749
Inventories	4	253,082	279,944
Prepaid expenses		17,190	26,836
		<u>760,534</u>	<u>931,914</u>
Property, plant and equipment	5	695,004	590,151
Goodwill		129,705	129,705
Long-term receivables and other		35,147	24,674
Long-term inventories	4	12,174	12,174
		<u>872,030</u>	<u>756,704</u>
Total assets		<u>\$ 1,632,564</u>	<u>\$ 1,688,618</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 38,636	\$ 76,385
Revenue-based taxes		8,261	15,178
Taxes payable		2,750	1,074
Current portion of provision		3,665	1,848
		<u>53,312</u>	<u>94,485</u>
Provision		53,024	53,777
Deferred income tax liability		1,761	1,897
		<u>54,785</u>	<u>55,674</u>
Shareholders' equity			
Share capital	13	660,352	660,117
Contributed surplus		34,420	33,994
Retained earnings		829,695	844,348
		<u>1,524,467</u>	<u>1,538,459</u>
Total liabilities and shareholders' equity		<u>\$ 1,632,564</u>	<u>\$ 1,688,618</u>

Commitments and contingencies (note 14)

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

Centerra Gold Inc.

Condensed Consolidated Statements of (Loss) Earnings and Comprehensive Income (Loss)

(Unaudited)

Three months ended
 March 31 March 31
 2012 2011

(Expressed in Thousands of United States Dollars, except per share amounts)

	Notes		
Revenue from Gold Sales		\$ 133,753	\$ 250,179
Cost of sales	7	84,754	61,794
Abnormal mining costs	8	19,228	-
Mine standby costs	9	4,584	-
Regional office administration		4,797	4,766
Earnings from mine operations		20,390	183,619
Revenue based taxes		15,083	32,188
Other operating expenses	10	1,468	47
Exploration and business development		8,345	7,557
Corporate administration		8,546	7,768
(Loss) earnings from operations		(13,052)	136,059
Other (income) and expenses	11	(777)	(1,048)
Finance costs	12	916	390
(Loss) earnings before income taxes		(13,191)	136,717
Income tax expense		1,462	94
Net (loss) earnings and comprehensive (loss) income		\$ (14,653)	\$ 136,623
Basic and diluted (loss) earnings per common share	13	\$ (0.06)	\$ 0.58

Centerra Gold Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Notes	Three months ended	
		March 31 2012	March 31 2011
(Expressed in Thousands of United States Dollars)			
Operating activities			
Net (loss) earnings		\$ (14,653)	\$ 136,623
Items not requiring (providing) cash:			
Depreciation, depletion and amortization		22,788	14,956
Finance costs		916	390
Loss on disposal of plant and equipment		57	109
Stock - based compensation expense		513	324
Change in long-term inventory		-	183
Income tax expense		1,462	94
Other operating items		485	(29)
		11,568	152,650
Change in operating working capital		(1,409)	(8,437)
Income tax paid		76	(1,092)
Cash provided by operations		10,235	143,121
Investing activities			
Additions to property, plant and equipment	16	(121,986)	(61,685)
Redemption (purchase) of short-term investments		220,198	(68,966)
Use of restricted cash		60	-
Increase in long-term other assets		(10,473)	(559)
Cash provided by (used in) investing		87,799	(131,210)
Financing activities			
Payment of transaction costs related to borrowing		(454)	(127)
Proceeds from common shares issued for cash		148	171
Cash provided by (used in) financing		(306)	44
Increase in cash during the period		97,728	11,955
Cash and cash equivalents at beginning of the period		195,539	330,737
Cash and cash equivalents at end of the period		\$ 293,267	\$ 342,692
<i>Cash and cash equivalents consist of:</i>			
Cash		\$ 68,973	\$ 45,074
Cash equivalents		224,294	297,618
		\$ 293,267	\$ 342,692

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

Centerra Gold Inc.
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)

(Expressed in Thousands of United States Dollars, except share information)

	Number of Common Shares	Amount	Contributed Surplus	Retained Earnings	Total
Balance at January 1, 2011	235,869,397	\$ 655,178	\$ 33,827	\$ 572,792	\$ 1,261,797
Share-based compensation expense	-	-	324	-	324
Shares issued on exercise of stock options	34,498	269	(98)	-	171
Net earnings for the period	-	-	-	136,623	136,623
Balance at March 31, 2011	235,903,895	\$ 655,447	\$ 34,053	\$ 709,415	\$ 1,398,915
Balance at January 1, 2012	236,339,041	\$ 660,117	\$ 33,994	\$ 844,348	\$ 1,538,459
Share-based compensation expense	-	-	513	-	513
Shares issued on exercise of stock options	30,752	235	(87)	-	148
Net loss for the period	-	-	-	(14,653)	(14,653)
Balance at March 31, 2012	236,369,793	\$ 660,352	\$ 34,420	\$ 829,695	\$ 1,524,467

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

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**(Expressed in thousands of United States Dollars)

1. General business description

Centerra Gold Inc. (“Centerra” or the “Company”) was incorporated under the Canada Business Corporations Act on November 7, 2002. Centerra has common shares listed on the Toronto Stock Exchange (“TSX”). The Company is domiciled in Canada and the registered office is 1 University Avenue, Suite 1500, Toronto, Ontario, M5J 2P1.

2. Basis of Preparation and Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies consistent with accounting policies used in its consolidated financial statements as at and for the year ending December 31, 2011. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued IASB, have been omitted or condensed.

These financial statements are presented in U.S. dollars with all amounts rounded to the nearest thousand, except for share and per share data, or as otherwise noted. These financial statements should be read in conjunction with the Company’s 2011 annual financial statements.

These financial statements were authorized for issuance by the Board of Directors of the Company on May 15, 2012.

3. Amounts receivable

(Thousands of U.S. Dollars)	March 31, 2012	December 31, 2011
Gold sales receivable from related party	\$ 34,040	\$ 47,366
Gold sales receivable from third party	581	-
Other receivables	9,666	9,383
	\$ 44,287	\$ 56,749

Centerra Gold Inc.
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
(Expressed in thousands of United States Dollars)

4. Inventories

(Thousands of U.S. Dollars)	March 31, 2012	December 31, 2011
Stockpiles	\$ 75,793	\$ 105,635
Gold in-circuit	22,278	16,343
Heap leach in circuit	3,359	3,359
Gold doré	7,924	10,645
	109,354	135,982
Supplies	155,902	156,136
Total Inventories (net of provision)	265,256	292,118
Less: Long-term inventory (heap leach stockpiles)	(12,174)	(12,174)
Total Inventories-current portion	\$ 253,082	\$ 279,944

Stockpiled inventory was written down to net realizable value at March 31, 2012 resulting from a significant increase in cost due to unplanned removal of ice and waste material compounded by a low amount of ore being mined in the first quarter of 2012. The impaired value was \$18.7 million and included in abnormal mining costs which is disclosed in note 8

The provision for mine supplies obsolescence was increased for the three months ended March 31, 2012 by \$0.2 million (March 31, 2011- \$0.2 million) which was charged to cost of sales and is disclosed in note 7.

The table below summarizes the impairment and provision for obsolescence charges to inventory:

(Thousands of U.S. Dollars)	March 31, 2012	December 31, 2011
Total inventories	\$ 286,369	\$ 294,319
Less: Abnormal mining costs	(18,694)	-
Less : Provisions for obsolescence	(2,419)	(2,201)
Total Inventories (net of write down and provision)	265,256	292,118
Less: Long-term inventory (heap leach stockpiles)	(12,174)	(12,174)
Total Inventories-current portion	\$ 253,082	\$ 279,944

Centerra Gold Inc.
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
(Expressed in thousands of United States Dollars)

5. Property, plant and equipment

The following is a summary of the carrying value of property, plant and equipment:

(Thousands of U.S. Dollars)	Mine buildings	Plant and equipment	Mineral properties	Capitalized stripping costs	Mobile Equipment	Construction in progress ("CIP")	Total
Cost							
Balance Jan 1, 2012	\$ 53,836	\$ 322,775	\$ 187,434	\$ 116,198	\$ 346,927	\$ 178,541	\$ 1,205,711
Additions	-	876	-	33,437	5,319	90,504	130,136
Disposals	-	(554)	-	-	(3,020)	-	(3,574)
Reclassification	-	4,646	-	-	344	(4,990)	-
Balance Mar 31, 2012	\$ 53,836	\$ 327,743	\$ 187,434	\$ 149,635	\$ 349,570	\$ 264,055	\$ 1,332,273
Accumulated depreciation							
Balance Jan 1, 2012	\$ 34,238	\$ 208,456	\$ 123,910	\$ 75,747	\$ 173,209	\$ -	\$ 615,560
Charge for the year	259	1,670	1,675	116	21,503	-	25,223
Disposals	-	(513)	-	-	(3,001)	-	(3,514)
Balance Mar 31, 2012	\$ 34,497	\$ 209,613	\$ 125,585	\$ 75,863	\$ 191,711	\$ -	\$ 637,269
Net book Value							
Balance Jan 1, 2012	19,598	114,319	63,524	40,451	173,718	178,541	590,151
Balance Mar 31, 2012	\$ 19,339	\$ 118,130	\$ 61,849	\$ 73,772	\$ 157,859	\$ 264,055	\$ 695,004

The net movement in construction in progress during the three months ended March 31, 2012 includes \$77.1 million of mobile equipment and \$11 million of costs incurred on the underground development. During the first quarter of 2012, the Company took title of 25 CAT 789, 5 Hitachi shovels and 4 DR460 drills at Kumtor.

6. Accounts payable and accrued liabilities

(Thousands of U.S. Dollars)	March 31, 2012	December 31, 2011
Trade creditors and accruals	\$ 26,428	\$ 34,411
Liability for share-based compensation	12,208	41,974
Total	\$ 38,636	\$ 76,385

Centerra Gold Inc.
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
(Expressed in thousands of United States Dollars)

7. Cost of sales

(Thousands of U.S. Dollars)	Three Months Ended	
	March 31, 2012	March 31, 2011
Operating costs:		
Salaries and benefits	\$ 17,313	\$ 15,263
Consumables	38,638	42,207
Third party services	1,064	910
Other operating costs	3,890	3,470
Royalties, levies & production taxes	1,393	1,100
Changes in inventories	1,956	(16,222)
	64,254	46,728
Inventories obsolescence and impairment (note 4)	218	235
Depreciation, depletion and amortization	20,282	14,831
	\$ 84,754	\$ 61,794

8. Abnormal mining costs

(Thousands of U.S. Dollars)	Three Months Ended	
	March 31, 2012	March 31, 2011
Abnormal mining costs ⁽ⁱ⁾	\$ 18,694	\$ -
Unloading of abnormal waste ⁽ⁱⁱ⁾	534	-
	\$ 19,228	\$ -

(i) The mining plan for the first quarter of 2012 included stripping of waste material in the SB Zone and the continued normal mining of ice and waste in the southeast section of the pit to allow access and mining of ore in the latter part of March. The increased level of mining of ice and waste necessary to maintain access to the pit during most of the quarter, exacerbated by the ten day labour strike and the acceleration of this material resulted in a decision to stop mining in the production cut-back where ore for the quarter was planned to be released. The additional mining activity associated with the ice and waste during a period where little ore was mined resulted in a significant amount of cost being added to existing stockpiled inventory. This caused the inventory's recorded value to exceed what the Company believes can be realized after further processing and subsequent sale of the gold by \$18.7 million, which was expensed in the first quarter of 2012.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**(Expressed in thousands of United States Dollars)

8. Abnormal mining costs (continued)

- (ii) As a result of the decision announced on March 27, 2012 to address the acceleration of ice and waste material in the high movement area above the SB Zone, access to the ore in the southeast section of the pit was delayed and the mine plan for the year was revised. The area of ice and waste which needs to be removed is primarily located outside of the current pit limits and will require significant effort and cost over the balance of 2012 and part of 2013 to provide access to mine the southeast section of the pit. This abnormal cost associated with the removal of ice and waste material from the high movement area from the date of the announcement to the end of the first quarter of 2012 was \$0.5 million.

9. Mine Standby Costs

Over a period of ten days ended February 16, 2012 the Company's operations at Kumtor were temporarily suspended due to a labour dispute initiated by unionized workers at Kumtor. The Company incurred and expensed \$4.6 million in labour, maintenance and mine support costs directly as a result of the labour dispute at Kumtor for the three months ended March 31, 2012.

10. Other Operating expenses

(Thousands of U.S. Dollars)	Three Months Ended	
	March 31, 2012	March 31, 2011
Social development contributions	\$ 1,418	\$ 47
Net alluvial production (income) expenses	(48)	-
Project care and maintenance	98	-
	\$ 1,468	\$ 47

Centerra Gold Inc.
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
(Expressed in thousands of United States Dollars)

11. Other (income) and expenses

(Thousands of U.S. Dollars)	Three Months Ended	
	March 31, 2012	March 31, 2011
Interest income	\$ (291)	\$ (227)
Loss on disposal of assets	25	17
Bank charges	21	18
Other (income) and expenses	(15)	77
Foreign exchange loss	(517)	(933)
Net	\$ (777)	\$ (1,048)

12. Finance Costs

(Thousands of U.S. Dollars)	Three Months Ended	
	March 31, 2012	March 31, 2011
Transaction costs related to Revolver facilities	\$ 726	\$ 127
Accretion of provision for reclamation	190	263
	\$ 916	\$ 390

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

(Expressed in thousands of United States Dollars)

13. Shareholders' Equity**a. Share Capital**

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

b. Earnings per Share

Basic and diluted earnings per share computation:

(Thousands of U.S. Dollars)	Three Months Ended	
	March 31, 2012	March 31, 2011
Net (loss) earnings attributable to shareholders	\$ (14,653)	\$ 136,623
Weighted average number of common shares outstanding (thousands)	236,354	235,880
Effect of potential dilutive securities:		
Stock options (thousands)	-	434
Diluted weighted average common shares outstanding (thousands)	236,611	236,314
Basic and diluted (loss) earnings per common share	\$ (0.06)	\$ 0.58

In the following table, all securities were excluded from the calculation of diluted earnings per share as they would have been anti dilutive as a result of the net loss for the three months ended March 31, 2012.

For the three months ended March 31, 2011 certain potentially dilutive securities were excluded from the calculation of diluted earnings per share due to the exercise prices of certain stock options being greater than the average market price of the Company's ordinary shares for the three months then ended and the effect of the assumed potential conversion of the performance share units and restricted share units to equity was anti-dilutive.

	Three Months Ended	
	March 31, 2012	March 31, 2011
Stock options (thousands)	390	50
Restricted share units (thousands)	35	-
Performance share units (thousands)	634	1,641
	1,059	1,691

Centerra Gold Inc.
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
(Expressed in thousands of United States Dollars)

13. Shareholders' Equity (continued)

c. Share-Based Compensation

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

(Millions of U.S. dollars except as indicated)	Number outstanding Mar 31/12	Expense/(Income)		Liability	
		Mar 31/12	Mar 31/11	Mar 31/12	Dec 31/11
(i) Stock options	1,055,557	\$ 0.4	\$ 0.3	\$ -	\$ -
(ii) PSU ⁽¹⁾	619,258	0.5	1.5	6.2	33.0
(iii) Annual-PSU ⁽²⁾	80,823	0.3	0.3	0.3	1.9
(iv) Deferred share units	355,311	(1.1)	(0.7)	5.1	6.2
(v) Restricted share units	56,517	0.3	0.2	0.8	0.9
		\$ 0.4	\$ 1.6	\$ 12.4	\$ 42.0

¹⁾ Performance share units.

²⁾ Annual performance share units

Movements in the number of options and units for the first quarter 2012 are summarized as follows:

	Number outstanding Dec 31/11	Issued	Exercised	Expired/ Forfeited	Number outstanding March 31/12	Number Vested March 31/12
(i) Stock options	752,448	333,861	(30,752)	-	1,055,557	459,626
(ii) PSU	1,314,134	198,247	(892,456)	(667)	619,258	-
(iii) Annual- PSU	77,013	82,311	(77,013)	(1,488)	80,823	20,206
(iv) Deferred share units	354,516	795	-	-	355,311	355,311
(v) Restricted share units	49,659	18,912	(12,054)	-	56,517	42,333

13. Shareholders' Equity (continued)

c. Share-Based Compensation

(i) Stock Options

On March 6, 2012, Centerra granted 333,861 stock options at an exercise price of Cdn \$19.48 per share. The fair value of the stock options was determined using the Black-Scholes valuation model, assuming a weighted average expected life of 3-years, 49.03% volatility, dividend yield of 2.26% and a risk-free rate of return of 1.18%. The resulting weighted average fair value per option granted was Cdn \$4.68. The estimated fair value of the options is expensed over their graded vesting periods, which range from 1 year to 3 years.

(ii) Performance Share Unit Plan

Centerra granted 198,247 performance share units during the first quarter of 2012, at a grant price of Cdn \$20.37 per share. The fair value of the performance share unit was determined using the Monte Carlo option pricing model.

The principal assumptions used in applying the Monte Carlo option pricing model as at March 31, 2012 were as follows:

Share price	\$ 17.74
S&P/TSX Global Gold Index	\$ 398.75
Expected life (years)	1.71
Expected volatility- Centerra's share price	49.53%
Expected volatility- S&P/TSX Global Gold Index	30.94%
Risk-free rate of return	1.39%
Forfeiture rate	1.69%

The resulting weighted average fair value per performance share unit as of March 31, 2012 was Cdn \$17.08.

Centerra Gold Inc.
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
(Expressed in thousands of United States Dollars)

13. Shareholders' Equity (continued)

c. Share-Based Compensation – (continued)

(iii) Annual Performance Share Unit Plan

Centerra granted 82,311 annual performance share units during the first quarter of 2012, at a grant price of Cdn \$20.37 per share. The fair value of the annual performance share unit was determined using the Monte Carlo option pricing model.

The principal assumptions used in applying the Monte Carlo option pricing model as at March 31, 2012 were as follows:

Share price	\$ 17.74
S&P/TSX Global Gold Index	\$ 398.75
Expected life (years)	0.76
Expected volatility- Centerra's share price	50.32%
Expected volatility- S&P/TSX Global Gold Index	31.96%
Risk-free rate of return	1.24%
Forfeiture rate	11.57%

The resulting weighted average fair value per annual performance share unit as of March 31, 2012 was Cdn \$19.09.

(iv) Deferred Share Unit Plan

During the quarter ended March 31, 2012, Centerra granted 795 deferred share units, which vest immediately, at a grant price of Cdn \$14.30 per unit to eligible members of the Board of Directors.

(v) Restricted Share Unit Plan

During the quarter ended March 31, 2012, Centerra granted 18,912 restricted share units, which vest immediately, at a grant price of Cdn \$14.30 per unit to eligible members of the Board of Directors.

14. Commitments and Contingencies

Commitments

As at March 31, 2012, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$142.9 million (Kumtor - \$142.7 million and Boroo - \$0.2 million) these are expected to be settled over the next twelve months.

Contingencies

Various legal and tax matters are outstanding from time to time due to the complexity and nature of the Company's operations.

Except as noted below, no material changes have occurred with respect to the matters discussed in the "contingencies" section of the Company's 2011 annual consolidated financial statements published on February 23, 2012 and no new contingencies have occurred that are material to Centerra. In particular, the following corporate matters remain outstanding:

- (a) **Heap Leach Permit:** receipt of a permanent permit for the Boroo heap leach operation;
- (b) **Gatsuurt and the Impact of the Mongolian Water and Forest Law:** the receipt of regulatory commissioning of the Gatsuurt development property, and determination of the impact of the Mongolian Law to *Prohibit Mineral Exploration and Mining Operations at River Headwaters, Protected Zones of Water Reservoirs and Forested Areas* (the "Water and Forest Law") on the Company's Mongolian operations.

Centerra is reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the Water and Forest Law having a limited impact on the Company's Mongolian activities. There can be no assurance, however, that this will be the case. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the Gatsuurt project or Gatsuurt is designated as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources or eliminated entirely and the Company may be required to write-off the associated investment in Gatsuurt and Boroo. As at March 31, 2012, the Company had net assets recorded amounting to approximately \$36 million related to the investment in Gatsuurt and approximately \$25 million remaining capitalized for the Boroo mill facility and other surface structures which are expected to be utilized for the processing of ore from Gatsuurt. Although the Company expects to mine the Gatsuurt deposit, should this not be the case, the Company would be required to write-off these amounts. A revocation of the Company's mineral licenses, including the Gatsuurt mineral license, or the reclassification of mineral reserves or the write-off of assets could have an adverse impact on the market price of Centerra's shares, Centerra's future cash flows, earnings, results of operations or financial condition;

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars)

14. Commitments and Contingencies (continues)

Contingencies (continued)

(c) ***Impact of the Graduated Royalty Fee on Boroo:*** the possibility that the graduated royalty fee introduced by the Mongolian Parliament in November 2010 may apply to the Boroo project, despite the existence of a stability agreement which provides legislative stabilization for the property. The Company believes that the Boroo Stability Agreement provides, among other things, fiscal stabilization for its Boroo operations and accordingly the graduated royalty fee is not applicable to Boroo's remaining operations. Despite this, the Company cannot provide any assurances that Boroo will not be made subject to the graduated royalty fee. If the graduated royalty fee does apply to Boroo, it may have an adverse impact on the market price of Centerra's shares, Centerra's future cash flows, earnings, results of operations or financial condition;

(d) ***Enforcement Notice by Sistem:*** the impact on Centerra of an enforcement notice filed in an Ontario court by Sistem Muhenkislik Insaat Sanayi Ticaret ("Sistem") in March 2011 to seize shares and dividend in Centerra held by Kyrgyzaltyn JSC in satisfaction of an international arbitral award against the Kyrgyz Republic in favour of Sistem in the amount of \$11 million with additional interest.

Centerra Gold Inc.
Notes to the Condensed Consolidated Interim Financial Statements
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(Expressed in thousands of United States Dollars)

15. Related Party Transactions

Kyrgyzaltyn JSC

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

The table below summarizes 100% of the management fees and concession payments paid and accrued by Kumtor Gold Company (“KGC”), a subsidiary of the Company, to Kyrgyzaltyn and the amounts paid and accrued by Kyrgyzaltyn to KGC according to the terms of a Restated Gold and Silver Sale Agreement between KGC, Kyrgyzaltyn and the Government of the Kyrgyz Republic dated June 6, 2009.

The breakdown of the sales transactions and expenses with the related parties are as follows:

Related parties

(Thousands of U.S.Dollars)	Three Months Ended	
	March 31, 2012	March 31, 2011
Management fees to Kyrgyzaltyn	\$ 62	\$ 166
Gross gold and silver sales to Kyrgyzaltyn	\$ 108,026	\$ 230,747
Deduct: refinery and financing charges	(294)	(835)
Net sales revenue received from Kyrgyzaltyn	\$ 107,732	\$ 229,912

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**(Expressed in thousands of United States Dollars)

15. Related Party Transactions (continued)**Kyrgyzaltyn JSC (continued)***Related party balances*

The assets and liabilities of the Company include the following amounts due from and to related parties:

(Thousands of U.S.Dollars)	March 31, 2012	December 31, 2011
Prepaid	\$ 80	\$ 143
Amounts receivable	34,040	47,366
Total related party assets	\$ 34,120	\$ 47,509

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to a Gold and Silver Sale Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Pursuant to the Agreement on New Terms, entered into in April 2009, the Gold and Silver Sale Agreement was amended and restated in June 2009 with new terms. Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days.

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn.

Based on movements of Centerra's share price and the value of individual or unsettled gold shipments over the course of the first quarter of 2012, there was no shortfall in the value of the pledged security as compared to the value of any unsettled shipments. The highest value receivable from unsettled shipments during the quarter was \$48.7 million.

Centerra Gold Inc.
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
(Expressed in thousands of United States Dollars)

16. Supplemental cash flow disclosure

Investment in property, plant and equipment (PP&E)

(Thousands of U.S.Dollars)	Three months ended	
	March 31 2012	March 31 2011
Additions to PP&E during the period ended	\$ (130,136)	\$ (72,168)
Depreciation and amortization included in additions to PP&E	9,435	5,411
Reduction (increase) in accruals included in additions to PP&E	(1,285)	5,072
Cash investment in PP&E	\$ (121,986)	\$ (61,685)

17. Subsequent events

On April 23, 2012, KGC signed an agreement with the Kyrgyz Government to fund \$21 million into a national micro-credit financing program. This funding is part of an existing government program whose objective is to provide financing for small sustainable development projects throughout the Kyrgyz Republic. On signing of this agreement, the \$21 million was transferred by KGC to the Government's micro credit agency and will be expensed in second quarter of 2012. This funding is in support of the Company's commitment to invest in sustainable development projects in the communities where it works.

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars)

18. Segmented Information

In accordance with IFRS 8, *Operating Segments*, the Company's operations are segmented on a regional basis and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The Chief Executive Officer has authority for resource allocation and assessment of the Company's performance and is therefore the CODM.

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, activities related to the Gatsuurt project and local exploration activities. The Corporate and other segment involve the head office located in Toronto and other international exploration projects. The segments' accounting policies are the same as those described in the summary of significant accounting policies in the Company's 2011 annual financial statements except that inter-company loan interest income and expenses, which eliminate on consolidation, are presented in the individual operating segments where they are generated when determining earnings or loss.

Geographic Segmentation of Revenue

The Company's only product is gold doré, produced from mines located in the Kyrgyz Republic and Mongolia. All production from the Kumtor Gold Project is sold to the Kyrgyzaltyn refinery in the Kyrgyz Republic while production from the Boroo Gold project is sold to Auramet Trading, LLC or Johnson Matthey Limited; the latter also refines the gold for Boroo at its refinery located in Ontario, Canada.

The following table reconciles segment operating profit per the reportable segment information to operating profit per the consolidated income statement.

Centerra Gold Inc.
Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
(Expressed in thousands of United States Dollars)

18. Segmented Information (continued)

Three months ended March 31, 2012				
(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	\$ 107.8	\$ 26.0	\$ -	\$ 133.8
Cost of sales	68.5	16.3	-	84.8
Abnormal mining costs	19.2	-	-	19.2
Mine standby costs	4.6	-	-	4.6
Regional office administration	3.4	1.4	-	4.8
Earnings from mine operations	12.1	8.3	-	20.4
Revenue based taxes	15.1	-	-	15.1
Other operating expenses	1.4	0.1	-	1.5
Exploration and business development	2.3	2.1	3.9	8.3
Corporate administration	0.6	0.1	7.9	8.6
Earnings (loss) from operations	(7.3)	6.0	(11.8)	(13.1)
Other (income) and expenses				(0.8)
Finance costs				0.9
Loss before income taxes				(13.2)
Income tax expense				1.5
Net loss and comprehensive loss				(14.7)
Capital expenditure for the period	\$ 126.2	\$ 3.8	\$ 0.1	\$ 130.1
Assets (excluding Goodwill)	\$ 1,001.3	\$ 326.1	\$ 175.5	\$ 1,502.9
Three months ended March 31, 2011				
(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	\$ 229.9	\$ 20.3	\$ -	\$ 250.2
Cost of sales	48.3	13.5	-	61.8
Regional office administration	3.3	1.5	-	4.8
Earnings from mine operations	178.3	5.3	-	183.6
Revenue based taxes	32.2	-	-	32.2
Exploration and business development	4.1	0.8	2.6	7.5
Corporate administration	0.5	0.2	7.1	7.8
Earnings (loss) from operations	141.5	4.3	(9.7)	136.1
Other (income) and expenses				(1.0)
Finance costs				0.4
Earnings before income taxes				136.7
Income tax expense				0.1
Net earnings and comprehensive income				\$ 136.6
Capital expenditure for the period	\$ 71.9	\$ 0.1	\$ 0.2	\$ 72.2
Assets(excluding Goodwill)	\$ 845.2	\$ 278.6	\$ 254.6	\$ 1,378.4