

centerra**GOLD**



NEWS RELEASE

Centerra Gold Reports Record Fourth Quarter Production at Kumtor Fourth Quarter Earnings of \$0.20 per share

(This news release contains forward-looking information that is subject to the risk factors and assumptions set out on pages 16 and 17 and in our Cautionary Note Regarding Forward-looking Information on page 19. All figures are in United States dollars.)

Toronto, Canada, February 6, 2009: Centerra Gold Inc. (TSX: CG) today reported its financial and operating results for the fourth quarter and year ended December 31, 2008 and provided an outlook for 2009.

2008 Fourth Quarter and Full Year Highlights

- Record fourth quarter gold production at Kumtor of 236,544 ounces bringing full year gold production at Kumtor to 556,251 ounces. Centerra's consolidated 2008 gold production increased 35% to 748,888 ounces compared to 555,410 ounces a year earlier.
- Fourth quarter gold sales of \$241.3 million, an increase of 73% over the third quarter.
- Annual gold sales of \$636.0 million, an increase of 70% over the prior year.
- Cash provided by operations of \$103.3 million for the fourth quarter. For the year, cash provided by operations of \$166.3 million representing \$0.77 per share.
- Net earnings were \$42.6 million (\$0.20 per common share) for the fourth quarter, an increase of 152% over the third quarter, after reflecting an \$18.8 million write-down of goodwill. For the year, net earnings of \$134.8 million (\$0.62 per common share), an increase of \$227.3 million over the prior years loss of \$92.5 million.
- Cash and short-term investments of \$167.4 million as at December 31, 2008 compared to \$105.5 million a year earlier and the Company has no debt.
- Earnings before unusual items for the year were \$97.1 million compared to \$39.1 million in the prior year.
- Discussions continued with the government working group in the Kyrgyz Republic and Cameco Corporation to resolve outstanding issues.
- Exploration joint ventures advanced in Russia (Tyva Republic), Turkey and the United States (Nevada).

Centerra's consolidated gold production for the fourth quarter of 2008 totaled 284,045 ounces at a total cash cost of \$379 per ounce compared to 132,530 ounces at a total cash cost of \$585 per ounce in the corresponding quarter of 2007. Cash provided by operations, net of working capital changes and other operating items was \$103.3 million compared to a use of cash of \$3.2 million in the fourth quarter of 2007. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures" in this news release.)

In the fourth quarter of 2008, the Company recorded net earnings of \$42.6 million or \$0.20 per common share based on revenues of \$241.3 million and including a charge to earnings of \$18.8 million to write-down the goodwill in the Mongolian operating unit to fair value. This compares to net earnings before unusual items of \$9.7 million or \$0.05 per common share on revenues of \$89.4 million in the same quarter of last year. In the fourth quarter of 2007 after reflecting unusual items, related to the preliminary framework agreement with the Kyrgyz Government announced on August 30, 2007 (subsequently expired), the Company recorded a net loss of \$26.7 million or \$0.12 per common share.

Consolidated 2008 gold production increased 35% to 748,888 ounces in line with the Company's third quarter outlook, at a total cash cost of \$483 per ounce compared with consolidated gold production of 555,410 ounces at a total cash cost of \$442 per ounce for the prior year. Cash provided by operations, net of working capital changes and other operating items was \$166.3 million compared to \$41.3 million in 2007. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures" in this news release.)

For the full year of 2008, net earnings before unusual items and after the write-down to goodwill of \$18.8 million were \$97.1 million or \$0.45 per common share on revenues of \$636.0 million compared to net earnings before unusual items of \$39.1 million or \$0.18 per common share on revenues of \$373.5 million in 2007. Net earnings for 2008 were \$134.8 million or \$0.62 per share, after reflecting unusual items of \$37.7 million (gain) relating to the reduction to fair value recorded in the second quarter of 2008 of the contingent share obligation under the expired preliminary framework agreement. During 2007, the Company recorded unusual items of \$131.6 million (loss) related to the preliminary framework agreement with the Kyrgyz Government announced on August 30, 2007 (subsequently expired), resulting in a net loss of \$92.5 million or \$0.43 per share.

Commentary

Stephen Lang, President and CEO of Centerra Gold commented, "During the fourth quarter Kumtor set records for mill throughput, material moved and gold produced and sold. Kumtor generated its highest ever quarterly revenue in its 11-year operating history. Our operations generated strong cash flow during the quarter of \$103.3 million. For 2008, cash flow from the operations totalled \$166.3 million. Centerra ended the year with a balance sheet that includes \$167.4 million in cash and short-term investments and has no debt. Our discussions with the Kyrgyz Government and Cameco are continuing and all parties are working towards an acceptable resolution of outstanding issues."

"For 2009, consolidated gold production is expected to be in the 720,000 to 770,000 ounce range. The production profile at Kumtor will be similar to 2008 with 40% of the gold production expected in the fourth quarter," he concluded.

Year-end Reserves and Resources Update

Reserves

As of December 31, 2008, on a 100% project basis, Centerra's proven and probable reserves totaled 5.8 million ounces of contained gold, compared to 7.0 million ounces as of December 31, 2007. Reserves were reduced by 147,000 contained ounces in addition to the 1.0 million contained ounces processed or placed on the Boroo heap leach pad during 2008. All 2008 year-end reserves and resources were estimated using a gold price of \$675 per ounce compared to \$550 per ounce in 2007.

At Kumtor reserves reduced by 180,000 contained ounces before accounting for the processing of 697,000 contained ounces during 2008. This reduction is due to the lowering of high-grade capping levels, changes to model interpolations methods and normal reconciliation variances between mining and milling operations during 2008.

The current pit design at Kumtor assumes that the glacial till and bedrock will be hydrologically depressurized to achieve the pit wall slope angles. Geotechnical work to date has indicated that the till is amenable to depressurization. A program to hydrologically depressurize the till and bedrock was implemented in 2008. Therefore, to reflect the geotechnical risks and the technical risks associated with implementing the depressurization program, all remaining reserves in the central pit have been reclassified to probable reserves at Kumtor. All ore in stockpile inventory as of December 31, 2008 is placed in the proven reserve category.

At Boroo reserves increased by 33,000 contained ounces before accounting for the processing of 303,000 contained ounces during 2008 in the Boroo mill and heap leach pad. The addition is due to the identification of additional heap leach and milling ore during 2008 mining production compared to the block model. All mill and heap leach ore in stockpile inventory as of December 31, 2008 is placed in the proven reserve category. All remaining reserves to be mined in the pit have been classified to probable reserves.

At Gatsurt, no changes were made to reserves figures or classification from the December 31, 2007 estimate of approximately 1.0 million contained ounces of gold.

Resources

As of December 31, 2008, on a 100% project basis, Centerra's measured and indicated resources decreased by 819,000 ounces over the December 31, 2007 figures to total 4.9 million ounces of contained gold (Centerra's share is 4.5 million ounces), compared to 5.8 million ounces (Centerra's share was 5.3 million ounces) as of December 31, 2007.

As a result of the 2008 drilling at Kumtor of the high-grade core below the Stockwork area in the Central pit, 757,000 contained ounces of the 2007 measured and indicated resources were reclassified to inferred resources (Kumtor Stockwork Underground). The reclassification of this material to the inferred category is due to the belief that it could be amenable to underground mining in the "Kumtor Stockwork Underground". Additional reductions of Kumtor inferred resources are the result of lowering of high-grade capping levels and changes to model interpolations methods.

Centerra Gold Inc.
2008 Year-end Reserve and Resource Summary
(as of December 31, 2008)

Reserves ⁽¹⁾											(Tonnes and ounces in thousands) ⁽¹¹⁾⁽¹²⁾				
Property	Proven			Probable			Total Proven and Probable Reserves								
	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾				
Kumtor ⁽¹⁾⁽⁶⁾⁽¹³⁾	3,412	1.4	150	32,008	3.8	3,875	35,420	3.5	4,025	4,025	OP				
Boroo ⁽⁸⁾	9,015	0.8	232	9,440	1.8	546	18,455	1.3	778	778	OP				
Gatsuurt ⁽¹⁾	-	-	-	9,101	3.4	1,005	9,101	3.4	1,005	1,005	OP				
Total	12,427	1.0	382	50,549	3.3	5,426	62,976	2.9	5,808	5,808					

Measured and Indicated Resources ⁽²⁾											(Tonnes and ounces in thousands) ⁽¹¹⁾⁽¹²⁾				
Property	Measured			Indicated			Total Measured and Indicated Resources								
	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾				
Kumtor ⁽⁵⁾⁽⁶⁾⁽¹³⁾	18,966	2.8	1,689	14,989	2.4	1,176	33,955	2.6	2,865	2,865	OP				
Boroo ⁽⁵⁾⁽⁸⁾	452	2.2	32	4,465	1.5	210	4,916	1.5	242	242	OP				
Gatsuurt ⁽⁹⁾	-	-	-	6,238	3.0	607	6,238	3.0	607	607	OP				
REN ⁽¹⁰⁾	-	-	-	2,991	12.7	1,220	2,991	12.7	1,220	767	UG				
Total	19,418	2.8	1,721	28,682	3.5	3,213	48,100	3.2	4,934	4,481					

Inferred Resources ⁽²⁾						(Tonnes and ounces in thousands) ⁽¹¹⁾⁽¹²⁾				
Property	Inferred			Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾					
	Tonnes	Grade (g/t)	Contained Gold (oz)			Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)
Kumtor ⁽⁵⁾⁽⁶⁾⁽¹³⁾	600	1.8	34	34	OP					
Kumtor Stockwork Underground ⁽⁷⁾	2,089	11.3	757	757	UG					
Kumtor SB Underground ⁽⁷⁾	2,671	18.6	1,593	1,593	UG					
Boroo ⁽⁵⁾⁽⁸⁾	7,323	1.0	233	233	OP					
Gatsuurt ⁽⁹⁾	2,437	3.3	256	256	OP					
REN ⁽¹⁰⁾	835	16.1	432	272	UG					
Total	15,995	6.4	3,305	3,145						

- (1) The reserves have been estimated based on a gold price of \$675 per ounce.
- (2) Mineral resources are in addition to reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability when calculated using mineral reserve assumptions.
- (3) Centerra's equity interests are: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 63%.
- (4) "OP" means open pit and "UG" means underground.
- (5) Open pit resources occur outside the current ultimate pits which have been designed using a gold price of \$675 per ounce.
- (6) The open pit reserves and resources at Kumtor are estimated based on a cutoff grade of 1.0 gram of gold per tonne and includes the Central Pit and the Southwest and Sarytor deposits.
- (7) Underground resources occur below the Central pit and are estimated based on a cutoff grade of 7.0 grams of gold per tonne.
- (8) The reserves and resources at Boroo are estimated based 0.5 gram of gold per tonne cutoff grade.
- (9) The reserves and resources at Gatsuurt are estimated using either a 1.2 or 1.8 grams of gold per tonne cutoff grade depending on process method.
- (10) The resources at REN are estimated based on a cutoff grade of 8.0 grams of gold per tonne.
- (11) A conversion factor of 31.10348 grams per ounce of gold is used in the reserve and resource estimates.
- (12) Numbers may not add up due to rounding.
- (13) Kumtor reserves and resources include Sarytor reserves of 2.8 million tonnes grading 3.4 g/t for 311,000 contained ounces, Sarytor and Southwest indicated resources of 8.5 million tonnes grading 2.2 g/t for 598,000 contained ounces and Sarytor inferred resources of 0.52 million tonnes grading 1.7 g/t for 29,000 contained ounces. The mining licenses for these deposits were invalidated by the Bishkek Inter District Court on June 17, 2008. That order is under appeal by the Company. The Company believes that its current negotiations with the Kyrgyz Republic are reasonably likely to lead to the resolution of outstanding issues, and to the reinstatement of the Sarytor and Southwest licenses. It therefore continues to include the Sarytor and Southwest reserves and resources in this statement. See "Other Corporate Developments – Kyrgyz Republic."

Financial and Operating Summary Highlights

Financial and Operating Summary	Three Months Ended December 31			Year Ended December 31		
	2008	2007	% Change	2008	2007	% Change
Revenue - \$ millions	241.3	89.4	170%	636.0	373.5	70%
Cost of sales - \$ millions ⁽¹⁾	113.4	52.2	117%	332.0	207.4	60%
Impairment charge - \$ millions	18.8	-	100%	18.8	-	100%
Net earnings before unusual items - \$ millions ⁽²⁾	42.6	9.7	337%	97.1	39.1	148%
Unusual items - \$ millions	-	36.5	100%	(37.7)	131.6	129%
Net earnings (loss) - \$ millions	42.6	(26.7)	-	134.8	(92.5)	-
Earnings (loss) per common share - \$ basic and diluted	0.20	(0.12)	-	0.62	(0.43)	-
Cash provided by operations - \$ millions	103.3	(3.2)	-	166.3	41.3	303%
Weighted average common shares outstanding - basic (thousands) ⁽³⁾	216,318	216,318	0%	216,318	216,269	0%
Weighted average common shares outstanding - diluted (thousands) ⁽³⁾	218,166	216,318	1%	217,280	216,269	0%
Gold sold – ounces	299,242	113,264	164%	745,730	540,645	38%
Gold produced – ounces	284,045	132,530	114%	748,888	555,410	35%
Cost of sales - \$/oz sold	379	461	(18%)	445	384	16%
Total cash cost ⁽⁴⁾ - \$/oz produced	379	585	(35%)	483	442	9%
Total production cost ⁽⁴⁾ - \$/oz produced	501	703	(29%)	592	532	11%
Average realized gold price - \$/oz	806	789	2%	853	691	23%

(1) Cost of sales excludes regional office administration.

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

(3) As of December 31, 2008, the Company had 216,318,188 common shares issued and outstanding.

(4) Total cash cost and total production cost are non-GAAP measures and are discussed under “Non-GAAP Measures”.

Fourth Quarter 2008

Revenues for the fourth quarter of 2008 were \$241.3 million compared to \$89.4 million during the same period one year ago. Fourth quarter 2008 revenue reflects a 164% increase in ounces sold and a 2% increase in realized gold price (\$806 per ounce in the fourth quarter of 2008 versus \$789 per ounce in the fourth quarter of 2007).

The Company produced 284,045 ounces in the fourth quarter of 2008, up from 186,145 ounces of gold in the third quarter and more than double the 132,530 ounces of gold produced in the fourth quarter of 2007.

Centerra’s total cash cost per ounce of gold was \$379 in the fourth quarter compared to \$585 in the fourth quarter of 2007. The year-over-year decrease in unit cash costs was primarily due to the increased gold production (\$266 per ounce reduction) resulting from the impact of higher throughput, grades, and recoveries at Kumtor. While the operating costs increased by 39% (\$60 per

ounce increase) to \$107.8 million in the fourth quarter of 2008 from \$77.6 million in the same period in 2007, the production more than doubled, which led to a decrease in total cash costs on a per ounce basis. (Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measures” in this news release.)

Cash provided by operations was \$103.3 million for the fourth quarter of 2008 compared to a use of funds of \$3.2 million for the prior year fourth quarter. The increase reflects the increased gold sales.

Capital expenditures in the fourth quarter of 2008 amounted to \$27.3 million of which \$16.4 million was spent on sustaining capital projects and \$10.9 million invested in growth capital. The major growth components are related to the SB Zone underground development at Kumtor (\$5.7 million), completion of the heap leach facility at Boroo (\$2.5 million) and Pit 3 pre-stripping at Boroo (\$0.6 million).

Exploration expenditures for the fourth quarter were \$7.9 million dollars compared to \$5.6 million in the fourth quarter of 2007 reflecting higher spending at Kumtor in 2008 and costs associated with the new joint ventures in Russia and Turkey.

An impairment review of the Mongolia goodwill was performed during the fourth quarter of 2008. Due to the depleting reserves at the Boroo mine as a result of production, it was determined that the carrying value of the Mongolia reporting unit exceeded its fair value. The full carrying value of goodwill of \$18.8 million was considered impaired and therefore written off.

Full Year 2008

Revenues for the year were \$636.0 million compared to \$373.5 million during the same period one year ago. 2008 revenue reflects a 38% increase in ounces sold and a 23% increase in realized gold price (\$853 per ounce in 2008 versus \$691 per ounce in 2007).

The Company produced a total of 748,888 ounces in 2008, an increase of 35% from 555,410 ounces a year earlier primarily due to Kumtor’s increased production.

Centerra’s 2008 total cash cost per ounce of gold was \$483 compared to \$442 in 2007. The year-over-year increase in unit cash costs was primarily due to higher operating costs (\$125 per ounce increase) impacted by higher labour costs and increased costs of diesel fuel for most of 2008, electricity and other consumables. However, on a per ounce basis the increases in operating costs were partially offset by the impact of Kumtor’s higher production (\$84 per ounce reduction) due to higher grades and recoveries. (Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measures” in this news release.)

For the year, cash provided by operations was \$166.3 million compared to \$41.3 million for the prior year. The increase reflects the increased gold sales and higher average gold price received.

Capital expenditures for 2008 amounted to \$94.5 million of which \$47.5 million was spent on sustaining capital projects and \$47.0 million invested in growth capital. The major components are

related to the SB Zone underground development at Kumtor (\$15.4 million), completion of the heap leach facility at Boroo (\$10.6 million) and Pit 3 pre-stripping at Boroo (\$13.2 million).

Exploration expenditures in 2008 were \$23.5 million compared to \$19.1 million in 2007 reflecting higher spending at Kumtor in 2008 and the increase in exploration activities elsewhere.

Market Update

A significant factor in determining profitability and cash flow from the Company's operations is the price of gold. The spot market gold price based on the London PM fix was approximately \$870 per ounce at the end of 2008. For the three months ended December 31, 2008, the gold price averaged \$795 per ounce compared to \$788 per ounce for the same period in 2007. For the year 2008, the gold price averaged \$872 per ounce compared to \$696 per ounce for 2007.

The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic and Mongolia, and its corporate head office is in Toronto, Canada. During 2008, approximately \$281 million in non-U.S. dollar operating and capital costs were incurred by Centerra. The percentage of Centerra's non-U.S. dollar costs, by currency was, on average, as follows: 45% in Kyrgyz som, 25% in Mongolian tugrik, 17% in Canadian dollars, 11% in Euros, and approximately 2% in British pounds and Australian dollars, combined. In 2008, the currencies of the Kyrgyz Republic, Canada, the United Kingdom and Australia declined against the U.S. dollar by approximately 3.0%, 7.6%, 8.3% and 4.7%, respectively, from their value at December 31, 2007. The Tugrik and the Euro remained virtually unchanged against the U.S. dollar. The net impact of these movements in 2008 was to reduce operating and capital costs by \$7.4 million.

Other Corporate Developments

Kyrgyz Republic

Centerra continues to hold discussions with Cameco Corporation and a Kyrgyz Republic Government working group with a view to resolving outstanding matters relating to the Kumtor project. The Company is optimistic that these discussions will ultimately result in a mutually acceptable and lasting settlement of all issues.

The following discussion summarizes the legal, arbitration and regulatory proceedings affecting the Company and the Kumtor project since June, 2008, when the previously announced framework agreements among the parties expired. To allow for discussion with Cameco and the Kyrgyz Republic to continue and for the parties to concentrate on resolving the issues, the Company agreed in September 2008 to suspend the international arbitration proceedings previously initiated by it. That suspension continues. The Company believes that all of the proceedings affecting the project will be resolved when the principal matters at issue between Cameco, the Kyrgyz Republic and Centerra have been resolved.

On June 2, 2008, the Company reported that the previously announced framework agreements entered into between the Company, Cameco Corporation and the Government of the Kyrgyz Republic (the "Government") on August 30, 2007 relating to the Kumtor project had not been

ratified by the Parliament of the Kyrgyz Republic within the time frame agreed by the parties and had therefore expired.

Under the circumstances and in response to court proceedings described below, on June 4, 2008, the Company resumed international arbitration previously initiated by the Company in accordance with its Investment Agreement, which provides that all disputes with respect to the project are subject to international arbitration. As discussed below, these arbitration proceedings have been suspended to allow for the continuation of discussions with Cameco and the Government regarding outstanding issues related to the project.

A Vice-Speaker of the Parliament, K.S. Isabekov filed two lawsuits in 2008 against the Government of the Kyrgyz Republic seeking to invalidate the licenses and agreements pursuant to which the Kumtor mine is operated. Although the Company and its subsidiary Kumtor Gold Company (KGC), the owner of the project, were not parties to those lawsuits, and despite their objections to the court's jurisdiction on the basis of the Investment Agreement's arbitration clause and the ongoing international arbitration, they were ordered to appear as third parties by the Kyrgyz court.

The Vice-Speaker's lawsuits sought to annul: (i) the Government's decree approving the December 31, 2003 agreements implementing the restructuring of the project; (ii) the 2003 agreements giving effect to the restructuring, including the Investment Agreement and the Concession Agreement providing for Kumtor's right to explore and develop the main Kumtor deposit within the Kumtor concession; (iii) the exploration license covering all of the Kumtor deposits; (iv) the mining license covering the Southwest Zone; (v) the mining license covering the Sarytor area; (vi) the Government's decree approving the 1993 Concession Agreement (superceded by the 2003 Concession Agreement); and (vii) the 1993 Concession Agreement itself. The Vice-Speaker argued that the 2003 agreements and 1993 Concession Agreement required Parliamentary approval to be effective and that as no such approval was obtained, such agreements are void. He also argued that the licenses were invalid because they were granted without a competition having been held and pursuant to agreements that are themselves invalid for lack of Parliamentary ratification.

On May 12, 2008, the Supreme Court of the Kyrgyz Republic, pending resolutions of the claims before the lower courts, issued an order suspending: the 2003 decree; the 2003 Concession Agreement; and the mining and exploration licenses. Acting on the order, the State Agency on Geology and Mineral Resources Management notified Kumtor that as issues relating to the 2003 decree and the Concession Agreement are regulated by "international legislation", operations within the concession area as well as work on the underground decline (to further develop the SB zone) should be continued but that operations on the licenses should be stopped. In response to the notice, Kumtor halted activity on the mining and exploration licenses and suspended development of the Sarytor deposit. All Kumtor mining operations take place in the concession area and have continued uninterrupted.

On June 17, 2008, the Bishkek Inter District Court issued an order invalidating the Southwest and Sarytor mining and Kumtor exploration licenses.

Having been joined involuntarily as third parties, KGC and the Company defended the validity of the agreements, licenses and decrees in the Kyrgyz court actions on procedural and substantive grounds. At the same time, KGC and the Company maintained their position that the Investment Agreement's arbitration clause confers exclusive jurisdiction over questions surrounding the validity of the agreements and licenses on the international arbitration tribunal. With respect to the relevant agreements and decrees, at the time of the 2003 restructuring the Kyrgyz Ministry of Justice issued various legal opinions repeatedly affirming that the Government had the legal capacity to enter into and perform the agreements.

After reactivating the international arbitration proceedings on June 2, 2008, Centerra and KGC, on June 13, 2008, added claims based on the Vice-Speaker's lawsuits and their consequences. At the initial conference on June 23, 2008, Centerra filed an application for interim relief in the arbitration, requesting that all parties to the arbitration be directed to maintain the *status quo* and treat the licenses, agreements and decrees at issue in the Kyrgyz Republic as valid and enforceable. The Kyrgyz Republic has taken the position in its response to such application that, among other things, the 2003 Investment Agreement required but did not receive Parliamentary approval and therefore is not in effect.

On August 26, 2008, the Bishkek Inter-District Court of the Kyrgyz Republic dismissed the Vice-Speaker's lawsuit relating to the Government decrees and the 2003 Kumtor Agreements. On December 24, 2008, the Supreme Court of the Kyrgyz Republic upheld the dismissal of the Vice-Speaker's lawsuit. The Company cautions that the court's ruling does not resolve the principal matters at issue between the Company and the Kyrgyz Republic. As well, the ruling had no effect on the previously reported court decision (June 17, 2008) to invalidate the exploration and development licenses referred to above.

In 2008, Kumtor was made the subject of several new tax assessments and other proceedings in the Kyrgyz Republic. These include an investigation by the Kyrgyz Republic financial police into alleged tax evasion in relation to the grant of tax exemptions pursuant to the Investment Agreement governing the Kumtor project and an audit by the state tax inspectorate to determine the amount of taxes that Kumtor would have owed for the years 2005 to 2008 had the Investment Agreement and the Concession Agreement relating to the project not been in effect. The financial police requested, and were provided by Kumtor with, information and documents relating to the project and interviewed senior Kumtor personnel. Kumtor also received assessments from tax authorities relating to value-added taxes, land taxes and customs duties alleged to be owed by Kumtor. Kumtor is continuing to cooperate with the relevant authorities and continues to pay all taxes in accordance with applicable laws and the Investment Agreement and believes that there is no basis for these investigations or assessments.

Mongolia

On June 29, 2008, Mongolia held parliamentary elections. The Mongolian People's Revolutionary Party (MPRP), which held a slight majority in the prior parliament, won 45 of 76 seats and the Mongolian Democratic Party won 28 seats. Although the MPRP won a clear majority, a coalition government was formed and, as a result of government restructuring a new ministry of mining was established. Centerra has resumed negotiations with respect to an investment agreement for the

Gatsuurt Project. In December 2008, the Parliament enacted a change to the windfall profits tax in respect to gold sales. A new threshold price in excess of \$850 per ounce was enacted, up from \$500 per ounce.

Operations Update

	Three Months Ended December 31			Year Ended December 31		
	2008	2007	% Change	2008	2007	% Change
Kumtor Operating Results						
Gold sold – ounces	258,642	71,371	262%	552,253	300,474	84%
Revenue - \$ millions	208.5	56.5	269%	468.3	209.1	124%
Average realized gold price – \$/oz	806	791	2%	848	696	22%
Cost of sales - \$ millions ⁽¹⁾	96.8	41.9	131%	273.1	165.6	65%
Cost of sales - \$/oz sold	374	587	(36%)	495	551	(10%)
Tonnes mined - 000s	29,000	31,508	(8%)	115,548	114,781	1%
Tonnes ore mined – 000s	1,490	1,785	(17%)	4,967	5,182	(4%)
Tonnes milled - 000s	1,560	1,394	12%	5,577	5,545	1%
Average mill head grade - g/t ⁽²⁾	5.60	2.57	118%	3.89	2.36	65%
Recovery - %	83.2	72.2	15%	79.7	72.7	10%
Gold produced – ounces	236,544	73,922	220%	556,251	300,862	85%
Total cash cost ⁽³⁾ - \$/oz	361	769	(53%)	517	610	(15%)
Total production cost ⁽³⁾ - \$/oz	479	909	(47%)	628	710	(12%)
Capital expenditures - \$ millions	20.3	15.6	30%	57.1	87.7	(35%)
Boroo Operating Results						
Gold sold – ounces	40,600	41,893	(3%)	193,477	240,171	(19%)
Revenue - \$ millions	32.8	32.9	(0%)	167.7	164.4	2%
Average realized gold price - \$/oz	808	785	3%	867	684	27%
Cost of sales - \$ millions ⁽¹⁾	16.6	10.3	61%	58.9	41.7	41%
Cost of sales - \$/oz sold	409	247	66%	304	174	75%
Total tonnes mined - 000s	5,039	5,662	(11%)	21,450	21,159	1%
Tonnes mined heap leach – 000s	1,037	782	33%	3,629	3,601	1%
Tonnes ore mined direct mill feed -000's	625	725	(14%)	2,416	2,362	2%
Tonnes ore milled - 000s	620	650	(5%)	2,496	2,549	(2%)
Average mill head grade - g/t ⁽²⁾	2.55	3.21	(21%)	2.69	3.62	(26%)
Recovery - %	70.7	85.5	(17%)	77.7	85.3	(9%)
Gold produced – ounces	47,501	58,608	(19%)	192,637	254,548	(24%)
Total cash cost ⁽³⁾ - \$/oz	471	353	34%	382	244	57%
Total production cost ⁽³⁾ - \$/oz	606	444	37%	490	321	53%
Capital expenditures - \$ millions	6.7	4.0	68%	35.9	31.9	13%

(1) Cost of sales for 2008 and its comparative years exclude regional office administration.

(2) g/t means grams gold per tonne.

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

Kumtor

At the Kumtor mine, gold production was 236,544 ounces in the fourth quarter of 2008 representing a 220% increase from the same quarter in 2007, due to higher ore grades and increased recovery. The ore grade in the fourth quarter averaged 5.60 g/t with a recovery of 83.2% compared to 2.57 g/t with a recovery of 72.2% in the same quarter of 2007. The gold production was 77% higher in fourth quarter of 2008 than in the third quarter of 2008, as the high-grade SB Zone was mined for the quarter.

Total cash cost per ounce, a non-GAAP measure of production efficiency, decreased to \$361 in the fourth quarter compared to \$769 a year earlier due to a 220% increase in production (\$475 per ounce reduction) as a result of greater throughput, higher grades and recoveries partially offset by higher costs (\$67 per ounce increase (\$46 per ounce – mining, \$14 per ounce – milling, \$7 per ounce – administration)). Operating costs increased to \$85.4 million in the fourth quarter compared to \$56.9 million in the fourth quarter of 2007. The cost increases year-over-year were due to higher costs of labour, diesel fuel and consumables.

Exploration expenditures totaled \$3.4 million for the fourth quarter of 2008, an increase from \$2.8 million in the fourth quarter 2007, primarily as a result of increased drilling activity.

During the fourth quarter of 2008 capital expenditures were \$20.3 million, which included \$12.7 million sustaining capital spent mainly on the till dewatering program, a replacement excavator, loader and bulldozer and the CAT 785 haul trucks major overhaul program. In addition \$7.6 million was invested in growth capital mainly for the SB Zone underground development (\$5.7 million).

The SB Zone underground decline has advanced 195 metres and development continues to advance in the hanging wall. The ground conditions have been improving in the last quarter which has allowed the development to improve the advancement rate. At year-end the development was approximately 240 meters from the planned turn that will allow the decline to be developed parallel to the Kumtor fault zone and SB Zone structure. At the current rate of advancement, the Company expects underground exploration drilling to commence in the third quarter of 2009.

At Kumtor, a new 30-month collective agreement was ratified by the membership in November 2008. The new contract is retroactive to July 1, 2008. The settlement provides a stable work environment with wage increases and production bonuses for the work force up to January 1, 2011.

The Kumtor pit high wall has been studied extensively since the SB Zone was developed in 2007. During 2008, vertical and horizontal drilling established dewatering and depressurization of the till lithography. The dewatering program was established, in consultation with a third-party consultant, to extract perched water and melt waters from the pit. The resulting higher strengths in the unfrozen till structure and the dewatered rock structures will improve the geotechnical characteristics in the pit walls as the mine is further developed.

Boroo

At the Boroo mine in the fourth quarter of 2008, gold production was 47,501 ounces (including heap leach production of 12,364 ounces), 11,107 ounces lower than the fourth quarter of 2007 due to

reduced ore grade of 2.55 g/t versus 3.21 g/t in 2007 and lower mill recovery of 70.7% compared to 85.5%. The Company was granted an extension to its temporary permit for the heap leach facility in the quarter and is waiting to receive the final permits and approvals.

Total cash costs per ounce, a non-GAAP measure of production efficiency, increased to \$471 in the fourth quarter of 2008 from \$353 in the fourth quarter of 2007, primarily as the result of higher mill and leaching costs (\$74 per ounce) due to higher reagent and consumable costs, and a reduction in ounces produced (\$67 per ounce). Partially offsetting these costs was a reduction in administration costs (\$23 per ounce).

During the fourth quarter of 2008, capital expenditures of \$6.7 million included \$3.5 million sustaining capital and \$3.2 million invested in growth capital. The growth capital was primarily related to completing the construction of the heap leach facility (\$2.5 million) and \$0.6 million in capitalized pre-stripping of Pit 3.

Exploration Update

Kyrgyz Republic

During the fourth quarter of 2008, exploration drilling programs continued in the Kumtor Central Pit.

Kumtor Pit

In the fourth quarter of 2008, the drilling program focused on confirming the grade and extent of potential high-grade underground mineable mineralization in the Stockwork Zone below the current planned open pit. Wide-spaced drill testing for strike and down dip extensions to the main mineralized horizons were completed in a relatively untested area to the northeast of the pit high-wall.

Drilling results from the Stockwork Zone continue to be confirm the potential for a high-grade underground deposit. Some of the better intercepts were as follows: 9.6 g/t Au over 15.4 metres including 20.6 g/t Au over 5.4 metres and 6.2 g/t Au over 37.0 metres including 17.9 g/t over 6.2 metres in drill hole D1240B, 8.1 g/t Au over 29.0 metres including 14.4 g/t Au over 13.2 metres in drill hole D1263, 6.3 g/t Au over 50.0 metres including 12.5 g/t Au over 10 metres and 12.5 g/t Au over 4.0 metres in drill hole D1267 and 9.2 g/t Au over 20.8 metres including 29.4 g/t Au over 4.9 metres in drill hole D1272A.

Further drilling is in progress to infill between holes and test the high-grade zone along strike and down dip to determine if the high-grade zone is of sufficient size to warrant underground development. The high-grade zone is open along strike to the northeast and down plunge to the southwest.

In the fourth quarter of 2008 drilling continued in the Saddle Zone area between the SB and Stockwork Zones of the Central pit. All of the holes intercepted extensive widths of the mineralization with shorter internal higher grade zones. Some of the better intercepts were: 3.3 g/t Au over 41.6 metres, including 7.9 g/t Au over 5.0 metres in hole D1235, 3.1 g/t Au over 43.9

metres, including 10.7 g/t Au over 5.0 metres in hole D1249 and 3 g/t Au over 21.6 metres, including 7.5 g/t Au over 3.4 metres in hole D1275.

These results confirm that there is exploration potential at depth between the Stockwork and SB Zones. Further drilling is planned in the first quarter of 2009 as soon as the area becomes accessible for drilling.

Drilling continued in the fourth quarter to test the extension of the Kumtor structure to the northeast of the Central pit high-wall. Hole D1244B, on section 254, was drilled to test for strike extension of the mineralization intersected in hole D1212B, on section 246. Drill hole D1260, on section 242, was drilled to test for up-dip extensions of the mineralization intersected in hole D1228A, which was completed in the third quarter 2008. Both holes intersected only low-grade mineralization with hole D1260 intersecting 2.8 g/t Au over 2.0 metres and D1244B intersecting 2 g/t Au over 3.8 metres.

Drill holes D1278 and D1278A, on section 234, were drilled to test for strike extension of the near surface mineralization intersected in hole D1008, on section 190. Both holes returned encouraging results with some of the better intercepts being: 4.8 g/t Au over 14.1 metres, including 7.6 g/t Au over 6.0 metres, and 5.8 g/t Au over 13.1 metres, including 8.1 g/t Au over 7.6 metres in hole D1278 and 5.5 g/t Au over 8.2 metres, including 7.1 g/t Au over 5.0 metres, and 3.1 g/t Au over 11.0 metres in hole D1278A. The results from these two holes indicate that there is potential for open pit-able near surface mineralization along the immediate northeast extension to the Central Pit. Additional drilling is planned for the first quarter 2009.

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

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

United States (Nevada)

Work continued on the Tonopah Divide property in the fourth quarter of 2008 to test five priority targets, defined by geology, geochemistry, and geophysics. Gold and silver mineralization was encountered in most holes.

Overall results from the property are considered favorable and additional drilling is planned for 2009.

Turkey

Centerra Gold has entered into two joint venture agreements with junior exploration companies during 2008.

KEFI Minerals – Artvin JV

In October 2008, Centerra Gold entered into a Joint Venture Agreement with KEFI Minerals covering the Artvin project in Turkey. Centerra has the right to earn a 50% interest in the property by spending a total of \$3 million over three years after which Centerra has a one-time option to earn

an additional 20% interest in the property by spending an additional \$3 million over a further two-year period. Thereafter the Centerra and KEFI shall further fund the exploration and development of the Artvin Property proportionate to their respective interests.

The property is located in northeast Turkey and covers a potential gold/copper porphyry prospect. Geochemical, geophysical and geological surveys have been completed by KEFI and a drill program was developed jointly by KEFI and Centerra. Drilling commenced in the fourth quarter of 2008.

Eurasian Minerals Joint Venture – Akarca, Samli, and Emali Projects

In December 2008, Centerra entered into a Joint Venture Agreement with Eurasian Minerals (EMX) covering the Akarca, Samli and Emali projects in Turkey. Centerra has the right to earn a 50% interest in the properties by spending a total of \$5.0 million over four years, in addition to a cash payment of \$1.0 million at the end of the fourth year after which Centerra has a one-time option to earn an additional 20% interest in the properties by spending an additional \$5.0 million over a further two-year period. Thereafter, Centerra and EMX shall further fund the exploration and development of the properties proportionate to their respective interests.

The joint venture covers three epithermal gold properties in northwest Turkey, in the West Anatolia region; Arkaca, Elmali and Samli. Drilling is being planned to test targets identified in the Arkaca and Elmali properties in the second quarter of 2009 and further target definition work will be carried out on the Samli property.

Russia

Centerra entered into an option/joint venture agreement with Central Asia Gold AB covering the Kara Beldyr project in the Tyva Republic, Russia. Centerra has the right to earn a 50% interest in the property by spending a total of \$2.5 million over three years after which Centerra has a one-time option to earn an additional 20% interest in the property by spending an additional \$4 million over a further four-year period.

The property covers a number of prospects identified by Russian exploration work completed in the 1970's and 1980's that outlined Russian geological resources of approximately one million ounces, which are not 43-101 compliant. The prospects have not been explored using modern exploration concepts. Under the supervision of Centerra, geochemical and geophysical surveys were completed in 2008 over the gold-bearing structure. The data are being compiled and drill targets identified.

Outlook for 2009

Centerra expects consolidated gold production of 720,000 to 770,000 ounces in 2009. Total cash cost in 2009 is expected to be between \$485 and \$525 per ounce. (This includes revenue-based taxes and royalties incurred in the Kyrgyz Republic at the rates fixed under its existing Investment Agreement (2003) of approximately 7.5% of revenue for all of 2009.) Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Gold production for the full year 2009 at the Kumtor mine is expected to be in the 560,000 to 600,000 ounce range, which excludes any production from the nearby Sarytor satellite deposit. The 2009 forecast gold production is lower than the 697,000 ounce forecast outlined in the life-of-mine

plan in the March 28, 2008 43-101 technical report due to the necessity to accelerate the pre-stripping of the waste dump and glacial till in the SB Zone contributing to a lower overall head grade and the deferral of mining the Sarytor starter pit until 2010. Total cash cost for 2009 is expected to be \$485 to \$525 per ounce.

On a quarterly basis, Kumtor's 2009 gold production profile will be similar to 2008. The planned mining sequence for the year has approximately 15% of gold production being recovered in the first quarter and 40% in the fourth quarter. Consequently, the Company anticipates first quarter total cash costs to be higher than the annual guidance provided. Mining activity is expected to expose the unfrozen glacial tills in the second quarter of 2009. The depressurization and dewatering programs will need to be fully functional to allow for the geotechnical consolidation of the tills and to mine at the planned pitwall angles in 2009 and thereafter. In the third quarter of 2009, the Company anticipates a 2-week shutdown of the Kumtor mill to change the ball mill ring gear and to replace the SAG mill liner.

The Company anticipates that, should it be successful in agreeing to a new tax regime with the Kyrgyz Government and the agreement results in current taxes being replaced with a revenue-based tax, total cash costs would exclude the revenue-based taxes. In such case, the outlook for total cash costs per ounce would be reduced by \$86 for Kumtor and \$67 for Centerra on a consolidated basis.

At Boroo, gold production is forecast to be 160,000 to 170,000 ounces, reflecting lower mill head grades and lower mill recoveries. The first quarter of 2009 will be weaker than the following three quarters, due in part to lower recoveries from the heap leach as the result of winter weather related issues. Total cash cost is expected to be \$485 to \$525 per ounce in 2009.

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

	2009 Production Forecast (ounces of gold)	2009 Total Cash Cost⁽¹⁾ (\$ per ounce)
Kumtor ⁽²⁾	560,000 – 600,000	485 - 525
Boroo	160,000 – 170,000	485 - 525
Total	720,000 – 770,000	485 - 525

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

(2) Unit costs reflect revenue-based taxes and royalties for the full year, as described above.

Exploration

Exploration expenditures are expected to total \$25 million for 2009.

Capital Expenditures

The capital requirement in 2009 is estimated to be \$96 million, including \$49 million of sustaining capital. Growth capital is forecast at \$47 million, which includes \$24 million for Kumtor (the largest expenditures would be \$17 million for the development of the SB Zone underground decline in 2009), and \$23 million for Boroo (the largest expenditures would be \$22 million for the construction

of the road to Gatsuurt and other site and infrastructure development). Subject to an acceptable investment agreement, the Company has decided to advance the road construction to access the Gatsuurt property (\$10 million) and spend a further \$11 million for further site and infrastructure development.

Administration

Annual corporate and administration expenses without unusual items are expected to amount to approximately \$35 million in 2009.

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

In particular, material assumptions or factors used to forecast production and costs include the following:

- a gold price of \$850 per ounce,
- exchange rates:
 - \$1USD:\$1.12CAD
 - \$1USD:38 Kyrgyz Som
 - \$1USD:1,140 Mongolian Tugrik
 - \$1USD:0.71 Euro
- diesel fuel price assumption:
 - \$0.64/litre at Kumtor
 - \$1.03/litre at Boroo

Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were done when the price of oil was \$75 per barrel.

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

Sensitivities	Change	Impact on (\$ millions)			
		Costs	Revenues	Cash flow	Earnings
Gold Price	\$25/oz	2.9	15.5	12.6	12.6
Diesel Fuel	10%	\$8/oz	-	5.8	5.8
Kyrgyz som	1 som	1.5	-	1.5	1.5
Mongolian tugrik	25 tugrik	0.9	-	0.9	0.9
Canadian dollar	10 cents	2.5	-	2.5	2.5

Other important assumptions on which the Company’s production, cost and capital guidance is based include the following:

- grades and recoveries at Kumtor will increase through the fourth quarter in accordance with the Kumtor mine plan and the block model,
- the planned 2-week shutdown of the Kumtor mill in the third quarter of 2009 to change the ball mill ring gear and to replace the SAG mill liner is successfully completed on time,
- the dewatering and depressurization programs at Kumtor continues to function properly and the water management system works as planned,
- the Boroo ore does not become more refractory in nature affecting mill recoveries,
- no delays in or interruption of scheduled production from our mines, including due to natural phenomena, power interruptions, labour disputes or other development and operation risks,
- prices for reagents and other consumables will remain consistent with Company estimates,
- the final permits and approvals for the Boroo heap leach are obtained as planned, and
- all necessary permits, licences and approvals are received in a timely manner.

For further discussion of the factors that could cause actual results to differ materially, please refer to “Risk Factors” in Centerra’s 2007 Annual Management’s Discussion and Analysis and to Centerra’s 2007 Annual Information Form including the section titled “Risk Factors”, available on SEDAR at www.sedar.com. For information on forward-looking information see “Caution Regarding Forward-Looking Information”.

Non-GAAP Measures

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

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

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

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

Centerra Gold Inc.

TOTAL CASH COST & TOTAL PRODUCTION COST RECONCILIATION (unaudited)

(\$ millions, unless otherwise specified)

Centerra:

	Three months ended December 31,		Twelve months ended December 31,	
	2008	2007	2008	2007
Cost of sales, as reported	\$ 113.3	\$ 52.2	\$ 332.0	\$ 207.3
Adjust for:				
Refining fees & by-product credits	0.6	-	(0.1)	0.3
Regional Office administration	5.0	4.1	18.8	19.4
Non-operating costs	0.5	1.6	1.5	2.3
Inventory movement	(11.6)	19.6	9.3	16.3
Total cash cost - 100%	\$ 107.8	\$ 77.5	\$ 361.5	\$ 245.6
Depreciation, Depletion, Amortization and Accretion	32.9	10.7	78.8	44.7
Inventory movement - non-cash	1.5	5.0	3.4	5.1
Total production cost - 100%	\$ 142.2	\$ 93.2	\$ 443.7	\$ 295.4
Ounces poured - 100% (000)	284.0	132.5	748.9	555.4
Total cash cost per ounce	\$ 379	\$ 585	\$ 483	\$ 442
Total production cost per ounce	\$ 501	\$ 703	\$ 592	\$ 532

Kumtor:

Cost of sales, as reported	\$ 96.7	\$ 41.9	\$ 273.1	\$ 165.6
Adjust for:				
Refining fees & by-product credits	0.6	-	(0.2)	0.1
Regional Office administration	3.8	1.6	12.1	10.8
Non-operating costs	0.3	2.0	1.3	2.3
Inventory movement - cash	(16.0)	11.3	1.5	4.8
Total cash cost - 100%	\$ 85.4	\$ 56.8	\$ 287.8	\$ 183.6
Depreciation, Depletion, Amortization and Accretion	27.5	7.9	60.0	28.5
Inventory movement - non-cash	0.5	2.5	1.5	1.6
Total production cost - 100%	\$ 113.4	\$ 67.2	\$ 349.3	\$ 213.7
Ounces poured - 100% (000)	236.5	73.9	556.3	300.9
Total cash cost per ounce	\$ 361	\$ 769	\$ 517	\$ 610
Total production cost per ounce	\$ 479	\$ 909	\$ 628	\$ 710

Boroo:

Cost of sales, as reported	\$ 16.6	\$ 10.3	\$ 58.9	\$ 41.7
Adjust for:				
Refining fees & by-product credits	-	-	0.1	0.2
Regional Office administration	1.2	2.5	6.7	8.6
Non-operating costs	0.2	0.4	0.2	-
Inventory movement	4.4	8.3	7.8	11.5
Total cash cost - 100%	\$ 22.4	\$ 20.7	\$ 73.7	\$ 62.0
Depreciation, Depletion, Amortization and Accretion	5.4	2.8	18.8	16.2
Inventory movement - non-cash	1.0	2.5	1.9	3.5
Total production cost - 100%	\$ 28.8	\$ 26.0	\$ 94.4	\$ 81.7
Ounces poured - 100% (000)	47.5	58.6	192.6	254.5
Total cash cost per ounce	\$ 471	\$ 353	\$ 382	\$ 244
Total production cost per ounce	\$ 606	\$ 444	\$ 490	\$ 321

Qualified Person

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

The Kumtor deposit is described in Centerra's most recently filed Annual Information Form (the "AIF") and in a technical report dated March 28, 2008 prepared in accordance with NI 43-101. The AIF and technical report have been filed on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Kumtor deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kumtor site are described in the technical report.

The Boroo deposit is described in the AIF and a technical report dated May 13, 2004 prepared in accordance with NI 43-101, which are available on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Boroo deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Boroo site are the same as, or similar to, those described in the technical report.

The Gatsuurt deposit is described in the AIF and in a technical report dated May 9, 2006 prepared in accordance with NI 43-101. The AIF and technical report have been filed on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Gatsuurt deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Gatsuurt project are the same as, or similar to, those described in the technical report.

The REN project is described in the AIF and in a technical report dated June 15, 2004 prepared in accordance with NI 43-101. The AIF and technical report have been filed on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the REN project. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at REN are the same as, or similar to, those described in the technical report.

Cautionary Note Regarding Forward-looking Information

Statements contained in this news release including those under the heading "Outlook for 2009", and the documents incorporated by reference herein, contain statements which are not current statements or historical facts and are "forward-looking information" within the meaning of applicable Canadian securities laws. All statements, other than statements of historical fact, contained or incorporated by reference in this news release constitute forward-looking information. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "forecasts", "projections", "anticipate" or

“does not anticipate”, “believe”, “intent”, “potential”, “strategy”, “schedule”, “estimates” and similar expressions or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved and other similar expressions have been used to identify forward-looking information. These forward-looking statements relate to, among other things Centerra’s expectations regarding, future growth, results of operations (including, without limitation, future production and sales, and operating and capital expenditures), performance (both operational and financial), business and political environment and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities.

Although the forward-looking information in this news release reflects Centerra’s current beliefs on the date of this news release based upon information currently available to management and based upon what management believes to be reasonable assumptions, Centerra cannot be certain that actual results, performance, achievements, prospects and opportunities, either expressed or implied, will be consistent with such forward-looking information. By its very nature, forward-looking information necessarily involves significant known and unknown risks, assumptions, uncertainties and contingencies that may cause Centerra’s actual results, assumptions, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking information. These risks and uncertainties include, among other things, risks relating to the outcome of litigation commenced in the Kyrgyz Republic by Vice Speaker Isabekov and of the international arbitration commenced by Centerra (suspended in September 2008 to allow for discussions with Cameco and the Government), both of which are described above under the heading “Other Corporate Developments – Kyrgyz Republic”, gold prices, replacement of reserves, reduction in reserves related to geotechnical risks, ground movements, political risk, nationalization risk, changes in laws and regulations, civil unrest, labour unrest, legal compliance costs, reserve and resource estimates, production estimates, exploration and development activities, competition, operational risks, environmental, health and safety risks, costs associated with reclamation and decommissioning, defects in title, seismic activity, cost and availability of labour, material and supplies, increases in production and capital costs, permitting and construction to raise the tailings dam height and increase the capacity of the existing Kumtor tailing dam, illegal mining, enforcement of legal rights, decommissioning and reclamation cost estimates, future financing and personnel. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See “Risk Factors” in the Company’s most recently filed Annual Information Form and Annual Management’s Discussion and Analysis available on SEDAR at www.sedar.com.

Reserve and resource figures included are estimates and Centerra can provide no assurances that the indicated levels of gold will be produced or that Centerra will receive the gold price assumed in determining its reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While Centerra believes that 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.

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. There is no certainty that mineral resources of any category can be upgraded to mineral reserves through continued exploration.

A mineral reserve is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Centerra reports mineral reserves separate from mineral resources.

Furthermore, market price fluctuations in gold, as well as increased capital or production costs or reduced recovery rates may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. Economic and technological factors which may change over time, always influence the evaluation of reserves or resources.

Centerra has not adjusted resources figures included herein in consideration of these risks and, therefore, Centerra can give no assurances that any resource estimate will ultimately be reclassified as proven and probable reserves.

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

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

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this news release. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward-looking information. Forward-looking information is as of February 5, 2009. Centerra assumes no obligation to update or revise forward-looking information to reflect changes in

assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

About Centerra

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

Conference Call

Centerra invites you to join its 2008 fourth quarter, year-end conference call on Friday, February 6, 2009 at 11:00 am. Eastern Time. The call is open to all investors and the media. To join the call, please dial Toll-Free in North America (800) 920-2905 or International callers dial (212) 231-2900. Alternatively, an audio feed web cast will be available on www.centerragold.com. A recording of the call will be available on www.centerragold.com shortly after the call, and via telephone until midnight on Friday, February 13, 2009 by calling (416) 626-4100 or (800) 558-5253 and using passcode 21412062.

For more information:

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

Centerra Gold Inc.
Consolidated Financial Statements
For the Twelve Months and Quarter Ended December 31, 2008
(Unaudited)
(Expressed in United States Dollars)

Centerra Gold Inc.
Consolidated Balance Sheets
(Expressed In Thousands of United States Dollars)

	December 31, 2008	December 31, 2007
	(Unaudited)	(audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 149,583	\$ 105,482
Short-term investments	17,781	-
Amounts receivable	30,247	18,021
Income taxes recoverable	3,323	-
Inventories (note 3)	170,157	115,062
Prepaid expenses	18,012	21,230
	<u>389,103</u>	<u>259,795</u>
Property, plant and equipment	394,933	373,841
Goodwill (note 10)	129,705	148,540
Long-term receivables	5,917	6,632
Long-term inventories (note 3)	18,009	9,093
Future income tax asset	3,160	16,467
	<u>551,724</u>	<u>554,573</u>
Total assets	<u>\$ 940,827</u>	<u>\$ 814,368</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 35,612	\$ 42,482
Taxes payable	14,493	-
Current portion of provision for reclamation (note 4)	3,458	-
Short-term debt	-	10,000
	<u>53,563</u>	<u>52,482</u>
Provision for reclamation (note 4)	29,322	20,868
Future income tax liability	1,121	-
	<u>30,443</u>	<u>20,868</u>
Contingent common shares issuable (note 5)	89,084	-
Shareholders' equity (note 8)		
Share capital	523,107	523,107
Contingent common shares issuable (note 5)	-	126,794
Contributed surplus	32,904	30,767
Retained earnings	211,726	60,350
	<u>767,737</u>	<u>741,018</u>
Total liabilities and shareholders' equity	<u>\$ 940,827</u>	<u>\$ 814,368</u>

Commitments and Contingencies (note 11)

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

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

	Three Months Ended		Twelve Months Ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(audited)			
Revenue from Gold Sales	\$ 241,334	\$ 89,371	\$ 635,980	\$ 373,462
Expenses				
Cost of sales (excluding depreciation, depletion and amortization expenses)	113,373	52,214	332,037	207,357
Regional office administration	5,033	4,093	18,831	19,357
Depreciation, depletion and amortization	32,841	10,499	78,332	44,161
Accretion and reclamation expense (note 4)	275	333	1,404	1,334
Impairment charge (note 10)	18,835	-	18,835	-
Exploration and business development (note 6)	7,915	5,586	23,628	20,440
Other (income) and expenses	2,658	(660)	4,458	(5,795)
Corporate administration (note 7)	6,113	10,399	27,312	24,980
	187,043	82,464	504,836	311,834
Earnings before unusual items, income taxes and non-controlling interest	54,291	6,907	131,144	61,628
Contingent common shares issuable (note 5)	-	36,460	(37,710)	126,794
Other unusual items	-	-	-	4,843
Earnings (loss) before income taxes and non-controlling interest	54,291	(29,553)	168,854	(70,009)
Income tax expense (note 9)	11,678	(2,999)	34,089	19,322
Non-controlling interest	-	160	-	3,218
Net earnings (loss) and comprehensive income (loss)	\$ 42,613	\$ (26,714)	\$ 134,765	\$ (92,549)
Basic and diluted earnings (loss) per common share (note 8)	\$ 0.20	\$ (0.12)	\$ 0.62	\$ (0.43)

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

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

	Three Months Ended		Twelve Months Ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Operating activities				
Net earnings (loss)	\$ 42,613	\$ (26,714)	\$ 134,765	\$ (92,549)
Items not involving cash:				
Depreciation, depletion and amortization	32,841	10,499	78,332	44,161
Accretion and reclamation expense	275	333	1,404	1,334
Impairment charge	18,835	-	18,835	-
Loss on disposal of plant and equipment	918	124	3,939	322
Stock based compensation expense	545	175	2,137	601
Deferred charges recognized	-	-	-	557
Forgiven loan	-	-	-	1,843
Contingent common shares issuable (note 5)	-	36,460	(37,710)	126,794
Future income tax expense (recovery)	6,333	(7,838)	10,630	(7,566)
Long-term inventory	846	-	1,481	-
Non-controlling interest	-	160	-	3,218
Other operating items	643	(293)	146	(562)
	<u>103,848</u>	<u>12,906</u>	<u>213,959</u>	<u>78,153</u>
Increase in working capital	(547)	(16,100)	(47,649)	(36,853)
Cash provided (used) by operations	103,301	(3,194)	166,310	41,300
Investing activities				
Additions to property, plant and equipment	(27,741)	(18,223)	(95,104)	(125,409)
Short-term investments	(17,781)	-	(17,781)	-
Proceeds from sales of assets	33	-	676	-
Acquisition of non-controlling interest (note 8)	-	(7,000)	-	(7,000)
Cash used in investing	(45,489)	(25,223)	(112,209)	(132,409)
Financing activities				
Proceeds from short term debt	-	-	-	10,000
Issuance of common shares for cash	-	-	-	432
Repayment of short term debt	-	-	(10,000)	-
Cash provided (used) by financing	-	-	(10,000)	10,432
Decrease in cash during the period	57,812	(28,417)	44,101	(80,677)
Cash and cash equivalents at beginning of the period	91,770	133,899	105,482	186,159
Cash and cash equivalents at end of the period	\$ 149,582	\$ 105,482	\$ 149,583	\$ 105,482
Supplemental disclosure with respect to cash flows				
Cash and cash equivalents consist of :				
Cash	\$ 91,226	\$ 62,524	\$ 91,226	\$ 62,524
Cash equivalents	58,356	42,958	58,356	42,958
	<u>\$ 149,582</u>	<u>\$ 105,482</u>	<u>\$ 149,582</u>	<u>\$ 105,482</u>

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

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

	Number of Common Shares	Amount	Contingent Common Shares Issuable	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive income	Total
Balance at December 31, 2006	216,238,815	\$ 522,383	\$ -	\$ 30,257	\$ 152,899	\$ 557	\$ 706,096
Stock-based compensation expense	-	-	-	138	-	-	138
Recognition in net income	-	-	-	-	-	(557)	(557)
Net earnings and comprehensive income for the period	-	-	-	-	5,944	-	5,944
Balance at March 31, 2007	216,238,815	\$ 522,383	\$ -	\$ 30,395	\$ 158,843	\$ -	\$ 711,621
Shares issued:							
Options exercised by employees	11,178	96	-	(5)	-	-	91
Stock-based compensation expense	-	-	-	114	-	-	114
Net earnings and comprehensive income for the period	-	-	-	-	18,614	-	18,614
Balance at June 30, 2007	216,249,993	\$ 522,479	\$ -	\$ 30,504	\$ 177,457	\$ -	\$ 730,440
Shares issued:							
Options exercised by employees	68,195	628	-	(85)	-	-	543
Contingent common shares issuable (note 5)	-	-	90,334	-	-	-	90,334
Stock-based compensation expense	-	-	-	174	-	-	174
Net loss and comprehensive loss for the period	-	-	-	-	(90,393)	-	(90,393)
Balance at September 30, 2007	216,318,188	\$ 523,107	\$ 90,334	\$ 30,593	\$ 87,064	\$ -	\$ 731,098
Contingent common shares issuable revalued (note 5)	-	-	36,460	-	-	-	36,460
Stock-based compensation expense	-	-	-	174	-	-	174
Net loss and comprehensive loss for the period	-	-	-	-	(26,714)	-	(26,714)
Balance at December 31, 2007	216,318,188	\$ 523,107	\$ 126,794	\$ 30,767	\$ 60,350	\$ -	\$ 741,018
Contingent common shares issuable revalued (note 5)	-	-	4,468	-	-	-	4,468
Stock-based compensation expense	-	-	-	187	-	-	187
Inventory adjustments, on adoption of accounting standard, net of tax (note 2)	-	-	-	-	16,612	-	16,612
Net earnings and comprehensive income for the period	-	-	-	-	19,272	-	19,272
Balance at March 31, 2008	216,318,188	\$ 523,107	\$ 131,262	\$ 30,954	\$ 96,234	\$ -	\$ 781,557
Contingent common shares issuable revalued (note 5)	-	-	(42,178)	-	-	-	(42,178)
Contingent common shares issuable reclassified (note 5)	-	-	(89,084)	-	-	-	(89,084)
Stock-based compensation expense	-	-	-	1,126	-	-	1,126
Net earnings and comprehensive income for the period	-	-	-	-	55,993	-	55,993
Balance at June 30, 2008	216,318,188	\$ 523,107	\$ -	\$ 32,080	\$ 152,227	\$ -	\$ 707,414
Stock-based compensation expense	-	-	-	279	-	-	279
Net earnings and comprehensive income for the period	-	-	-	-	16,886	-	16,886
Balance at September 30, 2008	216,318,188	\$ 523,107	\$ -	\$ 32,359	\$ 169,113	\$ -	\$ 724,579
Stock-based compensation expense	-	-	-	545	-	-	545
Net earnings and comprehensive income for the period	-	-	-	-	42,613	-	42,613
Balance at December 31, 2008	216,318,188	\$ 523,107	\$ -	\$ 32,904	\$ 211,726	\$ -	\$ 767,736

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

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

1. Basis of Presentation

These unaudited interim consolidated financial statements of Centerra Gold Inc. ("Centerra" or the "Company") have been prepared by management in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") for interim financial statements. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with Canadian GAAP have been condensed or excluded. As a result, these unaudited interim consolidated financial statements do not contain all disclosures required to be included in the annual consolidated financial statements and should be read in conjunction with the most recent audited annual consolidated financial statements and notes thereto for the year ended December 31, 2007.

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

If the going concern assumption was not favourable for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

As at December 31, 2008, Centerra held 100% interest in the following significant investments; the Kumtor mine, the Boroo mine, and the Gatsuurt property.

2. Significant Accounting Policies:

These unaudited interim consolidated financial statements are prepared following accounting policies consistent with the Company's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2007, except for the following changes in accounting policies:

2. Significant Accounting Policies (continued):

Adoption of New Accounting Standards and Developments

a. Inventories:

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3031, Inventories. This standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and requires the reversal of write downs, if applicable, on inventory.

Upon adoption of this standard at January 1, 2008, \$10.4 million of previously written off heap leach inventory and \$10.0 million of mineralized material now reclassified as low- grade ore inventory following the lowering of the cut-off grade (\$16.6 million, net of tax in total) was recorded as inventory with a corresponding recognition in retained earnings. Prior periods have not been restated as permitted by the standard. There were no other changes to the Company’s accounting policies required on implementation of this standard.

b. Capital Disclosures

Effective January 1, 2008, the Company adopted the new recommendations of CICA Handbook Section 1535- Capital Disclosures. Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital, (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Company has included disclosures recommended by the new section in Note 15 to these unaudited interim consolidated financial statements

c. Financial Statements Presentation

Effective January 1, 2008, the Company adopted the new recommendations of CICA amended Handbook Section 1400-General Standards of Financial Statements Presentation. The section provides revised guidance related to management’s responsibility to assess and disclose the ability of an entity to continue as a going concern.

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

2. Significant Accounting Policies (continued):

d. Financial Instruments – Disclosures

Effective January 1, 2008, the Company adopted the new recommendations of CICA Handbook Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments – Presentation.

Section 3862 on financial instrument disclosures, provides guidance on disclosures in the financial statements to enable users of the financial statements to evaluate the significance of financial instruments to the Company financial position and performance and about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The new Section removes duplicate disclosures and simplifies the disclosures relating to concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861.

The purpose of Section 3863 on financial instruments - presentation is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This Section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The Company has included disclosures recommended by the new section in Notes 13 and 14 to these unaudited interim consolidated financial statements.

e. New Pronouncements

On February 1, 2008 the CICA issued Handbook section 3064, Goodwill and Intangible assets. This Section establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, companies will no longer be able to defer certain costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The impact of this new standard is being assessed and cannot be determined at this time.

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

2. Significant Accounting Policies (continued):

e. New Pronouncements (continued)

On January 20, 2009, the CICA issued EIC 173, Credit risk and the fair value of financial assets and liabilities. This abstract requires companies to take both counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. The EIC 173 is effective for interim and annual financial statements beginning January 1, 2009. The impact of this new standard is being assessed and cannot be determined at this time.

3. Inventories

(Thousands of US\$)	December 31, 2008	December 31, 2007
Stockpiles (a)	\$ 49,698	\$ 26,769
Gold in-circuit	6,394	6,962
Heap leach in circuit	5,913	-
Gold doré	15,239	11,118
	77,244	44,849
Supplies	110,922	79,306
	188,166	124,155
Less: Long-term inventory (heap leach) (a)	(18,009)	(9,093)
Total Inventories-current portion	\$ 170,157	\$ 115,062

(a) Includes recognition of heap leach stockpiles and mineralized materials reclassified as low-grade inventory of \$20.4 million (before tax) in the first quarter of 2008 (see note 2(a)) as a result of the adoption of the new CICA Handbook Section 3031- Inventories.

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

4. Asset Retirement Obligations

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

The Company has estimated the total undiscounted future decommissioning and reclamation costs to be \$46.4 million as at December 31, 2008 (December 31, 2007 - \$27.0 million). These payments are expected to begin over the next 1 to 6 years. The Company used average credit adjusted risk free rates of 6.99% at Kumtor and 8% at Boroo to calculate the present value of the asset retirement obligations.

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

(Thousands of US\$)	Three Months Ended		Twelve Months Ended	
	Dec 31/08	Dec 31/07	Dec 31/08	Dec 31/07
Balance, beginning of period	\$ 22,573	\$20,622	\$20,868	\$16,532
Liabilities incurred / (settled)	(628)	(88)	(918)	(235)
Revisions in cost	10,560	-	11,426	3,237
Accretion expense	275	333	1,404	1,334
Balance, end of period	32,780	\$20,868	32,780	20,868
Less: current portion	(3,458)	-	(3,458)	-
	\$29,322	\$20,868	\$29,322	\$20,868

During the year ended 2008, the Company completed regularly scheduled closure cost update studies at the Boroo and Kumtor mine sites. As a result an increase to the present value of the closure cost estimate of \$10.1 million at Boroo (Nil- 2007) and \$0.5 million at Kumtor (Nil - 2007) was recorded during the fourth quarter of 2008 and \$11.0 million at Boroo (\$3.2 million-2007) and \$0.4 million at Kumtor (Nil – 2007) were recorded during the twelve months ended December 31, 2008.

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

5. Contingent common shares issuable

(Thousands of US\$)	December 31, 2008		December 31, 2007	
	Liability	Equity	Liability	Equity
Contingent common shares issuable	\$ -	\$ 126,794	\$ -	\$ 126,794
Change in value during the period	-	(37,710)	-	-
Reclassification	89,084	(89,084)		
Provision, end of the period	\$ 89,084	\$ -	\$ -	\$ 126,794

On August 30, 2007, the Company entered into an agreement (the “Agreement on New Terms”) with the Government of the Kyrgyz Republic, pursuant to which the parties agreed on revised terms with respect to the Kumtor Project. The Agreement on New Terms would have been subject to satisfaction of certain conditions, including approvals by the Kyrgyz Parliament and Centerra’s board of directors and the completion and signing of definitive agreements, all on or before June 1, 2008.

The Agreement on New Terms provided that Kumtor would be subject to tax on proceeds from sold products (gross revenue) rather than on income, at the rate of 11% in 2008, 12% in 2009 and 13% thereafter. The agreement contemplated that Cameco Corporation (“Cameco”) would transfer 32.3 million shares of the Company to the Kyrgyz Government, 17.3 million of which would be held in escrow to be released within 4 years subject to certain conditions. The Company entered into an agreement with Cameco pursuant to which the Company was to issue 10 million treasury shares (the “Treasury Shares”) to Cameco on completion and signing of the definitive agreements.

On June 2, 2008 the Company reported that the “Agreement on New Terms was not ratified by the Kyrgyz Parliament within the timeframe agreed by the parties and therefore expired. As such, the Company has reclassified the amount recorded as contingent common shares issuable from equity to long-term liabilities.

The Company believes that if a settlement with the Kyrgyz Government occurs through ongoing negotiations such a settlement will include the issuance of Treasury shares. The ultimate value of the contingently issuable common shares will be determined based on the Company’s share price when the agreement with the Kyrgyz Government is finalized and the shares are issued. While this amount cannot be reasonably determined at this time, the Company believes that the stock price on May 30th 2008, the last day of trading prior to the expiry of the Agreement on New Terms reflects the minimum amount of a range of possible values required to settle with the government.

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

6. Exploration and Business Development

(Thousands of US\$)	Three Months Ended		Twelve Months Ended	
	Dec 31/08	Dec 31/07	Dec 31/08	Dec 31/07
Exploration costs	\$ 7,857	\$ 5,586	\$ 23,508	\$ 19,087
Business development and feasibility costs	58	-	120	1,353
	\$ 7,915	\$ 5,586	\$ 23,628	\$ 20,440

7. Corporate Administration

On June 17, 2008, Centerra announced a re-organization of its senior management team. As a result, corporate administration costs for the twelve months ended December 31, 2008 include a \$5 million expense as severance payments to the former CEO and CFO, including the forgiveness of a relocation loan to the former CEO in the amount of Cdn \$0.25 million.

8. Shareholders' Equity

a. Share Capital

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

b. Earnings Per Share

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 periods presented .

(Thousands of shares)	Three Months Ended		Twelve Months Ended	
	Dec 31/08	Dec 31/07	Dec 31/08	Dec 31/07
Basic weighted average number of common shares outstanding	216,318	216,318	216,318	216,269
Effect of stock options	-	-	120	-
Diluted weighted average number of common shares outstanding	216,318	216,318	216,439	216,269
Basic and diluted earnings (loss) per common share	\$ 0.20	\$ (0.12)	\$ 0.62	\$ (0.43)

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

8. Shareholders' Equity (continued)

c. Stock-Based Compensation

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

(Millions of US\$ except as indicated)	Number outstanding Dec 31/08	Expense		Expense		Liability	
		Three Months Ended		Twelve Months Ended		Dec 31/08	Dec 31/07
		Dec 31/08	Dec 31/07	Dec 31/08	Dec 31/07		
(i) Centerra stock options	1,848,165	\$ 0.7	\$ 1.0	\$ 1.0	\$ 0.3	\$ -	\$ 1.2
(ii) Centerra performance share units	718,877	-	1.9	(1.8)	1.7	-	4.0
(iii) Centerra annual performance share units	116,183	0.1	0.6	0.7	1.7	0.3	1.2
(iv) Deferred share units	298,077	0.3	1.0	(1.0)	0.9	1.1	2.5
(v) Cameco stock options	55,200	(0.2)	(0.4)	(1.3)	0.1	0.6	2.3
		\$ 0.9	\$ 4.1	\$ (2.4)	\$ 4.7	\$ 2.0	\$ 11.2

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

	Number outstanding Dec 31/07	Issued	Exercised	Forfeited	Number outstanding Dec 31/08
(i) Centerra stock options	962,028	886,137	-	-	1,848,165
(ii) Centerra performance share units	595,080	353,541	(212,056)	(17,688)	718,877
(iii) Centerra annual performance share units	122,911	157,413	(143,371)	(20,770)	116,183
(iv) Deferred share units	197,351	112,717	(11,991)	-	298,077
(v) Cameco stock options	73,200	-	(17,400)	(600)	55,200

During the twelve months of 2008, Centerra granted 886,137 stock options at an average strike price of Cdn \$8.06 per share. The fair value of the stock options was determined using the Black-Scholes valuation model, assuming average 4.31-year term, 50.38% volatility and a risk-free rate of return of 3.40%. The resulting average value per option granted was \$2.87. The estimated fair value of the options is expensed over their respective vesting periods.

9. Income Tax Expense

The corporate income tax rate for Boroo for 2008, and subsequent years is 25% for income in excess of 3 billion tugriks (approximately \$2.4 million at current exchange rates), and 10% for income up to that amount.

The corporate income tax rate for Kumtor, as provided in its Investment Agreement, is 10%. In addition, for 2008, Kumtor is required to pay 2% of net income to the Issyk Kul Social Fund. Until changes to the Kumtor Investment Agreement are implemented Kumtor will continue to record and pay taxes based on the terms of the existing Investment Agreement

10. Goodwill Impairment

During the third and fourth quarters of 2008, the Company undertook a review of goodwill in light of the recent economic events and the shortening of the mine life in the mining operation at Boroo.

Goodwill represents the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually in the third quarter or more frequently if changes in circumstances indicate a potential impairment. The goodwill impairment test consists of a comparison of the fair value of a reporting unit compared with its carrying amount, including goodwill, in order to identify a potential impairment. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. When the carrying amount of a reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill should be compared with its carrying amount to measure the amount of the impairment loss.

As a result of the fourth quarter review of goodwill, management concluded that current events do not indicate that the carrying value of the Kyrgyz reporting unit exceeds its fair value. However, as a result of the shortening of the mine life due to production at Boroo, it was determined that the carrying value of the Mongolia reporting unit exceeded its fair value.

Gold mining companies typically trade at a market capitalization based on a multiple of net asset value (NAV). To calculate the goodwill impairment test and determine the fair value of the Mongolian reporting unit, NAV was calculated using a discounted cash flow valuation in which the primary assumption was a gold price of \$850 per ounce from 2009 to 2011. A multiple is then applied to NAV.

A review of the Company's peer comparable multiples concluded that a multiple in excess of 1.0 could not be supported and thus the full carrying value of goodwill of \$18.8 million was considered impaired and written off.

11. Commitments and Contingencies

Commitments

As at December 31, 2008, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$32.5 million (Kumtor \$31.8 million, Boroo \$0.7 million): these are expected to be settled over the next twelve months.

Contingencies

Kyrgyz Republic

Centerra continues to hold discussions with Cameco Corporation and a Kyrgyz Republic Government working group with a view to resolving outstanding matters relating to the Kumtor project. The Company is optimistic that these discussions will ultimately result in a mutually acceptable and lasting settlement of all issues.

The following discussion summarizes the legal, arbitration and regulatory proceedings affecting the Company and the Kumtor project since June, 2008, when the previously announced framework agreements among the parties expired. To allow for discussions with Cameco and the Kyrgyz Republic to continue and for the parties to concentrate on resolving the issues, the Company agreed in September 2008 to suspend the international arbitration proceedings previously initiated by it. That suspension continues. The Company believes that all of the proceedings affecting the project will be resolved when the principal matters at issue between Cameco, the Kyrgyz Republic and Centerra have been resolved.

On June 2, 2008, the Company reported that the previously announced framework agreements entered into between the Company, Cameco Corporation and the Government of the Kyrgyz Republic (the "Government") on August 30, 2007 relating to the Kumtor project had not been ratified by the Parliament of the Kyrgyz Republic within the time frame agreed by the parties and had therefore expired.

Under the circumstances and in response to court proceedings, on June 4, 2008 the Company resumed international arbitration previously initiated by the Company in accordance with its Investment Agreement, which provides that all disputes with respect to the project are subject to international arbitration. As discussed below, these arbitration proceedings have been suspended to allow for the continuation of discussions with Cameco and the Government regarding outstanding issues related to the project.

11. Commitments and Contingencies (continued)

Contingencies (continued)

A Vice-Speaker of the Parliament, K.S. Isabekov filed two lawsuits in 2008 against the Government of the Kyrgyz Republic seeking to invalidate the licenses and agreements pursuant to which the Kumtor mine is operated. Although the Company and its subsidiary Kumtor Gold Company (KGC), the owner of the project, were not parties to those lawsuits, and despite their objections to the court's jurisdiction on the basis of the Investment Agreement's arbitration clause and the ongoing international arbitration, they were ordered to appear as third parties by the Kyrgyz court.

The Vice-Speaker's lawsuits sought to annul: (i) the Government's decree approving the December 31, 2003 agreements implementing the restructuring of the project; (ii) the 2003 agreements giving effect to the restructuring, including the Investment Agreement and the Concession Agreement providing for Kumtor's right to explore and develop the main Kumtor deposit within the Kumtor concession; (iii) the exploration license covering all of the Kumtor deposits; (iv) the mining license covering the Southwest Zone; (v) the mining license covering the Sarytor area; (vi) the Government's decree approving the 1993 Concession Agreement (superseded by the 2003 Concession Agreement); and (vii) the 1993 Concession Agreement itself. The Vice-Speaker argued that the 2003 agreements and 1993 Concession Agreement required Parliamentary approval to be effective and that as no such approval was obtained, such agreements are void. He also argued that the licenses were invalid because they were granted without a competition having been held and pursuant to agreements that are themselves invalid for lack of Parliamentary ratification.

On May 12, 2008, the Supreme Court of the Kyrgyz Republic, pending resolutions of the claims before the lower courts, issued an order suspending: the 2003 decree; the 2003 Concession Agreement; and the mining and exploration licenses. Acting on the order, the State Agency on Geology and Mineral Resources Management notified Kumtor that as issues relating to the 2003 decree and the Concession Agreement are regulated by "international legislation", operations within the concession area as well as work on the underground decline (to further develop the SB zone) should be continued but that operations on the licenses should be stopped. In response to the notice, Kumtor halted activity on the mining and exploration licenses and suspended development of the Sarytor deposit. All Kumtor mining operations take place in the concession area and have continued uninterrupted.

11. Commitments and Contingencies (continued)

Contingencies (continued)

On June 17, 2008, the Bishkek Inter District Court issued an order invalidating the Southwest and Sarytor mining and Kumtor exploration licenses.

Having been joined involuntarily as third parties, KGC and the Company defended the validity of the agreements, licenses and decrees in the Kyrgyz court actions on procedural and substantive grounds. At the same time, KGC and the Company maintained their position that the Investment Agreement's arbitration clause confers exclusive jurisdiction over questions surrounding the validity of the agreements and licenses on the international arbitration tribunal. With respect to the relevant agreements and decrees, at the time of the 2003 restructuring the Kyrgyz Ministry of Justice issued various legal opinions repeatedly affirming that the Government had the legal capacity to enter into and perform the agreements.

After reactivating the international arbitration proceedings on June 2, 2008, Centerra and KGC, on June 13, 2008, added claims based on the Vice-Speaker's lawsuits and their consequences. At the initial conference on June 23, 2008, Centerra filed an application for interim relief in the arbitration, requesting that all parties to the arbitration be directed to maintain the *status quo* and treat the licenses, agreements and decrees at issue in the Kyrgyz Republic as valid and enforceable. The Kyrgyz Republic has taken the position in its response to such application that, among other things, the 2003 Investment Agreement required but did not receive Parliamentary approval and therefore is not in effect.

On August 26, 2008, the Bishkek Inter-District Court of the Kyrgyz Republic dismissed the Vice-Speaker's lawsuit relating to the Government decrees and the 2003 Kumtor Agreements. On December 24, 2008, the Supreme Court of the Kyrgyz Republic upheld the dismissal of the Vice-Speaker's lawsuit. The Company cautions that the court's ruling does not resolve the principal matters at issue between the Company and the Kyrgyz Republic. As well, the ruling had no effect on the previously reported court decision (June 17, 2008) to invalidate the exploration and development licenses referred to above.

11. Commitments and Contingencies (continued)

Contingencies (continued)

In 2008, Kumtor was made the subject of several new tax assessments and other proceedings in the Kyrgyz Republic. These include an investigation by the Kyrgyz Republic financial police into alleged tax evasion in relation to the grant of tax exemptions pursuant to the Investment Agreement governing the Kumtor project and an audit by the state tax inspectorate to determine the amount of taxes that Kumtor would have owed for the years 2005 to 2008 had the Investment Agreement and the Concession Agreement relating to the project not been in effect. The financial police requested, and were provided by Kumtor with, information and documents relating to the project and interviewed senior Kumtor personnel. Kumtor also received assessments from tax authorities relating to value-added taxes, land taxes and customs duties alleged to be owed by Kumtor. Kumtor is continuing to cooperate with the relevant authorities and continues to pay all taxes in accordance with applicable laws and the Investment Agreement and believes that there is no basis for these investigations or assessments.

Mongolia

On June 29, 2008, Mongolia held parliamentary elections. The Mongolian People's Revolutionary Party (MPRP), which held a slight majority in the prior parliament, won 45 of 76 seats and the Mongolian Democratic Party won 28 seats. Despite the fact that the MPRP won a clear majority, a coalition government was formed and, as a result of government restructuring a new ministry of mining was established. Centerra has resumed negotiations with respect to an investment agreement for the Gatsuurt Project. In December 2008, the Parliament enacted a change to the windfall profits tax in respect to gold sales. A new threshold price in excess of \$850 per ounce was enacted, up from \$500 per ounce.

12. Related Party Transactions

Ms. Marina Stephens, a lawyer and the spouse of Centerra's former President and Chief Executive Officer, Mr. Homeniuk provided certain designated legal and business advisory services related to the Company's international operations under the terms of a consulting contract, which came to an end on June 16, 2008. As a result, payments made to Ms. Stephens under this contract totalled Cdn \$287,800 in 2008 (Cdn \$137,100 in the fourth quarter 2007 and Cdn \$551,000 for the twelve month period ended December 31, 2007). As of June 16, 2008, Ms. Stephens is no longer considered a related party of Centerra.

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

12. Related Party Transactions (continued)

Kyrgyzaltyn and the Government of the Kyrgyz Republic

Revenues from the Kumtor gold mine are subject to a management fee of \$1.50 per ounce based on sales volumes, payable to Kyrgyzaltyn, a shareholder of the Company.

The table below summarizes 100% of the management fees 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.

(Thousands of US\$)	Three Months Ended		Twelve Months Ended	
	Dec 31/08	Dec 31/07	Dec 31/08	Dec 31/07
Management fees to Kyrgyzaltyn	\$ 388	\$ 107	\$ 828	\$ 451
Concession payments to the Kyrgyz Republic	1,035	286	2,209	1,202
	\$ 1,423	\$ 393	\$ 3,037	\$ 1,653
Gross gold and silver sales to Kyrgyzaltyn	\$ 209,681	\$ 56,754	\$ 470,759	\$ 210,367
Deduct: refinery and financing charges	(1,152)	(288)	(2,465)	(1,217)
Net sales revenue received from Kyrgyzaltyn	\$ 208,529	\$ 56,466	\$ 468,294	\$ 209,150

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Gold and Silver Sale Agreement entered into between KOC, Kyrgyzaltyn and the Government of the Kyrgyz Republic. Under these arrangements, Kyrgyzaltyn is required to prepay for all gold delivered to it, based on the price of gold on the London Bullion Market on the same day on which KOC provides notice that a consignment is available for purchase. Pursuant to an amendment to the Gold and Silver Sale Agreement, effective from December 22, 2005, as amended from time to time since then, Kyrgyzaltyn is permitted, until June 30, 2009, to defer payments for gold for up to 12 calendar days.

12. Related Party Transactions (continued)

Kyrgyzaltyn and the Government of the Kyrgyz Republic (continued)

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn. As at December 31, 2008, \$24.1 million was outstanding under these arrangements (December 31, 2007 - \$14.1 million).

On August 30, 2007, the Company entered into an agreement with the Government of the Kyrgyz Republic, pursuant to which the parties had agreed on revised terms with respect to the Kumtor Project. This agreement was not ultimately ratified and therefore expired. Provisions and conditions of this agreement, including the requirement for further ratification by the Kyrgyz Parliament are further described in note 5.

13. Fair Value of Financial Instruments

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

Cash and cash equivalents consists of cash on hand, with financial institutions, invested in term deposits, treasury bills, banker's acceptances, government agency issues, and corporate direct credit with original maturities of three months or less. Cash and cash equivalents and short-term investments are designated as held-for-trading and are carried at fair value.

Fair values of the cash equivalents and short-term investments are determined directly by reference to published price quotations in an active market at the reporting date.

The fair value of amounts receivable is determined by the amount of cash anticipated to be produced in the normal course of business from the financial asset, net of any direct costs of the conversion into cash.

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

13. Fair Value of Financial Instruments (continued)

The carrying values of these financial instruments are as follows:

	December 31, 2008		December 31, 2007	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
(Thousands of US\$)				
Financial assets				
Cash and cash equivalents	\$ 149,583	\$ 149,583	\$ 105,482	\$ 105,482
Short-term investments	17,781	17,781	-	-
Amounts receivable	30,247	30,247	18,021	18,021
Reclamation trust fund	4,915	4,915	4,853	4,853
	\$ 202,526	\$ 202,526	\$ 128,356	\$ 128,356

	December 31, 2008		December 31, 2007	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
(Thousands of US\$)				
Financial Liabilities				
Accounts payable and accrued liabilities and taxes	\$ 35,612	\$ 35,612	\$ 42,482	\$ 42,482
Short-term debt	-	-	10,000	10,000
Contingent common shares issuable	89,084	89,084	-	-
	\$ 124,696	\$ 124,696	\$ 52,482	\$ 52,482

14. Financial Risk Exposure and Risk Management

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

The Board of Directors has responsibility to ensure that an adequate financial risk management policy is established and to approve the policy. Financial risk management is carried out by the Company's Treasury department under a policy approved by the Board of Directors. The Treasury department identifies and evaluates financial risks, establishes controls and procedures to ensure financial risks are mitigated in accordance with the approved policy and programs, and risk management activities comply thereto.

The Company's Audit Committee oversees management's compliance with the Company's financial risk management policy, approves financial risk management programs, and receives and reviews reports on management compliance with the policy and programs. The Internal Audit department assists the Audit Committee in undertaking its oversight of financial risk management controls and procedures, the results of which are reported to the Audit Committee.

The types of risk exposure and the way in which such exposures are managed are as follows:

i) Currency Risk

As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the United States Dollar. The results of the Company's operations are subject to currency transaction risk and currency translation risk. The operating results and financial position of the Company are reported in US dollars in the Company's consolidated financial statements.

The fluctuation of the US dollar in relation to other currencies will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity.

As required, the Company either makes purchases at the prevailing spot price to fund corporate activities or enters into short-term forward contracts to purchase Canadian dollars. During the three months and twelve months ended December 31, 2008, \$1.0 million and \$5.5 million of such forward contracts were executed (Nil- Three months and twelve months ended December 31, 2007). There were no outstanding forward contracts at December 31, 2008 (Nil – December 31, 2007).

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

14. Financial Risk Exposure and Risk Management (continued)

i) Currency Risk (continued)

The exposure of the Company's financial assets and liabilities to currency risk as at December 31, 2008 are as follows:

(Thousands of US\$)	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	Australian Dollar	European Euro
<u>Financial Assets</u>					
Cash and cash equivalents	\$ 822	\$ 1,378	\$ 2,814	\$ -	\$ 4
Amounts receivables	190	2,514	219	-	-
	\$ 1,012	\$ 3,892	\$ 3,033	\$ -	\$ 4
<u>Financial Liabilities</u>					
Accounts payable and accrued liabilities	\$ 7,035	\$ 667	\$ 6,947	\$ 53	\$ 1,873

ii) Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents include highly liquid investments that earn interest at market rates. In addition, the interest on an available and undrawn \$10 million revolving credit facility includes a variable rate component pegged to the London Interbank Offer Rate, or LIBOR.

Although the Company endeavours to maximize the interest income earned on excess funds, the Company's policy focuses on cash preservation, while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company's policy limits the investing of excess funds to liquid term deposits, treasury bills, banker's acceptances, government agency issues, and corporate direct credit having a single "A" rating or greater.

Fluctuations in market interest rates have not had a significant impact on the Company's results of operations due to the short-term to maturity of the investments held and a low interest rate environment has resulted in lower interest paid during the twelve-month period ending December 31, 2008, on the repaid \$10 million credit facility.

14. Financial Risk Exposure and Risk Management (continued)

iii) Concentration of Credit Risk

Credit risk is the risk of a financial loss to the Company if a gold sales customer or counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises principally from the Company's receivables from customers and short-term investments.

The Company's exposure to credit risk, in respect of gold sales, is influenced mainly by the individual characteristics of each customer. The Company's revenues are directly attributable to sales transactions with two customers. Boroo sells its product to Johnson Matthey, under the terms of a refining agreement with its North American precious metals division. Kyrgyzaltyn, a state-owned refinery in the Kyrgyz Republic, is Kumtor's sole customer and is a shareholder of Centerra. To partially mitigate exposure to potential credit risk related to Kumtor sales, the Company has an agreement in place whereby Kyrgyzaltyn has pledged 2,850,000 of Centerra shares as security against an individual gold shipment, in the event of default on payment (Note 12). Based on movements of Centerra's share price, and the value of individual gold shipments, over the course of 2008, the maximum exposure during the year, reflecting the shortfall in the value of the security as compared to the value of a given shipment, was approximately \$18.7 million.

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

At the balance sheet date, approximately 19% of the Company's liquid assets were held with Citigroup bank and 19% with HSBC Bank. The remainder of cash and cash equivalents, and short-term investments were held in government securities, term deposits, banker's acceptances and highly-rated corporate bond issues.

iv) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's Financial Risk Management Policy requires that surplus cash only be invested in highly-rated and highly-liquid instruments to ensure risk to the Company's assets is minimized.

14. Financial Risk Exposure and Risk Management (continued)

iv) Liquidity Risk (continued)

The Company manages its liquidity risk by ensuring that there is sufficient capital to meet short and long term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents and short term investments. The Company believes that these sources will be sufficient to cover the likely short and long term cash requirements. Senior management is also actively involved in the review and approval of planned expenditures by regularly monitoring cash flows from operations and anticipated investing and financing activities.

v) Commodity Price Risk

The value of the Company's mineral resource properties is related to the price of gold, and the outlook for this mineral. Adverse changes in the price of certain raw materials can also significantly impair the Company's cash flows. The Company's Financial Risk Management Policy currently prohibits gold hedging.

Gold prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending and reserves management, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, macro-economic variables, and certain other factors related specifically to gold.

The profitability of the Company's operations is highly correlated to the market price of gold. To the extent that the price of gold increases over time, asset value increases and cash flows improve; conversely, declines in the price of gold directly impact asset value and cash flows. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value.

To the extent there are adverse changes to the price of certain raw materials (e.g. diesel fuel), the value of the Company's reserves may be impacted.

At the balance sheet date there was no significant impact of commodity price risk on the Company's financial assets and liabilities.

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

15. Capital Management

The Company's capital includes cash and cash equivalents, short term investments, short-term debt, long-term liabilities and equity, comprising issued common shares, contributed surplus and retained earnings.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations, to provide returns for shareholders and benefits for other stakeholders and to pursue growth opportunities. To secure additional capital to pursue these plans, the Company may attempt to raise additional funds through borrowing and/or the issuance of equity or debt.

As at December 31, 2008, the Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy.

16. Comparative Information

Certain prior year balances have been reclassified to conform to the current presentation. The classifications had no effect on the net earnings (loss) and retained earnings as previously reported.

17. Segmented Information

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

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 the Consolidated Financial Statements
(Unaudited)
(Expressed in thousands of United States Dollars)

17. Segmented Information (continued)
Three months ended December 31, 2008

(\$ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 208.5	\$ 32.8	\$ -	\$ 241.3
Expenses				
Cost of sales	96.7	16.7	-	113.4
Regional office administration	3.8	1.2	-	5.0
Depreciation, depletion and amortization	27.3	5.2	0.3	32.8
Accretion and reclamation expense	0.1	0.2	-	0.3
Impairment charge	-	18.8	-	18.8
Exploration and business development	3.5	1.4	3.0	7.9
Interest and other	7.1	(0.5)	(3.9)	2.7
Corporate administration	0.7	0.3	5.1	6.1
Earnings (loss) before unusual items, and income taxes	69.3	(10.5)	(4.5)	54.3
Contingent common shares issuable				-
Other unusual items				-
Earnings before income taxes				54.3
Income tax expense				11.7
Net earnings and comprehensive income				\$ 42.6
Capital expenditures for the quarter	\$ 20.3	\$ 6.8	\$ 0.2	\$ 27.3

Three months ended December 31, 2007

(\$ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 56.5	\$ 32.9	\$ -	\$ 89.4
Expenses				
Cost of sales	41.9	10.3	-	52.2
Regional office administration	1.6	2.5	-	4.1
Depreciation, depletion and amortization	7.6	2.7	0.2	10.5
Accretion	0.2	0.1	-	0.3
Exploration and business development	3.1	1.3	1.2	5.6
Interest and other	0.5	(1.9)	0.7	(0.7)
Corporate administration	0.7	0.4	9.3	10.4
Earnings (loss) before unusual items, income taxes and Non-controlling interest	0.8	17.5	(11.4)	6.9
Contingent common shares issuable				36.5
Other unusual items				-
Earnings before income taxes and Non-controlling interest				(29.6)
Income tax expense				(3.0)
Non-controlling interest				0.1
Net earnings(loss) and comprehensive income(loss)				\$ (26.7)
Capital expenditures for the quarter	\$ 15.6	\$ 3.8	\$ 0.2	\$ 19.6

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

17. Segmented Information (continued)

Twelve months ended December 31, 2008

(\$ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 468.3	\$ 167.6	\$ -	\$ 635.9
Expenses				
Cost of sales	273.1	58.9	-	332.0
Regional office administration	12.1	6.7	-	18.8
Depreciation, depletion and amortization	59.2	18.2	0.9	78.3
Accretion and reclamation expense	0.8	0.6	-	1.4
Impairment charge	-	18.8	-	18.8
Exploration and business development	14.1	3.2	6.3	23.6
Interest and other	11.9	(2.6)	(4.8)	4.5
Corporate administration	2.6	1.8	22.9	27.3
Earnings (loss) before unusual items and income taxes	94.5	62.0	(25.3)	131.2
Contingent common shares issuable				(37.7)
Other unusual items				-
Earnings before income taxes				168.9
Income tax expense				34.1
Net earnings and comprehensive income				\$ 134.8
Capital expenditures for the period	\$ 57.1	\$ 36.6	\$ 0.8	\$ 94.5

Twelve months ended December 31, 2007

(\$ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 209.1	\$ 164.3	\$ -	\$ 373.4
Expenses				
Cost of sales	165.6	41.7	-	207.3
Regional office administration	10.8	8.6	-	19.4
Depreciation, depletion and amortization	27.6	15.7	0.9	44.2
Accretion and reclamation expense	0.9	0.4	-	1.3
Exploration and business development	12.1	2.6	5.7	20.4
Interest and other	2.0	(6.4)	(1.4)	(5.8)
Corporate administration	2.7	1.6	20.7	25.0
Earnings (loss) before unusual items income taxes and Non-controlling interest	(12.6)	100.1	(25.9)	61.6
Contingent common shares issuable				126.8
Other unusual items				4.8
Earnings before income taxes and Non-controlling interest				(70.0)
Income tax expense				19.3
Non-controlling interest				3.2
Net earnings(loss) and comprehensive income(loss)				\$ (92.5)
Capital expenditures for the period	\$ 87.7	\$ 32.7	\$ 0.3	\$ 120.7

To view the maps/graphics discussed in this news release, please visit the following link:
<http://media3.marketwire.com/docs/figcg0206.pdf>