

centerra**GOLD**



NEWS RELEASE

(All figures are in United States dollars)

Centerra Gold Reports Significantly Higher Second Quarter Earnings of US\$0.21 per Share

Toronto, Canada, July 29, 2005: Centerra Gold Inc. (TSX: CG) today reported second quarter net earnings of \$15 million (\$0.21 per common share), up significantly from a net loss of \$1 million (loss of \$0.02 per common share) in the same quarter of last year. Cash from operations, net of working capital changes and other operating items, amounted to \$25 million and compares to \$31 million generated in the second quarter of 2004. Gold production, on a 100% basis, totaled 213,225 ounces at an average cash operating cost of \$221 per ounce in the second quarter compared to 242,194 ounces at an average cash operating cost of \$164 per ounce in the corresponding quarter of 2004.

For the first half of 2005, net earnings were \$27 million (\$0.38 per common share) and cash generated from operations amounted to \$61 million. Gold production totaled 426,675 ounces at an average cash operating cost of \$216 per ounce. In the comparable period of 2004, Centerra reported net earnings of \$7 million (\$0.18 per common share) and cash from operations of \$34 million. Gold production, excluding preproduction at the Boroo mine, amounted to 434,474 ounces at an average cash operating cost of \$160 per ounce.

The higher year-over-year net earnings for the quarter and the first half resulted from an increased share of production at Kumtor and Boroo, the start of commercial production at Boroo and higher spot and realized prices. Cash from operations for the first half was approximately 80% ahead of the 2004 result. A build-up in working capital, due to the timing of shipments and payments, reduced the cash generated in the quarter by approximately \$10 million.

Commentary

“We are very pleased with the results of the second quarter, the first half of 2005 and our first year as a public company,” said Len Homeniuk, President and CEO. “In all aspects we have achieved the goals we had set for the first half and are well on the way to delivering on our objectives for the year. Our mining operations continue to perform well, producing solid earnings and cash flow and further strengthening the Company’s financial position. The drilling results of our exploration program are very encouraging, particularly at Kumtor and Gatsurt, and confirm that we are on track to significantly add to our reserves and resources. We continue to make progress in the pursuit of acquisition and merger opportunities even in an increasingly competitive environment. We are very

confident that this sustained effort will result in transactions that will be accretive to shareholder value.”

“With presidential elections now complete in the Kyrgyz Republic and Mongolia, we expect a return of stability to the business environment and increased investor confidence as the elected governments get established,” concluded Mr. Homeniuk.

Second Quarter Highlights

- Production of 213,225 ounces of gold in the quarter was slightly ahead of the Company’s forecast; projection for the second half of 2005 is relatively unchanged at 372,000 ounces and compares to 426,675 ounces produced in the first half
 - Unit cash operating cost at \$221 per ounce continues to be well below the industry average
 - Cash on hand increased to \$204 million; no long-term debt
 - Results from the exploration program confirmed potential to significantly add to reserves and resources; 2005 budget increased by 10%
 - The feasibility study at the Gatsuurt deposit was initiated; completion by year end 2005
 - The political situation in the Kyrgyz Republic continued to evolve; the Company received various requests for information, from the Kyrgyz authorities, related to the Kumtor agreements and the legality of the restructuring
 - Presidential elections were held in both the Kyrgyz Republic and Mongolia; Centerra’s mines continued their record of uninterrupted operations from the start of commercial production
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Financial Summary – Second Quarter

Total production for the three months ended June 30, 2005 of 213,225 ounces was slightly ahead of forecast. Mine production in the same period of 2004 totaled 242,194 ounces. As a result of the increased ownership in Kumtor and an 18% improvement in the realized gold price, revenues increased 103% year-over-year to total \$95 million in the second quarter of 2005.

Using the Gold Institute standard, Centerra’s total cash cost per ounce of gold averaged \$221 for the second quarter, up from the \$164 per ounce recorded in the same period of 2004. The increase reflects mainly lower head grades at the Kumtor mine.

Gross profit was \$30 million in the second quarter, up from \$17 million a year ago.

Net income totalled \$15 million or \$0.21 per share in the second quarter. The Company reported a net loss of \$1 million or a loss of \$0.02 per share in the second quarter of 2004.

For the three months ended June 30, 2005, cash flow from operations was \$25 million. This is down from the \$31 million reported in the same period a year ago as a result of an increase in operating working capital of approximately \$10 million. The increase was due to the timing of shipments and payments.

Capital expenditures in the second quarter of 2005 amounted to \$6 million of which \$2 million was spent on maintenance projects. Centerra's cash position rose to \$204 million at June 30, 2005 from \$153 million at the end of 2004. The Company has no long-term debt or gold hedge positions.

Centerra Gold became a public company on June 30, 2004. Its predecessor company, Cameco Gold Inc., was a division of Cameco Corporation (Cameco), and held a one-third interest in Kumtor, a 53% interest in Boroo, a 62% interest in REN and a 73% interest in Gatsuurt. Since June 30, 2004, Centerra's ownership interests consist of a 100% interest in the Kumtor mine, a 95% interest in the Boroo mine, a 62% interest in the REN deposit and a 100% interest in the Gatsuurt property. For accounting purposes, Centerra's consolidated statements reflect proportional consolidation for the Kumtor mine and full consolidation for the Boroo mine for the second quarter and first half of 2004 and full consolidation for both operations for the same periods of 2005.

Exploration Update

In a separate news release dated July 29, 2005, Centerra announced the first half 2005 results from its exploration program.

The program continued to return excellent results during the second quarter. Most notably at the Kumtor pit were the extension of the mineralization at the southern half (SB Zone) to the north, south and down dip and encouraging drilling intercepts in the northeastern portion of the pit.

At Gatsuurt, drilling results confirmed the resource block model at the Central Zone and identified a higher grade mineralized area within the Main Zone, located 400 metres from the Central Zone, which may provide additional resources.

A total of 12 holes tested various targets within the other Mongolian licenses. One of the holes at the Biluut target returned interesting results and confirmed that follow up drilling is warranted.

At REN, results suggest that the 69 Zone has now been closed off in several directions. However, in the JB Zone a drill hole into a high grade part of the deposit returned 49.1 grams per tonne ("g/t") Au over 15.2 metres and confirmed the continuity of the high grade mineralization. In the southern portion of the property, a hole found indications of a relatively thick auriferous alteration zone in a relatively untested area.

Based on the excellent results from the drilling programs, particularly at the Kumtor pit and Gatsuurt properties, the Company has increased its exploration program for 2005 by almost 10% to \$24 million.

The contract to complete the feasibility study for the Gatsuurt Central Zone was awarded to SNC Lavalin Engineers and Constructors Inc. The Central Zone resources, as reported in the April 29, 2005

Centerra release, is being used as a basis for the feasibility study. A second mineralized zone, the Main Zone is currently being in-fill drilled and provides upside in resources for the Gatsuurt Project. A pilot plant study is being initiated with SGS Lakefield Research Africa (Pty) Ltd. and GFL Mining Services Ltd. in South Africa to further evaluate the bio-oxidation processing option. Drilling programs are in progress for water well holes, geotechnical data and condemnation of planned infrastructure sites.

Merger and Acquisition Activities

During the quarter, Centerra continued to evaluate a number of merger and acquisition opportunities as part of its growth strategy. The Company is focused on later-stage projects and operations in Central Asia, the former Soviet Union and other emerging markets. Over the last few months, the merger and acquisition environment has grown increasingly more competitive as confidence in the mineral potential of these regions continues to increase and the outlook for the gold price in the longer term improves. Centerra is confident that its past successes in these regions will contribute to securing value-added additions to its portfolio of assets.

Political Situation in Mongolia and the Kyrgyz Republic

Presidential elections were held in Mongolia and the Kyrgyz Republic in May and July, respectively. Throughout the electoral process Centerra's mines continued their record of uninterrupted operations since the start of commercial production.

Mr. Enkhbayar from the Mongolian People's Revolutionary Party was elected in the first round of voting in Mongolia. In the Kyrgyz Republic, Mr. Bakiev, the acting President, was elected to office with a majority vote.

In a news release on July 19, 2005, the Company issued an update on developments related to its Kumtor project, located in the Kyrgyz Republic, following a visit by senior management to the country.

As the new government becomes established, we expect there will be less political uncertainty related to the Kumtor project but, there can be no assurance that it will be unaffected by the political situation. As the largest foreign investment enterprise in the Kyrgyz Republic, the project has been and continues to be a focus of political debate.

In Centerra's first quarter earnings release, we reported on requests for information from the State Auditing Chamber in connection with its inquiries into the Kumtor restructuring. Since then, the interim government, formed after the departure from office of President Akayev in March, 2005, made further information requests. The Attorney General's office requested documents from Kumtor Operating Company (Centerra's 100% subsidiary) and Centerra as part of a criminal investigation into alleged abuses of power or authority by officers of the Kyrgyz government, Kyrgyzaltyn JSC (the state-owned entity that formerly held two-thirds of the project and now owns 15.7% of Centerra), Kumtor Gold Company and Kumtor Operating Company. The investigation is based on previous

parliamentary resolutions opposing and challenging the Kumtor agreements and the legality of the restructuring. Centerra has and will continue to respond cooperatively to these requests.

Centerra has complete confidence in the validity of its restructuring agreements with the government and is not aware of any basis for any allegation of criminal conduct. The Kumtor restructuring was approved by government decrees and was supported by legal opinions of the Ministry of Justice on the authority of the government to enter into and complete the restructuring. The International Finance Corporation and the European Bank for Reconstruction and Development also participated in the restructuring transactions. Disputes about such agreements are subject to resolution by international arbitration. Furthermore, Mr. Bakiev, prior to the Presidential elections, stated on several occasions that the Kyrgyz Republic will honor its agreements with foreign investors.

The interim government established a commission in April to inquire into the former President's assets. The commission has published a report on its findings that does not contain any allegations against Centerra or its Kyrgyz subsidiaries.

Access to the Kumtor Mine

Since July 27th, access to the Kumtor mine, in the Kyrgyz Republic, has been restricted by an illegal roadblock.

The action is related to the 1998 cyanide incident which was settled with the Government of the Kyrgyz Republic in 1999. The settlement agreement was submitted to international arbitration which reviewed and confirmed the settlement as fair and reasonable.

Based on independent scientific findings, management does not believe that there are any long-term health or environmental effects resulting from the incident.

There are sufficient employees and supplies at the mine site in order to continue full operations at the present time. The Government has been advised of its obligation to provide the company with unrestricted access to the mine site.

Tax and Customs Assessments

In a news release dated July 22, 2005, the Company announced the receipt, from Kyrgyz tax authorities, of the assessments from the scheduled tax and customs inspections. The inspections have been conducted routinely since the start of operations eight years ago.

The assessments, as submitted, would result in an obligation for cash taxes of approximately \$5 million and the denial of operating loss carry-forwards with a cash tax effect of \$12 million spread over the three-year period 2005 to 2007. The tax inspection relates to the 2003 year, with the exception of the profit tax return, which covers the years 1997 to 2003, while the customs inspection relates to the years 2000 to 2004. The assessments are based upon interpretations of Kyrgyz law and will be negotiated accordingly, as assessments have been in past years.

Kumtor intends to file normal-course objections to the assessments within the 30-day period provided by Kyrgyz regulations. Management believes that it has strong arguments to support these objections and its tax position as filed. It does not expect that the outcome will have a material impact on the Company's financial position.

Centerra's Performance since Inception

In its first full year of operation since July 1, 2004, Centerra has generated earnings of almost \$71 million (\$0.99 per share), cash flow from operations of nearly \$116 million (\$1.61 per share) and poured over 867,000 ounces of gold.

<i>All financial data in \$ millions except per share and per ounce data</i>	2004		2005		12 Months to June 2005
	Q3	Q4	Q1	Q2	
Net earnings	28.7	14.9	12.2	14.9	70.7
- per share (basic) ⁽¹⁾	0.40	0.21	0.17	0.21	0.99
Cash flow from operations	29.2	25.0	36.8	24.5	115.5
- per share	0.41	0.35	0.51	0.34	1.61
Ounces poured – 100%	235,578	205,274	213,450	213,225	867,527
Exploration	3.8	7.4	5.2	6.4	22.8
Capital expenditures	3.7	4.3	4.5	6.0	18.5

⁽¹⁾ average number of common shares outstanding are 71,509 for Q3 and 72,080 for each of Q4, Q1 and Q2.

Outlook for 2005

Production in the second half of 2005 is expected to total 372,000 ounces, almost 13% lower than the first half as mine grades are expected to be lower. For the full year, the total production forecast remains relatively unchanged from the first quarter forecast at 798,000 ounces. Centerra's share of production is expected to amount to 785,000 ounces, an increase of almost 30% from 2004 due to higher ownership in both mines and a full year of operations at Boroo in 2005.

The unit cash operating cost consequently is expected to increase over the second half of the year reflecting the lower production. Also expected to impact the second half are costs associated with due diligence activities for potential acquisitions, the feasibility study at the Gatsuert deposit, implementation costs of regulatory standards and increased exploration drilling following the very encouraging results of the first six months.

Qualified Person

The technical data under the heading "Exploration Update" were prepared by Centerra's geological and mining engineering staff under the supervision of Robert S. Chapman, P. Geo., Centerra's Vice

President, Exploration and Technical Director Mergers & Acquisitions, who is a Qualified Person for the purpose of National Instrument 43-101.

Conference Call

Centerra invites you to join its second-quarter conference call on Friday, July 29, 2005 at 10:00 am. Eastern time. The call is open to all investors and the media. To join the call, please dial **(416)** 641-6662 or **(1-800)** 633-8702 (Canada and U.S.). Alternatively, an audio feed will be available on www.centerragold.com. A recorded version of the call will be available on www.centerragold.com shortly after the call, and via telephone until midnight on Friday, August 5, 2005 by calling (416) 626-4100 or (1-800) 558-5253 and using passcode 21250583.

About Centerra

Centerra is a growth-oriented, pure-play gold company focused on acquiring, exploring, developing and operating gold properties primarily in Central Asia, the former Soviet Union and other emerging markets. The two gold mines operated by the Company are expected to produce 798,000 ounces in 2005 at a total cash cost of about \$229 per ounce. This ranks Centerra as a leading North American 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.

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

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

For more information:

Sharon Loung
Director, Investor Relations
(416) 204-1220

1 University Avenue, Suite 1500
Toronto, ON
M5J 2P1
tel 416-204-1953
fax 416-204-1954
www.centerragold.com

sharon.loung@centerragold.com
www.centerragold.com

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

Management's Discussion and Analysis

The following discussion of the financial condition and results of operations of Centerra Gold Inc. (Centerra or the Company) for the three and six months ended June 30, 2005 should be read in conjunction with the audited consolidated financial statements and the notes of the Company which are included in the 2004 Annual Report and the Annual Information Form. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and, unless otherwise specified, all figures are in United States dollars. The 2004 Annual Report and the Annual Information Form are available at www.centerragold.com and www.sedar.com.

Consolidated Financial results

For accounting purposes, Centerra's consolidated results for the three and six months ended June 30, 2005 reflect fully consolidated interests in the Kumtor and Boroo mines, a 62% interest in REN and a fully consolidated interest in Gatsurt.

Highlights – Centerra

Financial Highlights	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Revenue - \$ millions	95.3	46.9	187.0	72.7
Gross profit - \$ millions ⁽¹⁾	29.5	16.9	52.9	26.5
Net earnings (loss) - \$ millions	14.9	(0.6)	27.1	7.1
Cash flow from operations - \$ millions	24.5	30.9	61.3	34.3
Sales volume – ounces ⁽²⁾	225,232	127,997	445,202	197,161
Ounces poured ⁽²⁾	213,225	122,982	426,675	199,927
Average realized price - \$/oz ⁽³⁾	423	360	420	360
Gold spot market price - \$/oz - average for period	427	393	427	401
Total cash cost - \$/oz ⁽⁴⁾	221	164	216	160
Earnings per common share - \$ - basic and diluted	0.21	(0.02)	0.38	0.18
Weighted average shares outstanding – basic - (thousands)	72,080	40,321	72,080	39,235

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

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

(3) Net of the effect of gold hedges.

(4) Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP measure – Total cash cost”.

Gold production and revenue

Revenue increased to \$95.3 million in the second quarter from \$46.9 million in the same quarter last year. Production of 213,225 ounces was significantly higher than the 122,982 ounces reported in the second quarter of 2004 as a result of two factors:

- At the end of the second quarter of 2004, Centerra increased its ownership of the Kumtor mine from 33.3% to 100% and now reports the full production volume; and
- The Boroo mine ramped-up to full production in the second quarter of 2004, following the start of commercial production on March 1, 2004.

Centerra realized an average gold price of \$423 per ounce for the second quarter (including the amortization of \$1.0 million of deferred hedges), a significant increase over the \$360 per ounce realized in the same quarter in 2004. This increase was due to higher spot gold prices that averaged \$427 per ounce, compared to \$393 per ounce in the prior year quarter, and the elimination of the Company's hedge position that occurred in 2004.

Centerra's gold production is unhedged. The impact of prior closures of the hedge position is discussed below under "Gold hedging and off-balance sheet obligations".

Cost of sales

Cost of sales increased to \$48.6 million in the quarter from \$19.4 million in the same period of 2004 due to an increased ownership in Kumtor, lower grades at Kumtor and the higher cost of consumables. On a unit basis, the total cash cost per ounce was \$221 up from \$164 in 2004, mostly due to lower gold production at Kumtor reflecting lower grade ore fed to the mill.

Depreciation, depletion and reclamation

Depreciation, depletion and reclamation increased to \$17.2 million from \$10.6 million in the prior year quarter due to an increased ownership in Kumtor. On a per unit basis, depreciation and amortization for the second quarter of 2005 was \$76 per ounce sold.

Exploration

Exploration costs increased to \$6.4 million from \$2.4 million in the prior year period reflecting the enhancement of the program in support of the Company's growth objective to increase reserves at and around its existing mines.

Interest and other

Interest and other expenses resulted in a small net charge in the quarter reflecting interest earned on the cash position offset by an unfavourable foreign exchange fluctuation on the Canadian dollar. The comparable amount in 2004 was a charge of \$1.1 million representing interest expense on outstanding debt. The Company has no outstanding interest-bearing debt.

Administration

Administration costs for the second quarter were \$5.2 million compared to \$0.4 million in the same period last year. The increase reflects Centerra's current status as a public, stand-alone entity and includes business development and feasibility costs.

Net earnings

Net earnings for the second quarter of 2005 were \$14.9 million or \$0.21 per share compared to a loss of \$0.6 million or \$0.02 per share for the same period in 2004. This improvement is primarily due to the start of commercial production at Boroo, the increased share of production at Kumtor and Boroo and higher gold prices.

Liquidity and capital resources

Cash flow from operations was \$24.5 million for the quarter compared to \$31.0 million for the prior year second quarter. The decrease was mainly due to an increase in working capital resulting from the timing of shipments and payments.

Cash used in investing activities in the second quarter of 2005 was \$5.9 million for capital spending, compared to a total \$6.3 in the same quarter of 2004. In the second quarter of 2005, \$1.9 million was spent on maintenance projects while \$4.0 million was spent on growth projects.

Cash on hand was \$203.5 million at the end of the quarter, of which \$63.7 million was held in Canadian funds for anticipated Canadian dollar expenditures.

Centerra has sufficient cash to carry out its business plan in 2005.

Year-to-date Results

Year-to-date results to June 30, 2005 are consistent with the results for the second quarter of 2005 with the increased ownership at Kumtor and Boroo, the start of commercial production at Boroo in March of 2004 and higher spot gold prices representing the main increase in revenue and earnings compared to the same period ended June 30, 2004.

Revenue for the first six months of 2005 grew to \$187 million from \$72.7 million in the same period in 2004. Average realized prices in the same six month periods were \$420 per ounce and \$360 in 2005 compared to 2004. Mainly as a result of significantly higher revenue, net earnings grew in the first six months of 2005 to \$27.1 million (\$0.38 per share) from \$7.1 million (\$0.18 per share) in the same period of 2004.

Cash flow from operations for the first six months of 2005 grew to \$61.3 million from \$34.3 million in the comparable period of 2004, reflecting the impact of higher gold spot prices in 2005.

Share capital

As of June 30, 2005, Centerra had 72,079,605 shares outstanding and 200,183 share options outstanding under its stock based incentive plans.

Contractual obligations

There have been no significant changes from the contractual obligations identified in the MD&A included in the 2004 Annual Report.

Gold hedging and off-balance sheet obligations

The deferred charges, net of deferred revenue, related to the closing of the gold hedges in 2004, will be recognized in future periods. During the second quarter of 2005, \$1 million of these deferred charges were recorded in the income statement.

<i>\$ millions</i>	Total
Balance as at December 31, 2004	8.2
Amortized in 2005	(3.2)
Balance as at June 30, 2005	5.0

At June 30, 2005, deferred charges on the balance sheet totaled \$5.0 million and are expected to be amortized as follows:

Recognition of Deferred Charges (net of deferred revenue)

<i>\$ millions</i>	Q1	Q2	Q3	Q4	Total
2005			1.1	1.1	2.2
2006	1.9	(0.6)	0.4	0.6	2.3
2007	0.5	--	--	--	0.5
Total					5.0

Market Update

The spot market gold price closed the quarter at \$437 per ounce after reaching a high of \$443 during the period. For the three months ended June 30, 2005, the price averaged \$427 per ounce of gold.

Mine Operations

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

Kumtor – 100% basis

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based producer. It has been operating since 1997 and produced over five million ounces. During the quarter, Kumtor experienced one lost-time injury involving an exploration contractor. There were no environmental exceedances during the period.

Kumtor Operating Results	Three months ended June 30		Six months ended June 30	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Sales volume – ounces	148,980	194,034	300,085	347,436
Revenue - \$ millions	62.1	67.9	126.4	125.2
Average realized price - \$/oz ⁽³⁾	417	350	421	360
Tonnes mined - 000s	21,294	21,353	40,642	42,126
Tonnes ore mined – 000s	1,363	550	2,533	1,146
Tonnes milled - 000s	1,401	1,411	2,836	2,825
Average mill head grade - g/t ⁽¹⁾	3.70	4.71	3.69	4.69
Recovery - %	82.9	82.5	82.1	82.4
Ounces recovered	138,084	176,058	276,366	351,033
Ounces poured	137,794	178,819	279,352	351,822
Total cash costs - \$/oz ⁽²⁾	253	178	244	177
Capital expenditures - \$ millions	3.6	2.3	5.7	2.8

⁽¹⁾ g/t means grams per tonne.

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

⁽³⁾ Net of the effect of gold hedges.

Revenue

In the second quarter of 2005, revenue decreased to \$62.1 million due to lower ounces sold in the quarter. This was partially offset by an increase in the average realized price to \$417 per ounce from \$350 per ounce in the same period last year. Production was 137,794 poured ounces, 23% lower than the prior year quarter due primarily to ore grades averaging 3.7 g/t compared to 4.7 g/t in 2004.

Revenue for the first six months of 2005 were slightly ahead of the same period of 2004, reflecting higher realized price per ounce, partially offset by lower production resulting from lower ore grades.

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

Cost of sales

The cost of sales for the second quarter and first six months of 2005 was \$35.9 million and \$75.7 million compared to \$27.5 million in the second quarter and \$61.8 million in the first six months of 2004.

Total cash costs per ounce year over year increased to \$253 in the second quarter of 2005 from a comparative of \$178 and \$244 in the first six months of 2005 from a comparative of \$177, primarily a result of a lower average grade fed to the mill and the higher cost of consumables.

Exploration

Exploration expenditures totaled \$3.9 million for the quarter and \$6.6 million year-to-date. The expenditures relate primarily to ongoing drilling in the immediate vicinity of the open pit, and in the Southwest and the Sarytor Zones. See also "Exploration program update" and the news release of July 29, 2005 "Centerra Gold Reports Encouraging Exploration Results and Increases 2005 Budget by 10%".

Boroo - 100% basis

The Boroo open pit gold mine began commercial production on March 1, 2004. The mine had no reportable loss-time injury, and no environmental exceedances during the second quarter of 2005.

Boroo Operating Results	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Sales volume – ounces ⁽¹⁾	76,252	63,319	145,117	81,349
Revenue - \$ millions	33.2	23.4	60.7	29.3
Average realized price - \$/oz ⁽³⁾	435	372	418	360
Tonnes mined – 000s	4,846	3,541	9,143	4,846
Tonnes ore mined – 000s	571	481	1,037	655
Tonnes milled – 000s	574	474	1,046	627
Average mill head grade (g/t)	4.18	3.96	4.54	4.07
Recovery - %	91.0	92.9	92.4	93.4
Ounces recovered ⁽¹⁾	70,238	56,067	141,117	76,501
Ounces poured ⁽¹⁾	75,431	63,375	147,323	82,652
Total cash cost - \$/oz ⁽²⁾	162	135	163	134
Capital expenditures - \$ millions	2.4	2.9	4.7	3.0

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

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

(3) Net of the effect of gold hedges.

Revenue

In the second quarter of 2005, revenue increased to \$33.2 million reflecting the higher year-over-year realized gold price and higher production. Production was 75,431 poured ounces, up 19% over the prior year quarter mostly due to higher throughput primarily as a result of productivity-improvements made in the first quarter of 2005.

Revenue for the first six months of 2005 were \$60.7 million compared to \$29.3 million in the same period of 2004, reflecting higher realized price per ounce, increased production, due to higher throughput as the mine achieved commercial production in March 2004.

The second quarter and six month, year over year, higher average realized price was due to higher gold spot prices and the elimination of gold hedges in 2004.

Cost of sales

The cost of sales for the second quarter and first six months of 2005 was \$12.7 million and \$24.5 million compared to \$8.0 million and \$10.2 million in the second quarter and first six months of 2004, reflecting the higher sales and production levels.

Total cash costs per ounce, year over year, increased to \$162 in the second quarter of 2005 from a comparative of \$135 and \$163 in the first six months of 2005 from a comparative of \$134. The increase resulted from the scheduled rebuild of the mining fleet, higher employee costs and the higher cost of consumables.

Exploration

Exploration expenditures in the second quarter of 2005 in Mongolia totaled \$1.1 million of which \$0.5 million was spent to drill targets in the immediate mine area. In the first six months of 2005, \$3.0 million has been spent in Mongolia, of which \$1 million was spent in the immediate mine area. See also “Exploration program update” and the news release of July 29, 2005 “Centerra Gold Reports Encouraging Exploration Results and Increases 2005 Budget by 10%”.

Exploration program update

In a separate news release dated July 29, 2005, Centerra provided an update of its exploration program for the six months of 2005. The following update summarizes the program’s activities for the second quarter of 2005.

- At the Kumtor mine site, six drills were active in the area of the main pit. During the quarter 36 holes were completed totaling 12,910 meters. Most of the activity continued to be in the northern part of the pit to test for further extensions to the mineralization in this direction.
- In the Southwest Zone at Kumtor, geotechnical and condemnation drilling programs were completed in preparation for mining this satellite deposit in 2005. Three exploration holes were completed at the northern end of the deposit. Five holes were also completed on the Sarytor target to in-fill between existing holes.
- At the Boroo mine site, two drills were active and 68 holes were completed totaling 10,951 meters. Most of the drilling was completed along the western flank of Pit 3 to test for down dip extensions to the mineralization.
- At the Gatsuurt deposit, 29 holes were completed in the Central Zone and seven holes tested the Main Zone, which is located 400 meters from the Central Zone. An additional 15 large diameter holes were completed to obtain bulk samples for grinding and metallurgical test work.

- On the regional Mongolian licenses, early stage targets at the Argal, Biluut and Ulaan Bulag prospects were tested by a combined total of 12 holes. An airborne magnetic and radiometric survey is in progress over a large portion of the land position.
- At the REN property in Nevada, 7 holes were completed for a total of 4,340 meters. Most of the drilling was completed in the vicinity of the 69 Zone. A \$2.5 million Phase 2 drilling program was approved by the partners and will extend the drilling program into the fourth quarter of 2005.

The technical data under the headings “Exploration program update” and “Outlook for 2005 – Exploration” were prepared by Centerra’s geological and mining engineering staff under the supervision of Robert S. Chapman, P. Geo., Centerra’s Vice President, Exploration and Technical Director Mergers & Acquisitions, who is a Qualified Person for the purpose of National Instrument 43-101.

Other Financial Information

Related party transactions

Cameco Corporation

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

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

As a result of the above items, the balance owing to Cameco at June 30, 2005 was \$3.9 million with \$196,000 of services provided by Cameco during the second quarter of 2005 (\$414,000 year-to-date).

In addition, the Company paid approximately \$127,000 Cdn in the second quarter of 2005 (approximately \$211,000 Cdn for the six months ended June 30, 2005) to Ms. Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr. Homeniuk. Ms. Stephens provides certain designated legal and business advisory services related to international operations.

Kyrgyzaltyn and the Government of the Kyrgyz Republic

The table below summarizes 100% of the management fees, royalties and concession payments paid by the Kumtor Gold Company (“KGC”) to Kyrgyzaltyn JSC (“Kyrgyzaltyn”) or the Government of the Kyrgyz Republic and the amounts paid by Kyrgyzaltyn to KGC according to the terms of the Gold and Silver Sales Agreement between Kumtor Operating Company, Kyrgyzaltyn and the

Government of the Kyrgyz Republic. For periods prior to the restructuring, the Centerra financial statements reflect one-third of the charges.

<i>\$ thousands</i>	Three months ended June 30		Six months ended June 30	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Related Parties in the Kyrgyz Republic				
Management fees to Kyrgyzaltyn	223	338	450	521
Concession payments to Kyrgyz Republic	596	776	1,200	1,390
Total	819	1,114	1,650	1,911
Gross gold and silver sales to Kyrgyzaltyn	64,220	76,838	129,356	138,831
Deduct: refinery and financing charges	(734)	(777)	(1,439)	(1,391)
Net sales revenue received from Kyrgyzaltyn	63,486	76,061	127,917	137,440

Centerra's Performance since Inception

In its first full year of operation since July 1, 2004, Centerra has generated earnings of almost \$71 million (\$0.99 per share), cash flow from operations of nearly \$116 million (\$1.61 per share) and poured over 867,000 ounces of gold.

<i>All financial data in \$millions except per share and per ounce data</i>	2004		2005		12 Months to June 2005
	Q3	Q4	Q1	Q2	
Net earnings	28.7	14.9	12.2	14.9	70.7
- per share (basic) ⁽¹⁾	0.40	0.21	0.17	0.21	0.99
Cash flow from operations	29.2	25.0	36.8	24.5	115.5
- per share	0.41	0.35	0.51	0.34	1.61
Ounces poured – 100%	235,578	205,274	213,450	213,225	867,527
Exploration	3.8	7.4	5.2	6.4	22.8
Capital expenditures	3.7	4.3	4.5	6.0	18.5

⁽¹⁾ average number of common shares outstanding are 71,509 for Q3 and 72,080 for each of Q4, Q1 and Q2.

Non-GAAP measure

Total cash cost

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

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

Total cash cost per ounce has been included because certain investors use this information to assess performance and also to determine the ability of Centerra to generate cash flow for use in investing and other activities. The inclusion of total cash cost per ounce enables investors to better understand year-on-year changes in production costs, which in turn affect profitability and cash flow.

Total cash cost per ounce can be reconciled as follows:

\$ millions, unless otherwise specified	Second Quarter 2005		
	Kyrgyz Republic (Kumtor)	Mongolia (Boroo)	Total
Cost of sales, as reported	35.9	12.7	48.6
Adjust for:			
Refining fees	0.7	-	0.7
By-product credits	(0.6)	(0.1)	(0.7)
Non-operating costs	0.5	0.5	1.0
Inventory movement	(1.7)	(1.1)	(2.8)
Total cash cost – 100%	34.8	12.2	46.8
Ounces poured – 100% (000)	137.8	75.4	213.2
Total cash cost per ounce	252.7	162.3	220.7

\$ millions, unless otherwise specified	Second Quarter 2004		
	Kyrgyz Republic (Kumtor)	Mongolia (Boroo)	Total
Cost of sales, as reported	11.4	8.0	19.4
Adjust for:			
Refining fees	0.2	-	0.2
By-product credits	(0.1)	-	(0.1)
Non-operating costs	(0.1)	(0.2)	(0.3)
Inventory movement	(0.8)	0.7	(0.1)
Pre-acquisition operating costs ⁽¹⁾	21.2	-	21.2
Total cash cost – 100%	31.8	8.5	40.3
Ounces poured – 100% (000's)	178.8	63.3	242.1
Total cash cost per ounce	177.6	135.0	166.4

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

\$ millions, unless otherwise specified	Six Months 2005		
	Kyrgyz Republic (Kumtor)	Mongolia (Boroo)	Total
Cost of sales, as reported	75.7	24.5	100.2
Adjust for:			
Refining fees	1.4	-	1.4
By-product credits	(1.1)	(0.2)	(1.3)
Non-operating costs	(0.8)	0.8	-
Inventory movement	(7.1)	(1.0)	(8.1)
Total cash cost – 100%	68.1	24.1	92.2
Ounces poured – 100% (000)	279.3	147.3	426.6
Total cash cost per ounce	243.9	163.4	216.1

\$ millions, unless otherwise specified	Six Months 2004		
	Kyrgyz Republic (Kumtor)	Mongolia (Boroo)	Total
Cost of sales, as reported	20.6	10.2	30.8
Adjust for:			
Refining fees	0.4	-	0.4
By-product credits	(0.2)	-	(0.2)
Non-operating costs	0.1	(0.3)	(0.2)
Inventory movement	0.1	1.2	1.3
Pre-acquisition operating costs ⁽¹⁾	42.1	-	42.1
Total cash cost – 100%	63.1	11.1	74.2
Ounces poured – 100% (000's)	351.8	82.6	434.4
Total cash cost per ounce	179.3	134.0	170.6

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

Quarterly Results – Last 8 quarters

<i>All financial data in \$millions, except per share data</i>	2005		2004				2003	
	Q1	Q2	Q1	Q2	Q3	Q4	Q3	Q4
Revenue	92	95	26	47	86	88	21	29
Net earnings	12	15	8	(1)	29	15	3	7
- per share (basic & diluted)	0.17	0.21	0.20	(0.02)	0.40	0.21	0.07	0.18

Outlook for 2005

Centerra's 2005 outlook is based on various assumptions such as equipment productivities and availabilities remaining at historical levels, metallurgical recoveries supporting historical data and test work, costs based on projections of historical and current pricing data, gold market conditions remaining at current levels, political stability and government regulations relating to foreign investments in the countries in which Centerra operates and uses as foundation recently updated reserve models.

Political Situation in Mongolia and the Kyrgyz Republic

Presidential elections were held in Mongolia and the Kyrgyz Republic in May and July, respectively. Throughout the electoral process Centerra's mines continued their record of uninterrupted operations since the start of commercial production.

Mr. Enkhbayar from the Mongolian People's Revolutionary Party was elected in the first round of voting in Mongolia. In the Kyrgyz Republic, Mr. Bakiev, the acting President, was elected to office with a majority vote.

In a news release on July 19, 2005, the Company issued an update on developments related to its Kumtor project, located in the Kyrgyz Republic, following a visit by senior management to the country.

As the new government becomes established, we expect there will be less political uncertainty related to the Kumtor project but, there can be no assurance that it will be unaffected by the political situation. As the largest foreign investment enterprise in the Kyrgyz Republic, the project has been and continues to be a focus of political debate.

In Centerra's first quarter earnings release, we reported on requests for information from the State Auditing Chamber in connection with its inquiries into the Kumtor restructuring. Since then, the interim government, formed after the departure from office of President Akayev in March, 2005, made further information requests. The Attorney General's office requested documents from Kumtor Operating Company (Centerra's 100% subsidiary) and Centerra as part of a criminal investigation into alleged abuses of power or authority by officers of the Kyrgyz government, Kyrgyzaltyn JSC

(the state-owned entity that formerly held two-thirds of the project and now owns 15.7% of Centerra), Kumtor Gold Company and Kumtor Operating Company. The investigation is based on previous parliamentary resolutions opposing and challenging the Kumtor agreements and the legality of the restructuring. Centerra has and will continue to respond cooperatively to these requests.

Centerra has complete confidence in the validity of its restructuring agreements with the government and is not aware of any basis for any allegation of criminal conduct. The Kumtor restructuring was approved by government decrees and was supported by legal opinions of the Ministry of Justice on the authority of the government to enter into and complete the restructuring. The International Finance Corporation and the European Bank for Reconstruction and Development also participated in the restructuring transactions. Disputes about such agreements are subject to resolution by international arbitration. Furthermore, Mr. Bakiev, prior to the Presidential elections, stated on several occasions that the Kyrgyz Republic will honor its agreements with foreign investors.

The interim government established a commission in April to inquire into the former President's assets. The commission has published a report on its findings that does not contain any allegations against Centerra or its Kyrgyz subsidiaries.

Tax and Customs Assessment

In a news release dated July 22, 2005, the Company announced the receipt, from Kyrgyz tax authorities, of the assessments from the scheduled tax and customs inspections. The inspections have been conducted routinely since the start of operations eight years ago.

The assessments, as submitted, would result in an obligation for cash taxes of approximately \$5 million and the denial of operating loss carry-forwards with a cash tax effect of \$12 million spread over the three-year period 2005 to 2007. The tax inspection relates to the 2003 year, with the exception of the profit tax return, which covers the years 1997 to 2003, while the customs inspection relates to the years 2000 to 2004. The assessments are based upon interpretations of Kyrgyz law and will be negotiated accordingly, as assessments have been in past years.

Kumtor intends to file normal-course objections to the assessments within the 30-day period provided by Kyrgyz regulations. Management believes that it has strong arguments to support these objections and its tax position as filed. It does not expect that the outcome will have a material impact on the Company's financial position.

Access to the Kumtor Mine

Since July 27th, access to the Kumtor mine, in the Kyrgyz Republic, has been restricted by an illegal roadblock.

The action is related to the 1998 cyanide incident which was settled with the Government of the Kyrgyz Republic in 1999. The settlement agreement was submitted to international arbitration which reviewed and confirmed the settlement as fair and reasonable.

Based on independent scientific findings, management does not believe that there are any long-term health or environmental effects resulting from the incident.

There are sufficient employees and supplies at the mine site in order to continue full operations at the present time. The Government has been advised of its obligation to provide the company with unrestricted access to the mine site.

Year 2005 Production and Unit Cost Forecast

Based on current operations and the Company's performance for the first six months of 2005, total production forecast for the year remains relatively unchanged at 798,000 ounces (compared to 790,000 ounces forecast at the end of the 2005 first quarter), a decline of almost 9% from 2004 as a result of lower grades at the Kumtor mine. Centerra's beneficial production however, is expected to increase to 785,000 ounces from 610,287 in 2004 on account of the increased ownership level in both mines and a full year of operations at Boroo.

The mill head grade at Kumtor is expected to average 3.8 g/t in 2005 compared to 4.4 g/t in 2004. Accordingly, production from the mine is expected to total 525,000 ounces (compared to 520,000 ounces forecast at the end of the 2005 first quarter) at an average cash cost of \$256 per ounce.

At Boroo, production is expected to increase to approximately 273,000 ounces (compared to 270,000 ounces forecast at the end of the 2005 first quarter) reflecting a higher throughput level. The mill head grade at Boroo is expected to average 4.1 g/t compared to 4.5 g/t in 2004. Total cash cost is forecast to be \$176 per ounce.

Third and Fourth Quarter 2005 Production and Unit Cost Forecast

Centerra's third and fourth quarter production and unit costs are forecasted as follows:

Production	2005					2004
	Q1 Actual	Q2 Actual	Q3 Forecast	Q4 Forecast	Year Forecast	Year Actual
<i>Ounces except where noted</i>						
Kumtor production (100% Centerra share)	141,558	137,794	118,500	127,000	524,852	657,329
Boroo production	71,892	75,431	63,000	63,000	273,323	245,701
Centerra's 95% share of Boroo's production	68,297	71,659	59,786	60,192	259,657	187,506
Centerra's share of total production	209,855	209,453	178,175	187,451	784,509	610,287

Total cash cost	2005					2004
	Q1 Actual	Q2 Actual	Q3 Forecast	Q4 Forecast	Year Forecast	Year Actual
<i>\$ per ounce</i>						
Kumtor	235	253	278	261	256	202
Boroo	165	162	200	183	176	149
Consolidated	211	221	251	235	229	189

Exploration

One of Centerra's foremost priorities in 2005 is to continue to add to its reserves and resources base through its exploration program. Accordingly, the Company has forecast \$24.3 million of spending on its program for the year, an approximately 60% increase over the amount invested in 2004. Roughly one half of this amount has been expended on exploration to date.

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

Kyrgyz Republic

- Drilling programs will continue in the vicinity of the main Kumtor pit and at the Southwest Zone with a focus on testing for strike and down-dip extensions to the mineralized horizons. In-fill drilling will continue at the Sarytor prospect.

Mongolia

- At Boroo, most of the exploration drilling has been completed and drilling results are being assessed.
- At the Gatsuert deposit, a feasibility study and metallurgical test work are in progress to further assess the Central Zone deposit. A drilling program will be initiated at the Main Zone to in-fill between the existing holes to a density sufficient for a resource estimate. The Main Zone is located

400 meters to the southwest of the Central Zone.

- Exploration programs will continue to evaluate Centerra's significant land position.

United States (Nevada)

On the REN project, drilling programs will focus on further evaluating the 69 Zone and testing other geological and geophysical target areas on the property.

Administration

Annual administration expenses are expected to amount to approximately \$22 million compared to the first quarter forecast of \$16 million. The revised forecast includes the estimated costs associated with due diligence activities for potential acquisitions, the feasibility study at the Gatsuurt deposit and the implementation costs of regulatory standards.

Corporate income taxes

Corporate income taxes in the Kyrgyz Republic are calculated and provisioned at 20% of taxable income. Cash tax payments in 2005, 2006 and 2007 will be impacted by the resolution of the recently completed government tax audits. Mongolia is in its second year of a three-year income tax holiday.

Capital expenditures

The capital requirement in 2005 is forecast at \$34 million including \$13 million of maintenance capital.

Caution regarding forward-looking statements

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

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

- end -

Centerra Gold Inc.

Consolidated Financial Statements

For the Six Months Ended June 30, 2005

(Unaudited)

(\$ US)

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

	As at	
	Jun 30/05	Dec 31/04
Assets		
Current assets		
Cash	\$ 203,507	\$ 152,591
Accounts receivable	8,127	2,596
Inventories	12,055	22,161
Supplies and prepaid expenses	53,359	47,578
	<u>277,048</u>	<u>224,926</u>
Property, plant and equipment	246,054	267,557
Goodwill	155,520	155,520
Long-term receivables, investments and other	9,540	12,456
	<u>411,114</u>	<u>435,533</u>
Total assets	<u>\$ 688,162</u>	<u>\$ 660,459</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 27,476	\$ 32,023
Provision for reclamation	19,521	18,868
Future income taxes	8,376	5,407
	<u>55,373</u>	<u>56,298</u>
Minority interest	3,813	2,410
Shareholders' equity		
Share capital (note 2)	522,383	522,383
Contributed surplus	29,610	29,503
Retained earnings	76,983	49,865
	<u>628,976</u>	<u>601,751</u>
Total liabilities and shareholders' equity	<u>\$ 688,162</u>	<u>\$ 660,459</u>

Contingencies (note 5)

See accompanying notes to the consolidated financial statements.

Centerra Gold Inc.

Consolidated Statements of Earnings and Retained Earnings (Deficit)

(Unaudited)

(In Thousands of US\$)

	Three Months Ended		Six Months Ended	
	June 30/05	June 30/04	June 30/05	June 30/04
Revenue from				
Gold sales	\$ 95,280	\$ 46,037	\$ 187,010	\$ 71,015
Management fees	-	857	-	1,642
	<u>\$ 95,280</u>	<u>\$ 46,894</u>	<u>\$ 187,010</u>	<u>\$ 72,657</u>
Expenses				
Cost of sales	48,573	19,368	100,223	30,792
Depreciation, depletion and reclamation	17,184	10,631	33,857	15,347
Exploration	6,433	2,382	11,594	3,867
Interest and other	248	235	(180)	(107)
Administration	5,199	1,325	8,910	2,276
	<u>77,637</u>	<u>33,941</u>	<u>154,404</u>	<u>52,175</u>
Earnings from operations	17,643	12,953	32,606	20,482
Other expense	-	9,401	-	8,859
Earnings before income taxes and minority interest	17,643	3,552	32,606	11,623
Income tax expense (recovery)	2,014	544	4,085	546
Minority interest	720	3,636	1,403	4,027
Net earnings (loss)	14,909	(628)	27,118	7,050
Retained earnings (deficit), beginning of period	62,074	6,908	49,865	(770)
Retained earnings, end of period	<u>\$ 76,983</u>	<u>\$ 6,280</u>	<u>\$ 76,983</u>	<u>\$ 6,280</u>
Basic and diluted earnings per common share [note 3]	<u>\$ 0.21</u>	<u>\$ (0.02)</u>	<u>\$ 0.38</u>	<u>\$ 0.18</u>

See accompanying notes to the consolidated financial statements.

Centerra Gold Inc.
Consolidated Statements of Cash Flows

(Unaudited)

(In Thousands of US\$)

	Three Months Ended		Six Months Ended	
	June 30/05	June 30/04	June 30/05	June 30/04
Operating activities				
Net earnings (loss)	\$14,909	(\$628)	\$27,118	\$7,050
Items not requiring (providing) cash:				
Depreciation, depletion and reclamation	17,184	10,631	33,857	15,347
Deferred charges recognized	958	5,744	3,182	7,107
Loss on settlement of debt	-	9,401	-	9,401
Future income tax expense	1,194	-	2,969	-
Minority interest	720	3,636	1,403	4,027
Other operating items	(10,420)	2,201	(7,188)	(8,647)
Cash provided by operations	24,545	30,985	61,341	34,285
Investing activities				
Acquisition of net business assets, net of cash acquired	-	(2,697)	-	(2,697)
Additions to property, plant and equipment	(5,940)	(3,640)	(10,425)	(3,892)
Net commissioning recoveries	-	-	-	4,223
Redemption of shares, Cameco Ireland	-	-	-	22,900
Cash provided by (used in) investing	(5,940)	(6,337)	(10,425)	20,534
Financing activities				
Proceeds of share issue	-	64,417	-	64,417
Repayment of long-term debt	-	(35,421)	-	(41,509)
Advances from (to) parent company	-	22,100	-	(2,608)
Cash provided by (used in) financing	-	51,096	-	20,300
Increase in cash during the period	18,605	75,744	50,916	75,119
Cash at beginning of the period	184,902	9,476	152,591	10,101
Cash at end of the period	\$ 203,507	\$ 85,220	\$ 203,507	\$ 85,220

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

1. Basis of Presentation

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

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

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

Since June 30, 2004, Centerra’s ownership interests consist of a 100% interest in the Kumtor mine, a 95% interest in the Boroo mine, a 62% interest in the REN deposit and a 100% interest in the Gatsuurt property. For accounting purposes, Centerra’s consolidated statements reflect proportional consolidation of the Kumtor mine for the first half of 2004 and full consolidation for the first half of 2005, while Boroo reflect full consolidation for the first half of 2004 and 2005.

2. Share Capital

Centerra is authorised to issue an unlimited number of common shares, class A non-voting shares and preference shares with no par value. At June 30, 2005, only common shares had been issued as follows:

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

At the start of the year, a total of 107,527 stock options with a strike price of Cdn \$15.50 per share, 61,051 performance share units and 17,291 deferred share units were outstanding.

In February 2005, Centerra granted an additional 92,656 stock options at a strike price of Cdn \$20.12 per share. The compensation expense associated with this stock option series

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

was calculated using the Black-Scholes valuation model, assuming a 6-year term, 34% volatility and a risk-free rate of return of 3.49%, and is being charged against net income over its vesting period.

Performance share and deferred share units outstanding as at June 30, 2005 were 132,815 and 24,078 respectively.

3. Earnings Per Share Amounts

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

	Three Months Ended		Six Months Ended	
	<u>June 30/05</u>	<u>June 30/04</u>	<u>June 30/05</u>	<u>June 30/04</u>
	(Thousands)		(Thousands)	
Basic weighted average number of common shares outstanding	72,080	40,321	72,080	39,235
Diluted weighted average number of common shares outstanding	72,096	40,321	72,101	39,235
Basic and diluted earnings per common share	\$0.21	\$(0.02)	\$0.38	\$0.18

4. Related Party Transactions

Cameco Corporation

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

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

As a result of the above items, the balance owing to Cameco at June 30, 2005 was \$3.9 million and \$196,000 of services were provided by Cameco under the services agreement during the second quarter (\$414,000 year-to-date).

In addition, the Company paid approximately \$127,000 Cdn in the second quarter of 2005 (approximately \$211,000 Cdn for the six months ended June 30, 2005) to Ms. Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr. Homeniuk. Ms. Stephens provides certain designated legal and business advisory services related to international operations.

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Kyrgyzaltyn and the Government of the Kyrgyz Republic

The table below summarizes 100% of the management fees, royalties and concession payments paid by Kumtor to Kyrgyzaltyn JSC (“Kyrgyzaltyn”) or the Government of the Kyrgyz Republic and the amounts paid by Kyrgyzaltyn to Kumtor according to the terms of a Gold and Silver Sales Agreement between Kumtor Operating Company (“KOC”), Kyrgyzaltyn and the Government of the Kyrgyz Republic. For periods prior to the restructuring, the Centerra financial statements reflect one-third of these charges in accordance with the accounting described in note 1.

	Three Months Ended		Six Months Ended	
	June 30/05	June 30/04	June 30/05	June 30/04
Management fees to Kyrgyzaltyn	\$ 223	\$ 338	\$ 450	\$ 521
Concession payments to the Kyrgyz Republic	596	776	1,200	1,390
	\$ 819	\$ 1,114	\$ 1,650	\$ 1,911
Gross gold and silver sales to Kyrgyzaltyn	\$ 64,220	\$ 76,838	\$ 129,356	\$ 138,831
Deduct: refinery and financing charges	(734)	(777)	(1,439)	(1,391)
Net sales revenue received from Kyrgyzaltyn	\$ 63,486	\$ 76,061	\$ 127,917	\$ 137,440

5. Contingencies

a) In late June 2005, the Kyrgyz tax authorities completed their previously announced state tax audit and customs audit of the Kumtor Operating Company (“KOC”). The final assessments were issued on July 22, 2005. The tax audit relates to the 2003 year, while the customs audit relates to the years 2000 to 2004. In total, the assessments deny operating loss carry forwards of \$12 million and claim cash taxes, including interest and penalties, of \$5 million relating to the years referred to above.

KOC is currently reviewing the assessments, and believes that it has a strong foundation for its tax position as filed. Kumtor plans to file a formal notice of objection within its 30-day filing period, after which arbitration may be commenced. Due to the circumstances, it is not possible at the current time to quantify the potential impact against cash taxes and future tax assets resulting from these assessments, however it is not expected that the outcome will have a material impact on the Company’s financial position.

b) In its first quarter statements, the Company reported on requests for information from the State Auditing Chamber in connection with its inquiries into the Kumtor restructuring. Since then, the Attorney General’s office requested documents from KOC (Centerra’s 100% subsidiary) and Centerra as part of a criminal investigation into alleged abuses of

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power or authority by officers of the Kyrgyz government, Kyrgyzaltyn (the state-owned entity that formerly held two-thirds of the project and now owns 15.7% of Centerra), Kumtor Gold Company and KOC. The investigation is based on previous parliamentary resolutions opposing and challenging the Kumtor agreements and the legality of the restructuring. Centerra has and will continue to respond cooperatively to these requests.

Centerra is not aware of any basis for any allegation of criminal conduct and has complete confidence in the validity of its restructuring agreements with the government. Disputes about such agreements are subject to resolution by international arbitration.

6. Segmented Information

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

Geographic Segmentation of Revenue

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

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Three months ended June 30, 2005

(millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 62.1	\$ 33.2	\$ -	\$ 95.3
Expenses				
Cost of sales	35.9	12.7	-	48.6
Depreciation, depletion and reclamation	10.2	6.9	0.1	17.2
Exploration	3.9	1.1	1.4	6.4
Interest and other	1.9	0.2	(1.8)	0.3
Administration	0.7	0.4	4.1	5.2
Earnings (loss) before income taxes and minority interest	9.5	11.9	(3.8)	17.6
Income tax expense	1.6	-	0.4	2.0
Minority interest	-	0.7	-	0.7
Net earnings (loss)	7.9	11.2	(4.2)	14.9
Capital expenditures for the quarter	\$ 3.6	\$ 2.4	\$ -	\$ 6.0

Three months ended June 30, 2004

(millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 23.5	\$ 23.4	\$ -	\$ 46.9
Expenses				
Cost of sales	11.4	8.0	-	19.4
Depreciation, depletion and reclamation	3.7	6.9	-	10.6
Exploration	0.4	0.4	1.6	2.4
Interest and other	1.8	1.4	(3.0)	0.2
Administration	0.7	0.2	0.4	1.3
Other expense (gain)	-	-	9.4	9.4
Earnings before income taxes and minority interest	5.5	6.5	(8.4)	3.6
Income tax expense	0.6	-	-	0.6
Minority interest	-	3.6	-	3.6
Net earnings	\$ 4.9	\$ 2.9	\$ (8.4)	\$ (0.6)
Capital expenditures for the quarter	\$ 0.8	\$ 2.9	\$ -	\$ 3.7

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Six months ended June 30, 2005

(millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 126.4	\$ 60.6	\$ -	\$ 187.0
Expenses				
Cost of sales	75.7	24.5	-	100.2
Depreciation, depletion and reclamation	21.1	12.6	0.2	33.9
Exploration	6.6	3.0	2.0	11.6
Interest and other	2.8	0.1	(3.1)	(0.2)
Administration	1.5	0.9	6.5	8.9
Earnings (loss) before income taxes and minority interest	18.7	19.5	(5.6)	32.6
Income tax expense	3.6	-	0.5	4.1
Minority interest	-	1.4	-	1.4
Net earnings (loss)	15.1	18.1	(6.1)	27.1
Total assets (excluding PP&E and goodwill)	110.1	35.0	141.5	286.6
PP&E	149.3	94.9	1.9	246.1
Goodwill	129.7	25.8	-	155.5
Capital expenditures for the quarter	\$ 5.7	\$ 4.7	\$ -	\$ 10.4

Six months ended June 30, 2004

(millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 43.4	\$ 29.3	\$ -	\$ 72.7
Expenses				
Cost of sales	20.6	10.2	-	30.8
Depreciation, depletion and reclamation	7.0	8.3	-	15.3
Exploration	0.6	0.6	2.7	3.9
Interest and other	3.0	1.9	(5.5)	(0.6)
Administration	1.2	0.6	0.4	2.2
Loss on exchange of subordinated debt	-	-	9.4	9.4
Earnings before income taxes and minority interest	11.0	7.7	(7.0)	11.7
Income tax expense	0.6	-	-	0.6
Minority interest	-	4.0	-	4.0
Net earnings	\$ 10.4	\$ 3.7	\$ (7.0)	\$ 7.1
Total assets (excluding PP&E)	\$ 87.5	\$ 25.0	\$ 38.3	\$ 150.8
PP&E	172.1	117.5	-	289.6
Goodwill	129.7	25.8	-	155.5
Capital expenditures for the quarter	\$ 0.9	\$ 3.0	\$ -	\$ 3.9

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7. Comparative Information

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