



## NEWS RELEASE

(All figures are in United States dollars)

### **Centerra Gold's Earnings and Cash Flow Rise Significantly**

**Toronto, Canada, January 27, 2005:** Centerra Gold Inc. (TSX: CG) today reported net income of \$14.9 million or \$0.21 per share in the fourth quarter and \$50.6 million or \$0.91 per share for the twelve months of 2004. The twelve months result includes a \$4.7 million charge following a change in the Company's accounting method used to value the assets purchased by Centerra prior to its Initial Public Offering (IPO). The comparative 2003 net income results were \$6.8 million or \$0.18 per share in the fourth quarter and \$9.1 million or \$0.24 per share for the year.

Cash generated from operations, net of working capital changes and other operating items, amounted to \$25.0 million in the fourth quarter of 2004 compared to a cash shortfall of \$0.8 million in the same period of 2003. In the twelve months ended December 31, 2004, cash generated amounted to \$88.5 million compared to \$24.4 million in 2003.

The increase in net income and cash from operations resulted from an increased share of production at Kumtor, the start-up of Boroo and higher realized prices.

#### **2004 Highlights**

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- Corporate:
  - Successfully completed the largest gold IPO in Canada since 1994
  - Increased ownership in Kumtor and Boroo mines to 100% and 95% respectively
  - Completely eliminated the hedge book; positioned to benefit fully from positive gold price environment
  - Eliminated all long-term debt; cash totaled \$152.6 million at year-end 2004
- Operational
  - Solid safety and environmental performances at both mines
  - Started up the Boroo mine with operations above design-capacity levels
  - Achieved record total annual production of 903,030 ounces of gold; 610,287 ounces attributable to Centerra

- Surpassed the production milestone of five million ounces at the Kumtor mine
- Increased reserves at both mines; extending mine life by approximately one year
- Significantly expanded resources at Gatsuurt and REN projects

## **Commentary**

“2004 was a year of significant accomplishments for Centerra,” said Len Homeniuk, President and CEO. “We launched a pure-play gold company with the largest gold IPO on the TSX since 1994. Our management team delivered on our stated objectives to increase shareholder value by gaining controlling interests in the Kumtor and Boroo mines, adding to our resources and reserves and positioning the Company both financially and operationally to take advantage of the improved gold price environment. We surpassed the threshold of over 900,000 ounces of gold production and our solid safety and environmental performance at both sites made this achievement even more significant.”

“In 2005 we intend to build on the momentum gained since our IPO in June, 2004. Our focus is on increasing our reserves through exploration and acquisitions. Our strong financial position gives us the flexibility to evaluate a number of options. In tandem, we will continue to pursue optimal production at our existing operations and complete a feasibility study of the Gatsuurt deposit. 2005 promises to be as eventful for Centerra as was 2004,” concluded Mr. Homeniuk.

## **Financial Summary**

Centerra Gold 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 100% 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 fourth quarter results reflect fully consolidated interests in the Kumtor and Boroo mines, a 62% interest in REN and a fully consolidated interest in Gatsuurt.

Production at the Kumtor and Boroo mines, as reflected in the revenues of the Company, was 205,274 ounces for the fourth quarter and 640,779 ounces for the full year of 2004. These compare with 69,226 ounces and 225,851 ounces for the fourth quarter and 2003 year respectively. The results for 2004 include operations at the Boroo mine and reflect a higher ownership interest in the Kumtor mine.

As a result of the higher production level and a 15% improvement in the realized gold price, revenues increased 196% year-over-year in the fourth quarter. For the year, the realized gold price improved 19% and revenues increased 201%.

Using the Gold Institute standard, Centerra's total cash cost per ounce of gold in 2004 was \$240 for the fourth quarter and \$189 for the year. Comparative cash costs in 2003 were \$179 for the quarter and \$191 for the year.

Net income totaled \$14.9 million or \$0.21 per share in the fourth quarter and \$50.6 million or \$0.91 per share, for the twelve months of 2004. The comparative results for 2003 were \$6.8 million or \$0.18 per share in the fourth quarter and \$9.1 million or \$0.24 per share for the twelve months.

In 2004, the Company generated \$88.5 million in cash from operations of which \$25 million was attributed to the fourth quarter. This compares with the 2003 results of \$24.4 million generated in the year and a shortfall of \$0.8 million in the fourth quarter.

Sustaining capital expenditures in 2004 amounted to \$12 million. Centerra's cash position stood at \$152.6 million at the end of 2004. The Company has no long-term debt or gold hedge positions.

### Accounting Change

Centerra's financial statements for 2004 include adjustments recorded to reflect a change in the accounting for the restructuring transactions that helped create the Company. The accounting change has been applied retroactively to the dates of the transactions and, as a result, Centerra will be reissuing its financial statements for the periods ended June 30, 2004 and September 30, 2004.

#### The effect of the change

The impact of this accounting change on Centerra's consolidated financial statements was to record \$155.5 million in goodwill, increase the value of shareholders' equity by \$160.2 million and decrease net earnings by \$4.7 million. The earnings decrease results from the June 2004 loss on settlement of the subordinated debt of Kumtor Gold Company (KGC) in excess of its book value.

While this accounting change has a \$4.7 million negative effect on Centerra's net earnings for 2004, there is no impact on cash flows except a minimal decrease in capital taxes.

The following table illustrates the significant effects of the accounting change on previously reported financial results:

<b>Key results by quarter</b>	<b>Q1</b>	<b>Q2</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
\$ millions, except per share amounts		<b>Reported</b>	<b>Restated</b>		
Revenue	25.7	46.9	46.9	86.7	87.7
Net earnings (loss)	7.7	4.1	(0.6)	28.7	14.9
Earnings (loss) per share - \$	0.20	0.10	(0.02)	0.40	0.21
Cash provided by operations	3.3	31.0	31.0	29.2	25.0

## **Background to the change**

The restructuring of Centerra prior to the IPO included transactions to increase its interest in certain gold assets, and to settle its outstanding debt. The terms of these transactions, which were negotiated in the months leading up to the IPO, included the issuance of shares of Centerra on the closing of the transactions. With the concurrence of its external auditors, Centerra initially recorded these transactions based on estimates of the value of the tangible assets acquired or debt settled based on an analysis of the discounted cash flows expected.

In its year-end review, Centerra in consultation with its external auditors reviewed the accounting for these transactions. In the case of a public company issuing shares to acquire assets or settle debt, the appropriate accounting treatment is to use the value of the acquiring company's shares to record the transaction. While Centerra was not a publicly traded company at the time it negotiated its restructuring transactions, it did subsequently become public, and those transactions were contingent on the IPO.

Accordingly, by increasing the value of the shares issued in the restructuring transactions to the IPO price, Centerra has recorded an increase in the purchase price of the gold assets acquired of \$155.5 million, resulting in an increase in goodwill as noted above. Similarly, there was an increase in the value attributed to the shares issued to settle its outstanding debt, which resulted in an increase in the loss recorded on debt settlement by \$4.7 million.

If the carrying value of the goodwill cannot be supported in a future annual test, it will be written down to the supportable value.

## **Reserves and Resources Update**

In a separate release on January 27, 2005, Centerra issued an updated estimate of the resources and reserves at its operating mines and advanced projects. Based on the new reserves estimates, the mine lives at the Kumtor and Boroo mines will each be extended by about one year. Additionally, the resource bases at the Gatsuurt and REN projects have been significantly upgraded and expanded.

A gold price of \$375 per ounce was used for all of the 2004 reserve estimates. The previous estimates as at December 31, 2003 used a gold price of \$325 per ounce.

## **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 produced 903,030 ounces in 2004 at a total cash cost of about \$189 per ounce. This currently ranks Centerra as the largest Western-based gold producer in Central Asia and the former Soviet Union and the fifth largest North American based gold producer. Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is based in Toronto, Canada.

## **Qualified person**

The technical data under the heading “Reserves and Resources Update” was prepared by Centerra’s geological and mining engineering staff under the supervision of Robert S. Chapman, P. Geo., and Centerra’s Vice President of Exploration who is a Qualified Person. The Boroo estimate utilized an updated resource block model prepared by Geostat Systems International Inc. (“Geostat”). Roscoe Postle Associates Inc. (“Roscoe Postle”), of Toronto, Canada, prepared the resource estimates for the Gatsuurt and REN projects.

## **Conference call**

Centerra invites you to join its 2004 year-end conference call on Thursday, January 27, 2005 at 2:00 pm Eastern time. The call is open to all investors and the media. To join the call, please dial **(416) 682-1063** or **(1-866) 384-0144** (Canada and US). Alternatively, an audio feed will be available on [www.centerragold.com](http://www.centerragold.com). A recorded version of the call will be available on [www.centerragold.com](http://www.centerragold.com) shortly after the call, and via telephone until midnight on Thursday, February 10, 2005 by calling (402) 220-7734 or (1-800) 766-3394 and using passcode 3390216.

## **For more information:**

Sharon Loung,  
Director, Investor Relations,  
416-204-1220  
[sharon.loung@centerragold.com](mailto:sharon.loung@centerragold.com)  
[www.centerragold.com](http://www.centerragold.com)

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

## Management's Discussion and Analysis

The following discussion of the financial condition and results of operations of Centerra Gold Inc. (Centerra or the Company) for the three months ended December 31, 2004 should be read in conjunction with the unaudited consolidated financial statements and the notes of the Company for the twelve months ended December 31, 2004 as well as the prospectus of the Company dated June 22, 2004 and the financial statements, notes and management's discussion and analysis (Annual MD&A) contained in the prospectus. 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 prospectus, which contains Centerra's Annual MD&A, is available at [www.centerragold.com](http://www.centerragold.com) and [www.sedar.com](http://www.sedar.com).

### Consolidated fourth quarter results

For accounting purposes, Centerra's consolidated fourth quarter results 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		Twelve Months Ended	
	Dec 31/04	Dec 31/03	Dec 31/04	Dec 31/03
Revenue - \$ millions	87.7	29.6	247.1	82.0
Gross profit - \$ millions	25.3	10.9	83.4	19.7
Net earnings - \$ millions	14.9	6.8	50.6	9.1
Cash flow from operations - \$ millions	25.0	(0.8)	88.5	24.4
Sales volume – ounces <sup>(1)</sup>	204,089	76,466	618,843	234,864
Ounces poured <sup>(1)</sup>	205,274	69,226	640,779	225,851
Average realized price - \$/oz	430	375	397	334
Gold spot market price - \$/oz				
Average for period	434	392	409	363
Total cash cost - \$/oz <sup>(2)</sup>	240	179	189	191
Earnings per common share - \$				
Basic and diluted	0.21	0.18	0.91	0.24
Weighted average shares outstanding – basic - (thousands) <sup>(3)</sup>	72,080	38,149	55,604	38,149

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

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

(3) For most of the first half of 2004, the number of shares outstanding was 38.1 million. After the IPO, this rose to 72.1 million. As a result, the *weighted average* number of shares outstanding for the twelve months to December 31, 2004 was 55.6 million.

## **Gold production and revenue**

Revenue increased to \$87.7 million in the fourth quarter from \$29.6 million in the same quarter last year. In the fourth quarter, production of 205,274 ounces was significantly higher than the 69,226 ounces produced in the fourth quarter of 2003 due to 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
- Commercial production at the Boroo mine began on March 1, 2004.

Centerra realized an average gold price of \$430 per ounce for the fourth quarter, a significant increase over the \$375 per ounce realized in the same quarter in 2003. This increase was due to higher spot gold prices that averaged \$434 per ounce in the fourth quarter of 2004, compared to \$392 per ounce in the prior year quarter, and the elimination of the Company's hedge position.

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 \$42.1 million in the fourth quarter of 2004 from \$13.9 million in the same period of 2003 due to an increased ownership in Kumtor, the start of commercial production at Boroo and the higher cost of consumables. On a unit basis, the total cash cost per ounce in the fourth quarter of 2004 was \$240, up from \$179 in 2003, 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 \$20.4 million in the fourth quarter of 2004 from \$4.7 million in the prior year quarter due to an increased ownership in Kumtor and the start of commercial production at Boroo. On a per unit basis, depreciation and amortization increased in 2004 to \$100 per ounce from \$62 per ounce in 2003 primarily due to the higher rate of depreciation and amortization at Boroo and the amortization of purchase price adjustments related to the acquisitions that took place in the second quarter of 2004.

## **Exploration**

Exploration and development costs increased to \$7.4 million in the fourth quarter of 2004 from \$2.6 million in the prior year period reflecting the increase to the 2004 program announced at the end of the third quarter.

## **Interest and other**

Interest and other expense reflected a net recovery of \$2.8 million in the fourth quarter of 2004 compared to a net expense of \$0.3 million in the same period in 2003. The change is primarily due to a \$3 million foreign exchange gain on Centerra's Canadian cash balance which appreciated in value as the Canadian dollar strengthened compared to the US dollar. The Company had no outstanding interest-bearing debt during the fourth quarter.

## **Administration**

Administration costs for the fourth quarter of 2004 were \$5.9 million compared to \$1.1 million in the same quarter last year. This increase resulted from expenses related to the start-up of Centerra, its development as a stand-alone entity and the reclassification of insurance costs.

## **Net earnings**

Net earnings for the fourth quarter of 2004 were \$14.9 million or \$0.21 per share compared to \$6.8 million or \$0.18 per share for the same period in 2003. This improvement is primarily due to an increased share of production at Kumtor, the start-up of Boroo and higher realized prices.

## **Liquidity and capital resources**

Cash flow from operations was \$25.0 million for the fourth quarter of 2004 compared to a shortfall of \$0.8 million for the prior year period. The increase resulted from higher realized gold prices, the increased ownership at Kumtor and the start of commercial production at Boroo.

Cash used in investing activities in the fourth quarter of 2004 was \$4.3 million, down from \$11.4 million in the same period a year ago when construction of the Boroo mine was underway.

In the fourth quarter of 2004, Centerra received services valued at \$1.1 million from Cameco. In the fourth quarter of 2003, advances of \$30.3 million from Cameco offset \$20.8 million of long-term debt repayment and resulted in a contribution of \$9.5 million in cash.

Cash on hand was \$152.6 million on December 31, 2004 of which \$62.0 million is held in Canadian funds.

Centerra has sufficient cash to carry out its business plan in 2005, including its growth strategy. This cash comes from the initial public offering of Centerra shares, operating cash flows and existing cash reserves.



## **Balance sheet**

### **Property, plant and equipment**

The aggregate book value of property, plant and equipment at December 31, 2004 of \$267.5 million is allocated as follows: Kumtor \$163.0 million, Boroo \$102.7 million and corporate \$1.8 million.

### **Goodwill**

As a result of the acquisition and restructuring that took place during the second quarter of 2004, Centerra has recorded \$155.5 million of goodwill allocated as follows: Kyrgyz Republic \$129.7 million, Mongolia \$25.8 million.

### **Share capital**

As of December 31, 2004, Centerra had 72,079,605 shares outstanding and 107,527 share options outstanding under its stock based incentive plans.

## **Twelve Months**

The results for the twelve months ended December 31, 2004 reflect an increased ownership in Kumtor, the start of commercial production at Boroo and higher realized prices due to the reduction and eventual elimination of the hedge position. This has resulted in higher revenue and earnings compared to the year ended December 31, 2003.

Revenue for the twelve months ended December 31, 2004 increased to \$247.1 million from \$82.0 million in the same period in 2003. As a result of these significantly higher revenues, net earnings were \$50.6 million or \$0.91 per share in 2004 compared to \$9.1 million or \$0.24 per share in 2003. Gross profit was \$83.4 million in 2004 period versus \$19.7 million in 2003.

Cash flow from operations for the twelve months ended December 31, 2004 was \$88.5 million compared to \$24.4 million for the year earlier.

## **Contractual obligations**

There have been no significant changes from the contractual obligations identified in the Annual MD&A included in the prospectus except as disclosed in Centerra's 2004 second quarter report and, in addition, the Phase 2 program at the REN project was approved by the joint venture partners. Centerra's share of the \$2.5 million program is \$1.6 million.

## Gold hedging and off-balance sheet obligations

During the year, all forward sales agreements have been closed and all related credit support, previously provided by Cameco, has been removed. Centerra currently intends that its gold production will remain unhedged.

The deferred charges, net of deferred revenue, related to the closing of the hedges, will be recognized in future periods. During 2004, \$7.0 million of these hedges closed early were recorded on the income statement. At December 31, 2004, deferred charges totaled \$8.2 million and are expected to be amortized as follows:

### Recognition of Deferred Charges (net of deferred revenue)

<i>\$ millions</i>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
2005	2.2	1.0	1.1	1.1	5.4
2006	1.9	(0.6)	0.4	0.6	2.3
2007	0.5	--	--	--	0.5
Total					8.2

## Market Update

The spot market gold price averaged \$434 per ounce in the fourth quarter and \$409 for the full year. The closing price at December 31, 2004 was \$436 per ounce.

## 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. Kumtor experienced one lost time accident (LTI) during 2004 after working 336 consecutive days without an incident. There were no environmental exceedances during the year.

<b>Kumtor Operating Results</b>	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>Dec 31/04</b>	<b>Dec 31/03</b>	<b>Dec 31/04</b>	<b>Dec 31/03</b>
Sales volume – ounces	136,646	229,400	632,788	704,593
Revenue - \$ millions	57.2	29.5	159.2	82.0
Tonnes mined - 000s	21,618	21,023	84,855	77,708
Tonnes ore mined – 000s	1,329	1,202	3,303	4,634
Tonnes milled - 000s	1,383	1,364	5,654	5,631
Average mill head grade - g/t <sup>(1)</sup>	4.0	5.7	4.4	4.5
Recovery - %	80.2%	82.8%	82.1%	82.6%
Ounces recovered	141,882	206,166	657,523	678,560
Ounces poured	138,702	207,677	657,329	677,553
Total cash costs - \$/oz <sup>(2)</sup>	268	179	202	191
Capital expenditures - \$ millions	2.7	0.4	4.7	11.6

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

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

## Revenue

In the fourth quarter of 2004, revenue declined to \$57.2 million as lower production was only partly offset by an increase in the average realized price to \$419 per ounce. Production was 138,702 poured ounces, 33% lower than the prior year quarter due primarily to ore grades averaging 4.0 g/t compared to 5.7 g/t in 2003.

The higher average realized price was due to higher gold spot prices and the elimination of hedges during the year.

## Cost of sales

In the fourth quarter of 2004, the cost of sales was \$32.2 million compared to \$13.9 million in the same period of 2003.

Total cash costs per ounce increased to \$268 in the fourth quarter of 2004 from \$179 for the same quarter in 2003, a result of a lower average grade fed to the mill and the higher cost of consumables.

## Exploration

In the fourth quarter of 2004, exploration expenditures were \$3.6 million. The expenditures relate primarily to ongoing drilling in the immediate vicinity of the open pit and in the Southwest Zone (encompassing the former Southwest Extension). See also “Exploration program update”.

## Boroo - 100% basis

The Boroo open pit gold mine began the commissioning phase in November 2003 and was brought into commercial production on March 1, 2004. By the end of 2004, Boroo had surpassed 1.1 million hours of work without a lost-time injury. There were no environmental exceedances during the year.

	<b>Three Months Ended</b>	<b>Twelve Months Ended</b>
<b>Boroo Operating Results</b>	<b>Dec 31/04</b>	<b>Dec 31/04</b>
Sales volume – ounces <sup>(1)</sup>	67,443	217,679
Revenue - \$ millions	30.5	87.9
Tonnes mined – 000s	3,688	13,656
Tonnes ore mined – 000s	473	1,837
Tonnes milled – 000s	504	1,849
Average mill head grade (g/t)	4.5	4.5
Recovery - %	94.0%	93.7%
Ounces recovered <sup>(1)</sup>	68,268	251,740
Ounces poured <sup>(1)</sup>	66,572	217,998
Total cash cost - \$/oz <sup>(2)</sup>	181	149
Capital expenditures - \$ millions	1.6	7.1

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

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

## Revenue

In the fourth quarter of 2004, sales of 67,443 ounces of gold and an average realized gold price of \$452 per ounce generated revenue of \$30.5 million. Sales for the twelve months of 2004 were 217,679 ounces, with an average realized gold price of \$404 per ounce generating revenue of \$87.9 million. Production at Boroo in the fourth quarter and full year of 2004 was 66,572 poured ounces and 217,998 poured ounces respectively. Production for the year was higher than originally projected on account of higher ore grades than anticipated in the ore reserve model.

## Cost of sales

In the fourth quarter of 2004, cost of sales was \$9.8 million. Total cash costs were \$181 per ounce in the quarter and \$149 for the full year.

## **Exploration**

In the fourth quarter of 2004, exploration expenditures were \$2.5 million to drill test targets in the immediate mine area. See also “Exploration program update”.

### **Exploration program update**

- At the Kumtor mine site, drilling programs continued until year-end. An additional 24 holes totaling 6,718 metres were completed in the immediate vicinity of the Kumtor pit, with most holes testing the north-end target area.
- In the Southwest Zone at Kumtor, 29 drill holes totaling 5,564 metres were completed. Most holes were ‘in-fill’ holes designed to upgrade the mineralization to the reserve and resource categories.
- At the Boroo mine site, the Phase 2 drilling program was completed during December, resulting in 139 exploration and development drill holes totaling 12,098 metres completed.
- At Gatsuurt, the drilling program continued through the year-end with 63 holes totaling 12,900 meters completed. The remainder of the drill program was completed by January 13<sup>th</sup>.
- At the REN property in Nevada, seven diamond drill holes totaling 3,309 metres were completed.
- Updated drilling results were used in recently-completed reserve and resource estimates for all projects.
- Drilling programs will be initiated on all projects during the first 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., and Centerra’s Vice President of Exploration who is a Qualified Person.

## Other Financial Information

### 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, costs related to the Kumtor restructuring and the initial public offering of Centerra. 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 December 31, 2004 was \$3.7 million with \$182,000 of services provided by Cameco during the fourth quarter.

#### Kyrgyzaltyn and the Government of the Kyrgyz Republic

The table below summarizes 100% of the management fees, royalties and concession payments paid by the KGC to 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 sale agreement as described on page 43 in the prospectus. For periods prior to the restructuring, the Centerra financial statements reflect one-third of the charges.

Related Parties in the Kyrgyz Republic	Three Months Ended December 31		Year Ended December 31	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	(\$ thousands)			
Management fees to Kyrgyzaltyn	\$205	\$199	\$949	\$813
Royalty and concession payments to Kyrgyz Republic <sup>(1)</sup>	546	1,546	2,531	3,875
Total	\$751	\$1,745	\$3,480	\$4,688
Gross gold and silver sales to Kyrgyzaltyn	\$58,931	\$90,348	\$257,739	\$258,908
Deduct: refinery and financing charges	(729)	(995)	(2,766)	(3,220)
Net sales revenue received from Kyrgyzaltyn	\$58,202	\$89,353	\$254,973	\$255,688

<sup>(1)</sup> The royalty was eliminated effective January 1, 2004 as part of the Kumtor restructuring. See pages 98 and 99 of Centerra's prospectus dated June 22, 2004.

## 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. The Gold Institute is a non-profit international association of miners, refiners, bullion suppliers and manufacturers of gold products, which has developed a uniform format for reporting costs on a per ounce basis.

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

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

Total cash cost per ounce can be reconciled as follows:

	Fourth Quarter, 2004		
	Kyrgyz Republic	Mongolia	Total
\$ millions, unless otherwise specified			
Cost of sales, as reported	32.1	9.9	42.0
Adjust for:			
Refining fees	0.7	-	0.7
By-product credits	-	(0.1)	(0.1)
Non-operating costs	(1.2)	-	(1.2)
Inventory movement	5.6	2.3	7.9
Total cash cost – 100%	37.2	12.1	49.3
Ounces poured – 100% (000's)	138.7	66.6	205.3
Total cash per ounce	268.2	181.3	240.0

## Non-GAAP measure - continued

\$ millions, unless otherwise specified	2004 Year		
	Kyrgyz Republic	Mongolia	Total
Cost of sales, as reported	81.2	28.7	109.9
Adjust for:			
Refining fees	1.8	0.1	1.9
By-product credits	-	(0.2)	(0.2)
Non-operating costs	(1.8)	0.7	(1.1)
Inventory movement	9.4	3.2	12.6
Pre-acquisition operating costs <sup>(1)</sup>	42.3	-	42.3
Total cash cost – 100%	132.9	32.5	165.4
Ounces poured – 100% (000's)	657.3	218.0	875.3
Total cash per ounce	202.2	149.1	189.0

(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.

## 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 and uses as foundation recently updated reserve models.

Since June 30, 2004, Centerra's operating and exploration ownership interests have included a 100% interest in Kumtor mine, a 95% interest in Boroo mine, a 62% interest in REN and a 100% interest in Gatsurt. Prior to that time, Centerra's predecessor held a one-third interest in Kumtor and a 53% interest in Boroo. For accounting purposes, Centerra's consolidated fourth quarter results reflect fully consolidated interests in the Kumtor and Boroo mines, a 62% interest in REN and a fully consolidated interest in Gatsurt.

Based on current operations, total production for the year is forecast at 762,000 ounces, a decline of almost 16% from 2004 as a result of lower grades at the Kumtor mine. Centerra's beneficial production however, is expected to increase to 750,000 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 grade at Kumtor is expected to average 3.5 grams per tonne (g/t) in 2005 compared to 4.4 g/t in 2004. Accordingly, production from the mine is expected to total 512,000 ounces at an average cash cost of \$255 per ounce.



At Boroo, production is expected to increase slightly to approximately 250,000 ounces reflecting a higher throughput level and comparable grades to 2004 of 4.5%. Total cash cost is forecast to be \$179 per ounce.

## Production

Production	2004 Actual					2005 Forecast
	Q1	Q2	Q3	Q4	Total Year	Total Year
<i>Ounces except where noted</i>						
Kumtor production	173,003	178,819	166,805	138,702	657,329	512,000
Centerra's % interest	33%	33%	100%	100%	--	100%
Centerra's share of Kumtor's production	57,668	59,606	166,805	138,702	422,781	512,000
Boroo production	46,980	63,375	68,774	66,572	245,701	250,000
Centerra's % share	53.4%	53.4%	95%	95%	--	95%
Centerra's share of Boroo's production	25,087	33,842	65,334	63,243	187,506	238,000
Centerra's share of total production	82,755	93,448	232,139	201,945	610,287	750,000

## Total cash cost

	2004 Actual					2005 Forecast
	Q1	Q2	Q3	Q4	Total Year	Total Year
<i>\$ per ounce</i>						
Kumtor	180	182	192	268	202	255
Boroo	135	135	142	181	149	179
Consolidated	163	164	178	240	189	230

## Exploration

One of Centerra's foremost priorities in 2005 is to add to its reserves and resources base through its exploration program. Accordingly, the Company has budgeted \$22 million to the program for the year, an approximately 50% increase over the amount invested in 2004.

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

## **Kumtor**

- Additional drilling programs are planned in the vicinity of the main Kumtor pit and the Southwest Zone with a focus on testing for strike extensions to the mineralized horizons. A drilling program is planned in the Sarytor target area to further delineate and extend the known mineralized horizon. The Sarytor target area is located about 1 kilometre to the southwest of the Southwest Zone.
- Exploration work will continue on other target areas such as Bordoo and Akbel.

## **Mongolia**

- At Boroo, drill programs will focus on testing for additional mineralization around the peripheries of the pits and in filling within the existing drill pattern.
- At the Gatsuurt deposit, drilling programs are planned to test for additional mineralization at depth and across strike. Additional metallurgical testwork is in progress and a feasibility study will be initiated during the second quarter.
- Exploration programs will continue to evaluate Centerra's significant land position. Small drilling programs are planned to further explore the Ulan Bulag and Argal target areas.

## **REN**

- Drilling programs will focus on delineating the extent of the mineralization at the 69 Zone and to test other geological and geophysical target areas on the property.

## **Administration**

Annual administration expenses are expected to amount to approximately \$15 million.

## **Corporate tax rate**

Exposure to corporate income taxes is not expected to be material in 2005 due to the availability of tax loss carryforwards to offset taxable income in the Kyrgyz Republic and a three-year tax holiday on income earned in Mongolia.

## **Capital expenditures**

The capital requirement in 2005 is forecast at \$28 million including \$8 million of maintenance capital.

## First Quarter 2005 Production and Unit Cost Forecast

Centerra's first quarter production and unit costs forecasts are as follows:

Production	2005 Forecast	
	Q1	Total Year
<i>Ounces except where noted</i>		
Kumtor production	131,000	512,000
Centerra's % interest	100%	100%
Centerra's share of Kumtor's production	131,000	512,000
Boroo production	63,000	250,000
Centerra's % share	95%	95%
Centerra's share of Boroo's production	60,000	238,000
Centerra's share of total production	191,000	750,000

Total cash cost	2005 Forecast	
	Q1	Total Year
<i>\$ per ounce</i>		
Kumtor	252	255
Boroo	199	179
Consolidated	235	230

## 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.

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

	Notes	As at	
		Dec 31/04	Dec 31/03
<b>Assets</b>			
Current assets			
Cash		\$ 152,591	\$ 10,101
Accounts receivable		2,596	6,232
Inventories		22,161	1,603
Supplies and prepaid expenses		47,578	11,441
Current portion of long-term receivables, investments and other		-	36,472
		<u>224,926</u>	<u>65,849</u>
Property, plant and equipment		267,557	142,404
Goodwill	2	155,520	-
Long-term receivables, investments and other		12,456	32,205
Future income tax asset		-	926
		<u>435,533</u>	<u>175,535</u>
<b>Total assets</b>		<b>\$ 660,459</b>	<b>\$ 241,384</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 32,023	\$ 19,447
Current portion of long-term debt		-	38,351
		<u>32,023</u>	<u>57,798</u>
Long-term debt		-	18,140
Provision for reclamation		18,868	7,112
Future income taxes		5,407	-
		<u>56,298</u>	<u>83,050</u>
Minority interest		2,410	8,770
<b>Shareholders' equity</b>			
Share capital	3	522,383	120,831
Contributed surplus		29,503	29,503
Retained earnings (deficit)		49,865	(770)
		<u>601,751</u>	<u>149,564</u>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 660,459</b>	<b>\$ 241,384</b>

See accompanying notes to the consolidated financial statements.

**Centerra Gold Inc.**

**Consolidated Statements of Earnings and Retained Earnings (Deficit)**

(Unaudited)

(In Thousands of US\$)

	Notes	Three Months Ended		Twelve Months Ended	
		Dec 31/04	Dec 31/03	Dec 31/04	Dec 31/03
<b>Revenue from</b>					
Gold sales		\$ 87,731	\$ 28,694	\$ 245,421	\$ 78,557
Management fees		-	856	1,642	3,485
		<u>\$ 87,731</u>	<u>\$ 29,550</u>	<u>\$ 247,063</u>	<u>\$ 82,042</u>
<b>Expenses</b>					
Cost of sales		42,061	13,891	109,920	47,102
Depreciation, depletion and reclamation		20,418	4,744	53,763	15,195
Exploration		7,380	2,576	15,000	6,574
Interest and other		(2,807)	291	(7,582)	952
Administration		5,876	1,093	11,544	3,861
		<u>72,928</u>	<u>22,595</u>	<u>182,645</u>	<u>73,684</u>
<b>Earnings from operations</b>		<b>14,803</b>	<b>6,955</b>	<b>64,418</b>	<b>8,358</b>
Other expense		-	-	8,541	-
<b>Earnings before income taxes and minority interest</b>		<b>14,803</b>	<b>6,955</b>	<b>55,877</b>	<b>8,358</b>
Income tax expense (recovery)		(849)	1,561	(156)	1,452
Minority interest		791	(1,415)	5,398	(2,158)
<b>Net earnings</b>		<b>14,861</b>	<b>6,809</b>	<b>50,635</b>	<b>9,064</b>
Retained earnings (deficit), beginning of period		35,004	(7,579)	(770)	(9,834)
<b>Retained earnings (deficit), end of period</b>		<b>\$ 49,865</b>	<b>\$ (770)</b>	<b>\$ 49,865</b>	<b>\$ (770)</b>
<b>Basic and diluted earnings per common share</b>	5	<b>\$ 0.21</b>	<b>\$ 0.18</b>	<b>\$ 0.91</b>	<b>\$ 0.24</b>

See accompanying notes to the consolidated financial statements.

**Centerra Gold Inc.**  
**Consolidated Statements of Cash Flows**

(Unaudited)

(In Thousands of US\$)

	Three Months Ended		Twelve Months Ended	
	Dec 31/04	Dec 31/03	Dec 31/04	Dec 31/03
<b>Operating activities</b>				
Net earnings	\$ 14,861	\$ 6,809	\$ 50,635	\$ 9,064
Items not requiring (providing) cash:				
Depreciation, depletion and reclamation	20,418	4,744	53,763	15,195
Deferred charges recognized	(178)	1,086	6,979	6,655
Loss on settlement of debt	-	-	9,084	-
Future income tax expense (recovery)	(1,041)	1,276	(1,041)	1,276
Other expense	-	-	(541)	-
Minority interest	791	(1,415)	5,398	(2,158)
Other operating items	(9,897)	(13,344)	(35,800)	(5,585)
<b>Cash provided by operations</b>	<b>24,954</b>	<b>(844)</b>	<b>88,477</b>	<b>24,447</b>
<b>Investing activities</b>				
Acquisition of net business assets, net of cash acquired	-	-	(2,697)	-
Additions to property, plant and equipment	(4,294)	(11,436)	(11,785)	(60,605)
Pre-commissioning revenues	-	-	4,223	-
Proceeds from loan receivable	-	-	-	-
Redemption of shares, Cameco Ireland	-	-	22,900	-
<b>Cash provided by (used in) investing</b>	<b>(4,294)</b>	<b>(11,436)</b>	<b>12,641</b>	<b>(60,605)</b>
<b>Financing activities</b>				
Proceeds of share issue	-	-	84,746	-
Increase in long-term debt	-	-	-	10,000
Repayment of long-term debt	-	(20,842)	(41,509)	(20,842)
Advances from (to) parent company	1,055	30,378	(1,865)	36,836
<b>Cash provided by (used in) financing</b>	<b>1,055</b>	<b>9,536</b>	<b>41,372</b>	<b>25,994</b>
Increase (decrease) in cash during the period	21,715	(2,744)	142,490	(10,164)
Cash at beginning of the period	130,876	12,845	10,101	20,265
<b>Cash at end of the period</b>	<b>\$ 152,591</b>	<b>\$ 10,101</b>	<b>\$ 152,591</b>	<b>\$ 10,101</b>
<b>Supplemental cash flow disclosure</b>				
Interest paid	\$ -	\$ 1,010	\$ 1,637	\$ 1,403
Income taxes paid	\$ -	\$ 20	\$ 71	\$ 137

See accompanying notes to the consolidated financial statements.

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**Centerra Gold Inc.**  
**Consolidated Financial Statements**  
**For the Quarter and Year Ended December 31, 2004**  
**(Unaudited)**  
**(\$ US)**

**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.

The consolidated financial statements have been prepared to reflect the transactions described below with respect to the transfer of assets from Cameco Gold Inc. (“Cameco Gold”, considered the predecessor company of Centerra for purposes of financial reporting), the restructuring agreement between Cameco Gold and Kyrgyzaltyn JSC (“Kyrgyzaltyn”), the acquisition of substantially all of the minority interest in AGR Limited (“AGR”), a subsidiary previously controlled by Cameco Gold through a 56% ownership interest, and the initial public offering of Centerra.

Under the terms of the restructuring agreement referred to above, Cameco Gold contributed its one-third interest in Kumtor Gold Company (“KGC”), its subordinated shareholder loan to KGC, a controlling interest in AGR, whose primary asset is a 95% interest in the Boroo gold project, its shareholder loan to AGR, a 73% interest in the Gatsuurt exploration property in Mongolia, a 62.14% ownership interest in the REN project in Nevada and \$11 million in cash. Kyrgyzaltyn contributed its two-thirds interest in KGC.

In accordance with Canadian generally accepted accounting principles relating to transfers of assets between entities under common control, the book values reflected on the Centerra financial statements for the assets contributed from Cameco Gold will be equal to the carrying value of those assets in the Cameco Gold financial statements.

In addition, for periods prior to the transactions described below, the financial position, results of operations and cash flows of Centerra reflect the financial position, results of operations and cash flows of Cameco Gold.

**2. Restructuring of Centerra**

The restructuring of Centerra prior to its IPO included transactions to increase its interest in certain gold assets, and to settle its outstanding debt, as described below. The terms of these transactions, which were negotiated in the months leading up to the IPO, included the issuance of shares of the Company on the closing of the transactions. Initially these transactions were recorded based on estimates of the value of the tangible assets acquired or debt settled, determined based on discounted cash flow analyses.

In its year-end review, the Company determined that in the case of a public company issuing shares to acquire assets or settle debt, the appropriate accounting treatment is to use the value of the acquiring company's shares to record the transaction. While Centerra was not a publicly traded company at the time it negotiated its restructuring transactions, it did subsequently become public, and those transactions were contingent on the IPO.



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

Accordingly, by increasing the value of the shares issued in the restructuring transactions at the IPO price, the Company has recorded \$160.2 million of additional share capital, \$155.5 million of goodwill and an increase in the loss previously recorded on debt settlement of \$4.7 million, relating to the period ended June 30, 2004.

**(a) Transfer of gold interests from Cameco Gold**

Pursuant to the restructuring agreement between Cameco Gold and Kyrgyzaltyn, the major assets contributed to Centerra by Cameco Gold included its 1/3 interest in KGC, a 56% interest in AGR, shareholder loans to KGC and AGR, a 73% interest in the Gatsuurt exploration property in Mongolia, a 62.14% interest in the REN exploration project in Nevada and \$11 million in cash.

Assets and liabilities totaling \$27,205,000, included in Cameco Gold's financial statements, were not contributed to Centerra as part of the reorganization. The share capital of Centerra has been adjusted to reflect these assets and liabilities, as noted below.

In addition to the transfer of assets from Cameco Gold, Cameco Corporation converted \$64,180,000 of Centerra's inter-company debt and advances into equity.

	(Thousands of \$US)
Share capital of Cameco Gold, presented on a continuity of interests basis	\$ 120,831
Adjustment for net assets retained by Cameco Gold	(27,205)
Conversion of inter-company debt and advances to equity	64,180
	<u>\$ 157,806</u>

**(b) Acquisition of 2/3 interest in KGC**

Pursuant to the restructuring agreement between Cameco Gold and Kyrgyzaltyn, Centerra acquired an additional 2/3 interest in KGC, resulting in KGC becoming a wholly owned subsidiary. The purchase price consisted of \$11,000,000 in cash, the contribution of a promissory note receivable and common shares of Centerra. The acquisition was accounted for using the purchase method and the results of operations are included, as to 100%, in the consolidated financial statements from June 22, 2004. Previously, Cameco Gold's one-third interest was accounted for by the proportionate consolidation method.

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

The values assigned to the net assets acquired are as follows:

	(Thousands of \$US) (Restated)
Cash and other working capital	\$ 31,820
Property, plant and equipment	139,643
Goodwill	129,705
Subordinated debt	(32,135)
Future income tax liability	(9,257)
<b>Net assets acquired</b>	<b>\$ 259,776</b>
Financed by:	
Cash	\$ 11,000
Note receivable from Kyrgyzaltyn	4,000
Settlement of shareholder subordinated loan	43,993
Common shares of Centerra	200,783
	<b>\$ 259,776</b>

**(c) Acquisition of additional 43.8% in AGR Ltd**

Effective June 30, 2004, Centerra acquired an additional 43.8% interest in AGR, resulting in Centerra's interest in AGR rising to 99.9%. The purchase price was satisfied through the issuance of Centerra common shares. The acquisition was accounted for as a step purchase and the results of operations are already included as it was already a consolidated subsidiary.

The values assigned to the net assets acquired are as follows:

	(Thousands of \$US) (Restated)
Reduction of minority interest	\$ 12,011
Mark to market loss on hedge contracts	(5,766)
Property, plant and equipment	25,136
Goodwill	25,815
Future income tax liability	(1,430)
<b>Net assets acquired</b>	<b>\$ 55,766</b>
Financed by:	
Cash	\$ 151
Common shares of Centerra	55,615
	<b>\$ 55,766</b>

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

**(d) Exchange of KGC subordinated debt**

Effective June 30, 2004, Centerra exchanged common shares and \$13,770,000 in cash in exchange for the subordinated debt of KGC.

	(Thousands of \$US) (Restated)
Fair value of exchange amount:	
Common shares issued	\$ 34,433
Cash	13,770
	48,203
Net book value of subordinated debt acquired	(39,119)
Loss on exchange of debt	\$ 9,084

The loss is included in Other expense on the Income Statement.

**(e) Initial Public Offering**

Under its initial public offering, Centerra issued 5,000,000 common shares to the public on June 30, 2004 for net proceeds of \$53,417,000 after deducting the underwriter's fees of 5%. On July 28, 2004, the underwriters to the initial public offering of Centerra exercised their over-allotment option to acquire an additional 1,875,000 shares for net proceeds of \$20,329,000.

**3. Share Capital**

Centerra is authorised to issue an unlimited number of common shares with no par value.

<b>Number Issued</b>	<b>2004</b> (Number of Shares)	<b>2004</b> (Thousands of \$US) (Restated)
Beginning of period	38,149,071	\$ 120,831
Adjustment to Cameco Gold (note 2(a))	-	36,975
Issued to Kyrgyzaltyn (note 2(b))	18,789,717	200,783
Issued to AGR minority shareholders (note 2(c))	5,204,605	55,615
Issued to IFC / EBRD agency lenders to KGC (note 2(d))	3,061,212	34,433
Initial public offering (note 2(e))	6,875,000	73,746
<b>End of period</b>	<b>72,079,605</b>	<b>\$ 522,383</b>

The adjustment to share capital related to Cameco Gold reflects the increase from Cameco Gold's historical share capital value to the carrying value of the assets and liabilities

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

transferred from Cameco Gold to Centerra as part of the restructuring agreement. As described in note 1, Cameco Gold is considered the predecessor company to Centerra, and therefore the shares issued of 38,149,071 are considered to be outstanding in previous periods.

As at December 31, 2004 a total of 107,527 stock options were outstanding, with a strike price of Cdn \$15.50 per share, and 61,051 performance share units and 17,291 deferred share units were outstanding.

**4. Earnings Per Share Amounts**

The weighted average number of shares outstanding is comprised of the shares issued under the restructuring [note 3], reflected on a continuity of interests basis, plus the incremental effect of the shares issued under the transactions described in note 2.

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.

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>Dec 31/04</b>	<b>Dec 31/03</b>	<b>Dec 31/04</b>	<b>Dec 31/03</b>
Basic weighted average number of common shares outstanding (thousands)	72,080	38,149	55,6	38,149
Diluted weighted average number of common shares outstanding (thousands)	72,111	38,149	55,6	38,149
<b>Basic and diluted earnings per common share</b>	<b>\$0.21</b>	<b>\$0.18</b>	<b>\$0.91</b>	<b>\$0.24</b>

**5. Related Party Transactions**

**Cameco Corporation**

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

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

As a result of the above items, the balance owing to Cameco at December 31, 2004 was \$3.7 million and \$182,000 of services were provided by Cameco under the services agreement during the fourth quarter.

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

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

The table below summarizes 100% of the management fees, royalties and concession payments paid by KGC to Kyrgyzaltyn or the Government of the Kyrgyz Republic and the amounts paid by Kyrgyzaltyn to KGC according to the terms of a 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 these charges in accordance with the accounting described in note 2.

Related parties in the Kyrgyz Republic	Three months ended Dec 31, 2004	Year ended Dec 31, 2004
Management fees to Kyrgyzaltyn	\$ 205	\$ 949
Royalty and concession payments to Republic	546	2,531
	\$ 751	\$ 3,480
Gross gold and silver sales to Kyrgyzaltyn	\$ 58,931	\$257,739
Deduct: refinery and financing charges	(729)	(2,766)
Net sales revenue received from Kyrgyzaltyn	\$ 58,202	\$254,973

**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.

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

**Three months ended December 31, 2004**

(millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 57.2	\$ 30.5	\$ -	\$ 87.7
Expenses				
Cost of sales	32.1	9.9	-	42.0
Depreciation, depletion and reclamation	13.8	6.5	0.1	20.4
Exploration	3.6	2.5	1.3	7.4
Interest and other	2.8	(2.9)	(2.7)	(2.8)
Administration	0.6	1.2	4.1	5.9
<b>Earnings before income taxes and minority interest</b>	<b>4.3</b>	<b>13.3</b>	<b>(2.8)</b>	<b>14.8</b>
Income tax expense (recovery)	(1.0)	-	0.1	(0.9)
Minority interest	-	0.8	-	0.8
<b>Net earnings (loss)</b>	<b>\$ 5.3</b>	<b>\$ 12.5</b>	<b>\$ (2.9)</b>	<b>\$ 14.9</b>
<b>Assets</b>	<b>\$ 369.5</b>	<b>\$ 158.4</b>	<b>\$ 132.6</b>	<b>\$ 660.5</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 2.7</b>	<b>\$ 1.6</b>	<b>\$ -</b>	<b>\$ 4.3</b>

**Three months ended December 31, 2003**

(millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 29.5	\$ -	\$ -	\$ 29.5
Expenses				
Cost of sales	13.9	-	-	13.9
Depreciation, depletion and reclamation	4.7	-	-	4.7
Exploration	0.3	0.8	1.4	2.5
Interest and other	2.6	0.1	(2.4)	0.3
Administration	0.1	0.3	0.7	1.1
<b>Earnings before income taxes and minority interest</b>	<b>7.9</b>	<b>(1.2)</b>	<b>0.3</b>	<b>7.0</b>
Income tax expense	1.3	-	0.3	1.6
Minority interest	-	(1.4)	-	(1.4)
<b>Net earnings</b>	<b>\$ 6.6</b>	<b>\$ 0.2</b>	<b>\$ -</b>	<b>\$ 6.8</b>
<b>Assets</b>	<b>\$ 99.6</b>	<b>\$ 97.2</b>	<b>\$ 44.6</b>	<b>\$ 241.4</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 0.4</b>	<b>\$ 18.4</b>	<b>\$ -</b>	<b>\$ 18.8</b>

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

**Year ended December 31, 2004**

(millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 159.2	\$ 87.9	\$ -	\$ 247.1
Expenses				
Cost of sales	81.2	28.7	-	109.9
Depreciation, depletion and reclamation	31.9	21.8	0.1	53.8
Exploration	6.0	4.4	4.6	15.0
Interest and other	7.2	0.5	(15.3)	(7.6)
Administration	1.3	2.7	7.6	11.6
Other expense	-	-	8.5	8.5
<b>Earnings (loss) before income taxes</b>	<b>31.6</b>	<b>29.8</b>	<b>(5.5)</b>	<b>55.9</b>
Income tax expense (recovery)	(0.3)	-	0.2	(0.1)
Minority interest	-	5.4	-	5.4
<b>Net earnings (loss)</b>	<b>\$ 31.9</b>	<b>\$ 24.4</b>	<b>\$ (5.7)</b>	<b>\$ 50.6</b>
<b>Assets</b>	<b>\$ 369.5</b>	<b>\$ 158.4</b>	<b>\$ 132.6</b>	<b>\$ 660.5</b>
<b>Capital expenditures for the year</b>	<b>\$ 4.7</b>	<b>\$ 7.1</b>	<b>\$ -</b>	<b>\$ 11.8</b>

**Year ended December 31, 2003**

(millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 82.0	\$ -	\$ -	\$ 82.0
Expenses				
Cost of sales	47.1	-	-	47.1
Depreciation, depletion and reclamation	15.2	-	-	15.2
Exploration	0.3	1.9	4.4	6.6
Interest and other	6.2	1.6	(6.9)	0.9
Administration	0.5	0.8	2.5	3.8
<b>Earnings before income taxes and minority interest</b>	<b>12.7</b>	<b>(4.3)</b>	<b>-</b>	<b>8.4</b>
Income tax expense	1.3	-	0.2	1.5
Minority interest	-	(2.2)	-	(2.2)
<b>Net earnings (loss)</b>	<b>\$ 11.4</b>	<b>\$ (2.1)</b>	<b>\$ (0.2)</b>	<b>\$ 9.1</b>
<b>Assets</b>	<b>\$ 99.6</b>	<b>\$ 97.2</b>	<b>\$ 44.6</b>	<b>\$ 241.4</b>
<b>Capital expenditures for the year</b>	<b>\$ 3.9</b>	<b>\$ 56.4</b>	<b>\$ 0.3</b>	<b>\$ 60.6</b>