NEWS RELEASE

Centerra Gold Reports
Second Quarter Earnings (before Unusual Items) of $0.06 per share

(This news release contains forward-looking information that is subject to the risk factors and assumptions set out on page 9 and in our Cautionary Note Regarding Forward-looking Information on page 11. All figures are in United States dollars.)

Toronto, Canada, July 31, 2008: Centerra Gold Inc. (TSX: CG) today reported second quarter earnings before unusual items of $13.8 million or $0.06 per common share based on revenues of $142.6 million compared to net earnings of $18.6 million or $0.09 per common share on revenues of $103.7 million in the same quarter of last year.

Centerra's consolidated gold production for the second quarter of 2008 totaled 158,303 ounces at a total cash cost of $553 per ounce compared to 153,414 ounces at a total cash cost of $349 per ounce in the corresponding quarter of 2007. Cash provided by operations, net of working capital changes and other operating items was $10.6 million compared to $7.4 million in the second quarter of 2007. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures" in the Management's Discussion and Analysis issued in conjunction with this news release).

During the second quarter of 2008 the Company recorded an unusual item of $42.2 million resulting in net earnings of $56.0 million or $0.26 per share. The unusual item of $42.2 million is a non-cash gain representing an adjustment to the value of treasury shares which the Company believes are likely to be issuable in connection with any future potential settlement of outstanding issues with the Government of the Kyrgyz Republic. The gain represents the difference between the market value of 10 million treasury shares at March 31, 2008 ($131.3 million) and the value at May 30, 2008 ($89.1 million), immediately prior to the expiry on June 1, 2008 of the August 2007 Agreement on New Terms between the Company and the Government.

As disclosed in the Company's news release of June 2, 2008, Centerra has resumed the international arbitration previously initiated by the Company in accordance with its Investment Agreement, which provides that all disputes with respect to the Kumtor project are subject to international arbitration. However, Centerra continues to hold discussions with the Government working group responsible for Kumtor. To allow for such discussions, the parties have agreed to a limited postponement of the arbitration proceedings to September 29, 2008. See "Other Corporate Developments – Kyrgyz Republic".

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Second Quarter Events

- Gold production guidance for 2008 remains unchanged.
- Initial access achieved to the SB Zone at Kumtor.
- Framework agreements entered into between the Company and Cameco Corporation and the Kyrgyz Government in August 2007 were not ratified by the Kyrgyz Parliament and expired.
- Management reorganization, Stephen A. Lang appointed CEO and Jeffrey S. Parr appointed CFO.
- Bruce Walter appointed Vice Chair to assist the Company in its growth initiatives.

Commentary

Stephen Lang, President and CEO of Centerra Gold commented, "I am pleased to report that we are right on our plan for both gold production and costs other than reflecting the change to total cash cost relative to the adjustment for the inclusion of revenue-based taxes and royalties. The second half of the year we are on track to increase gold production significantly, with 70% of Kumtor's annual gold production forecast for the second half of 2008. While the expiration of the agreement with the Kyrgyz Government in June was a setback, we are continuing discussions with the government and its working group to advance the negotiations to reach a fair and acceptable agreement for all parties. We are confident that in time we will achieve this, but in the meantime the Company continues to operate and produce gold at Kumtor uninterrupted."

Financial and Operating Summary

Revenues for the second quarter of 2008 were $142.6 million compared to $103.7 million during the same period one year ago. Second quarter 2008 revenue reflects a 33% increase in realized gold price ($889 per ounce in the second quarter of 2008 versus $667 per ounce in the second quarter of 2007).

The Company produced a total of 158,303 ounces of gold in the second quarter of 2008, compared to 153,414 ounces of gold produced in the second quarter of 2007.

Centerra's total cash cost per ounce of gold was $553 in the second quarter compared to $349 in the second quarter of 2007. The year-over-year increase in unit cash costs was primarily due to a $164 per ounce increase in operating costs, which included increased maintenance costs, higher fuel costs and higher costs for other consumables, labour and royalties. Second quarter total cash cost decreased $57 per ounce compared to the first quarter 2008 total cash cost of $610 per ounce due primarily to the higher gold production. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures" in the Management's Discussion and Analysis for the three months ended June 30, 2008, issued in conjunction with this news release.)

Cash provided by operations was $10.6 million for the second quarter of 2008 compared to $7.4 million for the prior year second quarter. The increase reflects the higher gold prices received and reduced working capital levels.

Capital expenditures in the second quarter of 2008 amounted to $22.1 million of which $11.1 million was spent on sustaining capital projects and $10.9 million invested in growth capital primarily related to the SB Zone underground development at Kumtor ($2.9 million), completion of the heap leach facility at Boroo ($2.4 million) and pit 3 pre-stripping at Boroo ($4.6 million). Centerra's cash position at the end of June 2008 was $108.0 million, compared to $105.5 million at December 31, 2007.

Exploration expenditures for the second quarter were $5.1 million dollars compared to $4.2 million in the second quarter of 2007 reflecting higher spending at Kumtor in 2008.

Other Corporate Developments

Kyrgyz Republic

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

In the circumstances and in response to court proceedings described below, on June 4, 2008, the Company resumed international arbitration previously initiated by the Company in accordance with its Investment Agreement, which provides that all disputes with respect to the project are subject to international arbitration.

Centerra is continuing to hold discussions with the Government working group responsible for Kumtor. To allow for such discussions the parties have agreed to a limited postponement of the arbitration proceedings to September 29, 2008.

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

The Vice-Speaker's lawsuits seek to annul: the Government's decree approving the December 31, 2003 agreements implementing the restructuring of the project; the 2003 agreements giving effect to the restructuring, including the Investment Agreement and the Concession Agreement providing for Kumtor's right to explore and develop the main Kumtor deposit within the Kumtor concession; the exploration license covering all of the Kumtor deposits; the mining license covering the Southwest Zone; the mining license covering the Sarytor area; the Government's decree approving the 1993 Concession Agreement (superceded by the 2003 Concession Agreement) and the 1993 Concession

Agreement itself. The Vice-Speaker argues that the 2003 agreements and 1993 Concession Agreement required Parliamentary approval to be effective and that as no such approval was obtained, such agreements are void. He also argues that the licenses are invalid because they were granted without a competition having been held and pursuant to agreements that are themselves invalid for lack of Parliamentary ratification.

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

On June 17, 2008, as has previously been reported, the Bishkek Inter District Court issued an order invalidating the Southwest and Sarytor mining and Kumtor exploration licenses. The court has not yet ruled on the validity of the decrees and agreements (including the 2003 Investment Agreement and Concession Agreement).

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

After reactivating the international arbitration proceedings on June 2, 2008, Centerra and KGC, on June 13, 2008, added claims based on the Vice-Speaker’s lawsuits and their consequences. At the initial conference on June 23, 2008, Centerra filed an application for interim relief in the arbitration, requesting that all parties to the arbitration be directed to maintain the *status quo* and treat the licenses, agreements and decrees at issue in the Kyrgyz Republic as valid and enforceable. The Kyrgyz Republic has taken the position in its response to such application that, among other things, the 2003 Investment Agreement required but did not receive Parliamentary approval and therefore is not in effect. A hearing on the application will be held on September 29, 2008.

Since February of 2008, Kumtor has been made the subject of several new tax assessments and other proceedings in the Kyrgyz Republic. These include an investigation by the Kyrgyz Republic financial police into alleged tax evasion in relation to the grant of tax exemptions pursuant to the Investment Agreement governing the Kumtor project and an audit by the state tax inspectorate to determine the amount of taxes that Kumtor would have owed for the years 2005 to 2008 had the

Investment Agreement and the Concession Agreement relating to the project not been in effect. The financial police have requested, and have been provided by Kumtor with, information and documents relating to the project and have interviewed senior Kumtor personnel. Kumtor has also received assessments from tax authorities relating to value-added taxes, land taxes and customs duties alleged to be owed by Kumtor. Kumtor is cooperating with the relevant authorities and continues to pay all taxes in accordance with applicable laws and the Investment Agreement and believes that there is no basis for these investigations or assessments.

Mongolia

On June 29, 2008 Mongolia held parliamentary elections. According to the General Election Commission the Mongolian People's Revolutionary Party (MPRP), who held a slight majority in the prior parliament, obtained 39 out of 76 seats and the Mongolian Democratic Party obtained 25 seats. The results for 10 seats are in dispute and are to be recounted. The Company expects a new government will be formed shortly. Centerra is hopeful that the new government will resume negotiations with respect to an investment agreement for the Gatsuurt Project.

Upon a satisfactory investment agreement being reached and the final settlement of the Gatsuurt LLC claim, the Company expects to begin the development of Gatsuurt. Material increases in potential production costs at Gatsuurt could impact the economic recovery of ore from the deposit and ultimately a decision to develop the project.

The World Bank is providing $9.3 million from International Development Association funds for a Mining Sector Technical Assistance Project (MTSA) in Mongolia, aimed at improving the nation's ability to regulate and financially benefit from its burgeoning mining industry, while reducing government corruption. The World Bank estimated that mining accounted for about 20% of real GDP, 56% of gross industrial output, 69% of exports, and 36% of revenue for Mongolia in 2007.

Operations Update

Kumtor

At the Kumtor mine, gold production was 111,164 ounces in the second quarter of 2008 representing a 34% increase from the same quarter in 2007, due to higher ore grades and increased recovery. The ore grade in the second quarter averaged 3.41 g/t with a recovery of 76.3% compared to 2.60 g/t with a recovery of 71.3% in the same quarter of 2007.

Total cash cost per ounce, a non-GAAP measure of production efficiency, increased to $631 in the second quarter of 2008 from $491 in the second quarter of 2007, but decreased from $766 in the first quarter of 2008. The increase in cash cost per ounce is primarily due to higher mining costs ($195 per ounce) resulting from an increase in mining expenses noted above and capitalization of pre-stripping costs related to the SB Zone in 2007, higher milling costs ($22 per ounce), higher administration costs ($15 per ounce), higher taxes (unrelated to income) and other costs ($31 per ounce), partially offset by an increase in ounces produced ($123 per ounce).

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Mine fleet maintenance costs increased due to the additional costs of maintaining the expanded fleet, which includes thirty CAT 785 haul trucks and four Leibherr shovels acquired during 2006 and 2007 and the existing thirty-nine CAT 777 trucks, that have undergone significant component replacement and repairs to attain industry standards for mechanical availability and utilization. Major mine consumables costs increased primarily due to higher commodity prices and higher consumption resulting from increased material movement.

Exploration expenditures totaled $3.6 million for the second quarter of 2008, an increase from $2.7 million in the second quarter 2007.

During the second quarter of 2008 capital expenditures were $10.9 million which included $7.1 million sustaining capital spent mainly on the tailings dam build-up, shear key construction and till dewatering program and $3.7 million invested in growth capital mainly for the SB Zone underground development ($2.9 million).

The SB Zone underground decline has advanced 53 metres and has presently exited the permafrost zone of influence. The underground development continues to advance towards the hanging wall of the Kumtor fault zone.

Boroo

At the Boroo mine in the second quarter of 2008, gold production was 47,139 ounces lower than the second quarter of 2007 due to reduced ore grades, 2.92 g/t versus 3.76 g/t 2007 and lower recovery 83.5% compared to 85.5%. On April 29, 2008, Boroo received a temporary 6-month permit to start heap leach production and solution was being applied by the end of the quarter to the heap leach pads. The first heap leach ounces are expected to be poured in July. Final permits and approvals of the heap leach reserves and feasibility study have not yet been obtained.

Total cash costs per ounce, a non-GAAP measure of production efficiency, increased to $370 in the second quarter of 2008 from $180 in the second quarter of 2007. The cash cost increased from the same quarter in 2007 as the result of higher mine costs ($59 per ounce), higher mill costs ($24 per ounce) increased royalties ($24 per ounce) and a reduction in ounces produced ($88 per ounce). Partially offsetting these costs was a reduction in administration and other costs ($5 per ounce).

Major mine consumables costs increased primarily due to higher prices and higher consumption resulting from the increased material movement. Increased rental costs are a result of a requirement to increase the material mined by 9% to address the Pit 3 geotechnical challenges and substitute rental trucks for those being rebuilt. The salaries of national hourly mine employees have increased as a result of the new collective agreement. Royalties paid in respect of the Boroo operation increased as a result of amendments in the third quarter of 2007 to the Stability Agreement with the Mongolian Government which increased the royalty rate from 2.5% to 5% effective August 3, 2007.

During the second quarter of 2008, capital expenditures of $10.7 million included $3.9 million sustaining capital and $6.8 million invested in growth capital primarily related to completing the construction of the heap leach facility ($2.4 million) and $4.6 million in capitalized pre-stripping of pit 3.

Exploration Update

Kyrgyz Republic
Drilling activities in the second quarter of 2008 focused on the Kumtor Central Pit.

Kumtor Pit
Drilling focused on wide-spaced drill testing for strike and down dip extensions to the main mineralized horizons in a relatively unexplored area to the northeast of the pit high-wall. As well, as testing the down dip extension of the high-grade Stockwork Zone to confirm the grade and extent of potential high-grade underground mineralization below the current planned open pit. Additionally, drilling commenced in the Saddle area of the Central Pit between the SB and Stockwork Zones.

Drill hole D1190, on section 230, and D1194A, on section 238, were completed to test the dip and strike extensions of the mineralization intersected in hole D1165 which was completed in the third quarter 2007 returning assays of 8.6 g/t Au over 13.9 metres. Both drill holes returned mineralization with hole D1190 intersecting 3.3 g/t Au over 2.0 metres at 3290 metre elevation and hole D1194A returning intercepts of 1.9 g/t over 3.2 metres and 2.1 g/t over 3.8 metres at the 3650 metre elevation.

Drill hole D1199, on section 182, which was designed to test the down dip extension of the NB zone mineralization to the northeast of the Central Pit, intersected 1.7 g/t Au over 5.0 metres and 2.3 g/t Au over 8.0 metres at 3525 metre elevation.

In the third and fourth quarters of 2008, further wide-spaced drilling will focus on testing the remaining near surface areas, which has had little or no previous drilling, between the Central pit highwall and the Lysii glacier.

In the second quarter of 2008, ten holes were completed in the Central Pit area to test the down dip extension of high grade mineralization intersected in Soviet drill holes in the Stockwork Zone below the KS 8 pit design. Drilling results from the Stockwork Zone have been encouraging with indication of potential for a high-grade underground deposit.

This drilling has outlined potential for a high-grade mineralized zone on three sections over a strike length of 160 metres and down dip for 200 metres from the bottom of the planned open pit. The high-grade zone is open along strike to the northeast and down dip.

Some of the better intercepts are as follows: 10.1 g/t Au over 39.1 metres which includes 24.1 g/t Au over 3.8 metres and 31.0 g/t Au over 3.3 metres in drill hole D1197 and 10.1 g/t Au over 20.4 metres including 15.3 g/t Au over 12.6 metres in drill hole D1205. Also 7.1 g/t Au over 50.2 metres which includes 12.5 g/t Au over 10.7 metres in drill hole D1214 and 7.3 g/t Au over 30.5 metres which includes 14.5 g/t Au over 9.6 metres in drill hole D1216.

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Drill hole D1215 was designed to test the prospective structure on section 82 between the Stockwork and SB Zones at elevations below the depth of previous drilling. This hole intersected significant mineralization including 6.5 g/t Au over 17.1 metres, 18.6 g/t Au over 4.0 metres, 6.0 g/t Au over 3.0 metres, 5.0 g/t Au over 6.4 metres, 2.8 g/t Au over 13.0 metres and 2.4 g/t Au over 3.0 metres at elevations from 3520 to 3406 metre. These results are encouraging indicating that there is exploration potential at depth. Further drilling is planned in the third quarter as soon as mining is completed and the area is accessible for drilling.

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

Sarytor

During the second quarter, one diamond drill was operating at Sarytor to test the down dip underground potential of the deposit. One drill hole was completed and two holes abandoned.

Drill hole SR-08-186A was designed to test the host structure down dip of known mineralization. The drill hole intersected 3.0 g/t Au over 14.7 metres.

Drilling was suspended as a result of the challenge to the Sarytor and Southwest licenses and the exploration license. Further drilling is planned as soon as the license issues are resolved and the work suspension is lifted.

True widths for the mineralized zones are typically from 70% to 95% of the stated intercept.

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

Management Changes

During the second quarter of 2008, Stephen A. Lang was promoted to President and Chief Executive Officer and appointed to Centerra's board of directors to replace Leonard A. Homeniuk upon his retirement. Jeffrey S. Parr, Vice President Finance was promoted to Chief Financial Officer to replace David M. Petroff, who resigned to pursue other interests. Additionally, the board appointed Bruce Walter as Vice Chair, to assist in leading the growth of the Company.

On July 30, 2008, Ron Colquhoun was appointed Vice President and Chief Operating Officer.

Outlook for 2008

Centerra expects consolidated gold production in 2008 of 770,000 to 830,000 ounces, which is unchanged from prior guidance. Total cash cost is expected to be $409 to $449 per ounce in 2008. (This includes revenue-based taxes and royalties incurred in the Kyrgyz Republic under its existing (2003) Investment Agreement of approximately 7.5% of revenue.) The Company's prior total cash cost guidance for 2008 of $360 to $400 per ounce (re-confirmed in the first quarter) assumed that a new agreement for the Kumtor project would be implemented and be retroactive to January 1, 2008. The revenue-based tax under the proposed new agreement was excluded from total cash cost in our prior guidance because such new tax was not considered a royalty or production tax. The impact of including the revenue-based taxes and royalties under the existing Investment Agreement (7.5%) for all of 2008 results in an increase of approximately $49 per ounce on total cash cost. In addition, the Company has experienced rising costs at both sites. However, the Company is only changing its guidance for total cash cost relative to the adjustment for the inclusion of revenue-based taxes and royalties as described above.

Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measures” in the Management’s Discussion and Analysis issued in conjunction with this news release.

Gold production for the full year 2008 at the Kumtor mine is expected to be between 580,000 and 620,000 ounces, unchanged from prior guidance. Greater than 70% of the ounce production at Kumtor is planned for the second half of 2008. Total cash cost for 2008 is expected to be $416 to $456 per ounce reflecting the impact of approximately $66 per ounce relative to the adjustment for the inclusion of revenue-based taxes and royalties as described above.

At Boroo, the Company expects gold production of 190,000 to 210,000 ounces in 2008. Total cash cost is expected to be $380 to $420 per ounce in 2008. These numbers are unchanged from the prior guidance.

Centerra’s revenues, earnings and cash flows are sensitive to changes in the gold price. The Company estimates that a $25 per ounce change in the spot gold price for the last six months of 2008 would change aggregate revenues, net earnings and cash from operations by approximately $13.5 million, $11.6 million (or $0.05 per share) and $11.8 million, respectively.

A 10% change in the cost of diesel fuel would result in a $6 per ounce impact on Centerra’s total cash cost per ounce.

The production and cost forecasts for 2008 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed under the heading “Caution Regarding Forward-Looking Information”.

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

- a gold price of $900 per ounce,
- exchange rates:
    - $1USD:$1CAD
    - $1USD:34.5 Kyrgyz Som
    - $1USD:1,127 Mongolian Tugrik
    - $1USD:0.6398 Euro
- prices for fuel oil, reagents and other consumables remaining consistent with current levels,
- mine production at the Kumtor pit being maintained at current levels and ensuring continued access to the SB Zone as planned,

- no delays in or interruption of scheduled production from our mines, including due to natural phenomena, labour disputes or other development and operation risks,
- the Company's schedule for final permitting and approvals for the Boroo heap leach are obtained as planned,
- in respect of total cash cost guidance, the existing (2003) Investment Agreement for Kumtor will be effective through 2008, and
- all necessary permits, licences and approvals are received in a timely manner.

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

Exploration and Business Development

Exploration costs are expected to total $25 million and business development program is forecast at $5.0 million for 2008 to support merger and acquisition initiatives of the Company for the year.

Capital Expenditures

The capital requirement in 2008 is estimated to be $88 million, including $45 million of sustaining capital. Growth capital is forecast at $43 million, which includes $24 million for Kumtor (the largest expenditures would be $13 million for the development of the SB Zone underground decline in 2008, $4 million for two additional haul trucks, $2 million for replacement of the ball mill ring gear and $3 million for additional de-watering equipment) and $19 million for Boroo (the largest expenditures would be $12 million for the pre-stripping of Pit 3 and $5 million to complete the heap leach facility). The development of the SB Zone underground decline at Kumtor, pre-stripping of Pit 3 at Boroo and the heap leach facility construction will be capitalized and amortized based on units of production consistent with the Company's accounting policies.

The estimated capital requirement of $88 million has increased from the Company's prior guidance for 2008 of $78 million. Sustaining capital has increased $5.0 million and growth capital is up $5.0 million.

Administration

Annual corporate and administration expenses without unusual items are expected to amount to approximately $40 million in 2008.

Corporate Income Taxes

The corporate income tax rate for Boroo for 2008, and subsequent years, pursuant to an amendment to its Stability Agreement entered into in the third quarter of 2007, is 25% for income in excess of 3 billion tugriks (about $2.5 million at current exchange rates) and 10% for income up to that amount.

The corporate income tax rate for Kumtor, as provided in its Investment Agreement, is 10%. In addition, the agreement requires Kumtor to pay 2% of net income to the Issyk Kul Social Fund. Kumtor continues to record and pay taxes based on its existing Investment Agreement.

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

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

Cautionary Note Regarding Forward-looking Information
Statements contained in this news release including those under the heading "Outlook for 2008", and the documents incorporated by reference herein, contain statements which are not current statements or historical facts and are "forward-looking information" within the meaning of applicable Canadian securities laws. All statements, other than statements of historical fact, contained or incorporated by reference in this news release constitute forward-looking information. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "forecasts", "projections", "anticipate" or "does not anticipate", "believe", "intent", "potential", "strategy", "schedule", "estimates" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved and other similar expressions have been used to identify forward-looking information. These forward-looking statements relate to, among other things Centerra's expectations regarding, future growth, results of operations (including, without limitation, future production and sales, and operating and capital expenditures), performance (both operational and financial), business and political environment and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities.

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

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained in this news release. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward-looking information. Forward-looking information is as of July 30, 2008. Centerra assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

About Centerra

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

Conference Call

Centerra invites you to join its second quarter 2008 conference call on Thursday, July 31, 2008 at 12:00 pm. Eastern Time. The call is open to all investors and the media. To join the call, please dial (212) 231-2905 (International callers) or (800) 926-5124 (Toll-Free North American). Alternatively, an audio feed web cast will be available on www.centerragold.com. A recording of the call will be available on www.centerragold.com shortly after the call, and via telephone until midnight on Thursday, August 7, 2008 by calling (416) 626-4100 or (800) 558-5253 and using passcode 21388544.

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

MDA and Financial Statements and Notes follow

Centerra Gold Inc.

Management's Discussion and Analysis ("MD&A")

For the period ended June 30, 2008

The following discussion has been prepared as of July 30, 2008, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. ("Centerra" or the "Company") for the three and six month periods ended June 30, 2008 in comparison with those as at June 30, 2007. This discussion should be read in conjunction with the unaudited interim consolidated financial statements and the notes of the Company for the three and six month periods ended June 30, 2008. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the three years ended December 31, 2007, the related MD&A included in the 2007 Annual Report, and the 2007 Annual Information Form. The financial statements of Centerra are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and, unless otherwise specified, all dollar amounts are in United States dollars. The Company's 2007 Annual Report and Annual Information Form are available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

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Consolidated Financial Results

Centerra's consolidated financial results for the three and six month periods ended June 30, 2008 reflect fully consolidated interests in the Kumtor and Boroo mines, a 63% interest in the REN joint venture and a 100% interest in the Gatsuurt project.

Highlights

	Three Months Ended June 30				Six Months Ended June 30			
Financial Summary	**2008**	**2007**	**Change**	**% Change**	**2008**	**2007**	**Change**	**% Change**
Revenue - $ millions	**142.6**	103.7	38.9	38%	**255.2**	186.0	69.2	37%
Cost of sales - $ millions (1)	**84.8**	47.9	36.9	77%	**135.3**	93.7	41.6	44%
Net earnings before unusual items - $ millions (3)	**13.8**	18.6	(4.8)	(26)%	**37.5**	24.6	12.9	52%
Unusual items - $ millions	**42.2**	0.0	42.2	100%	**37.7**	0.0	37.7	100%
Net earnings - $ millions	**56.0**	18.6	37.4	201%	**75.2**	24.6	50.6	206%
Earnings per common share - $ basic and diluted	**0.26**	0.09	0.17	189%	**0.35**	0.11	0.24	218%
Cash provided by operations - $ millions	**10.6**	7.4	3.2	43%	**38.6**	15.2	23.4	154%
Weighted average common shares outstanding - basic (thousands) (2)	**216,318**	216,247	71	0%	**216,318**	216,243	75	0%
Weighted average common shares outstanding - diluted (thousands) (2)	**217,456**	216,782	674	0%	**217,599**	216,564	1,035	1%
Gold sold – ounces	**160,373**	155,605	4,768	3%	**284,348**	283,176	1,172	0%
Gold produced – ounces	**158,303**	153,414	4,889	3%	**278,698**	286,419	(7,721)	(3)%
Cost of sales - $/oz sold	**529**	308	221	72%	**476**	331	186	50%
Total cash cost(4) - $/oz produced	**553**	349	204	59%	**577**	377	200	53%
Total production cost(4) - $/oz produced	**653**	412	241	59%	**682**	455	227	50%
Average realized gold price - $/oz	**889**	667	222	33%	**898**	657	241	37%
Average gold spot price - $/oz	**896**	667	229	34%	**911**	659	252	38%

(1) Cost of sales excludes regional office administration.
(2) As of July 30, 2008, the Company had 216,318,188 common shares issued and outstanding.
(3) Net earnings before unusual items is a non-GAAP measure
(4) Total cash cost and total production cost are non-GAAP measures and are discussed under "Non-GAAP Measures".

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Three Month Period Ended June 30, 2008 compared with the Three Month Period Ended June 30, 2007

Gold Production and Revenue

Revenue in the second quarter of 2008 increased to $142.6 million from $103.7 million in the same quarter last year reflecting higher realized gold prices and an increase in ounces sold (160,373 ounces in the second quarter of 2008 compared with 155,605 ounces in the same period of 2007). Gold production for the quarter was 158,303 ounces compared to 153,414 ounces of gold reported in the second quarter of 2007. The Boroo mine produced 23,046 fewer ounces of gold than in the second quarter of 2007. This was offset by an increase of 27,935 ounces of gold at the Kumtor mine. Lower gold production at Boroo was primarily attributable to the milling of lower grade ore averaging 2.92 g/t in the second quarter of 2008 compared to 3.76 g/t milled in the same quarter of 2007.

Centerra realized an average gold price of $889 per ounce for the second quarter of 2008, an increase of 33% from the $667 per ounce realized in the same quarter in 2007. Since Centerra's gold production is unhedged and gold is sold at the prevailing spot price, the increase in the average realized gold price was due to higher spot gold prices, which averaged $896 per ounce for the period compared to $667 per ounce for the same period in 2007.

Cost of Sales

Cost of sales in the quarter was $84.8 million, which is higher than the same quarter of 2007 ($47.9 million) due primarily to higher cost ounces which were in inventory in the first quarter of 2008 flowing through sales in the second quarter and increasing operating costs.

At Kumtor, operating costs increased $20.7 million for the second quarter of 2008 compared to the same period of 2007. The increase is due to a higher mining rate in 2008 compared to 2007, increased maintenance expenditures attributed to the mobile fleet and the mill, higher fuel consumption rates and costs and higher costs for consumables and labour. In addition, revenue-based taxes were higher in 2008 due to higher gold production and the higher gold price. See "Mine Operations – Kumtor".

Boroo's operating costs increased by approximately $5.3 million due primarily to the increased cost of consumables, labour, royalties and maintenance. Royalties paid in respect of the Boroo operation increased as a result of amendments in the third quarter of 2007 to the Stability Agreement with the Mongolian Government, which increased the royalty rate from 2.5% to 5% effective August 3, 2007. See "Mine Operations – Boroo".

Cost of sales per ounce sold increased to $529 compared to $308 for the same period in 2007. This reflects higher-cost ounces which were in inventory in the first quarter of 2008 flowing through sales in the second quarter and increasing operating costs.

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The Company's total cash cost per ounce produced was $553, up from $349 in the second quarter of 2007. This increase is primarily due to increased operating costs, described above. See "Mine Operations – Kumtor" and "Mine Operations – Boroo".

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization for the second quarter of 2008 increased to $17.0 million from $11.7 million in the same quarter of 2007, mainly due to Kumtor's expanded truck fleet. On a per unit basis, depreciation, depletion and amortization for the second quarter of 2008 was $106 per ounce sold compared to $75 per ounce sold in the same quarter of 2007, primarily reflecting the addition of capital equipment at Kumtor and amortization of pre-stripping capitalized in 2007 at Boroo.

Accretion and Reclamation Expense

Accretion and reclamation expense in the second quarter of 2008 was 0.4 million compared to $0.7 million in the same quarter of 2007.

Exploration

Exploration costs in the second quarter of 2008 increased to $5.1 million from $4.2 million in the same quarter of 2007 reflecting an increase in exploration spending at Kumtor.

Capital Expenditures

Capital expenditures of $22.1 million in the second quarter of 2008 included $11.1 million of sustaining capital and $10.9 million invested in growth capital primarily related to the SB Zone underground development at Kumtor ($2.9 million), completion of the heap leach facility at Boroo ($2.4 million) and pit 3 pre-stripping at Boroo ($4.6 million).

Corporate Administration

Corporate administration costs for the second quarter 2008 were $7.5 million compared to $6.0 million in the same quarter of 2007. The increase is primarily due to $5.0 million of non-recurring expenses related to management changes in June 2008 partially offset by lower stock-based compensation expense reflecting a 65% decrease in the share price in the second quarter of 2008.

Income Tax Expense

Income tax in the amount of $6.2 million was expensed in the second quarter of 2008 compared to $8.2 million in the second quarter of 2007. The $2.0 million decrease in the quarter is primarily the result of the fact that Boroo's income, subject to tax at 25%, declined, whereas the increase in income resulting from unusual items is not subject to tax.

In accordance with an amendment to the Stability Agreement concluded with the Mongolian Government in 2007, the income tax rate generally applicable to Boroo for the term of the Stability Agreement is 25% for income in excess of 3 billion tugriks (about $2.5 million at the current exchange rate) and 10% for income up to that amount.

The income tax rate applicable to Kumtor, as provided in its Investment Agreement, is 10%. In addition, the agreement requires Kumtor to pay 2% of net income to the Issyk Kul Social Fund. Kumtor continues to record and pay taxes based on the Investment Agreement.

Net Earnings Before Unusual Items

Net earnings before unusual items for the quarter were $13.8 million, or $0.06 per share, compared to $18.6 million or $0.09 per share for the same period in 2007, reflecting higher expenses which were partially offset by increased revenue due to higher gold prices.

Unusual Items

On June 2, 2008 the Company reported that the previously announced framework agreement ("Agreement on New Terms"), entered into between the Company and the Kyrgyz Government on August 30, 2007, was not ratified by the Kyrgyz Parliament within the time frame agreed by the parties and therefore expired. As such, the Company has reclassified the amount recorded as contingently issuable common shares issuable from equity to long-term liabilities. Subsequently, Centerra held discussions with the Government working group responsible for Kumtor.

The Company believes that if a settlement with the Kyrgyz Government occurs through ongoing negotiations such a settlement will include the issuance of treasury shares. The ultimate value of the contingently issuable common shares will be determined based on the Company's share price when the agreement with Kyrgyz Government is finalized and the number of shares to be issued is determined. While this amount cannot be reasonably determined at this time, the Company believes that the share price on May 30, 2008, the last day of trading prior to the expiry of the Agreement on New Terms, reflects the minimum amount of a range of possible values. See "Other Corporate Developments – Kyrgyz Republic".

Net Earnings After Unusual Items

Net earnings after unusual items for the second quarter of 2008 were $56.0 million, or $0.26 per share, compared to net earnings of $18.6 million, or $0.09 per share, for the same quarter of 2007, reflecting the unusual items discussed above.

Liquidity and Capital Resources

Cash provided from operations was $10.6 million for the second quarter of 2008 compared to $7.4 million for the same quarter of 2007, reflecting the higher average price for gold received during this period and reduced working capital levels.

Cash used in investing activities in the second quarter of 2008 was $18.7 million for capital spending, compared to $29.1 million in the same quarter of 2007. In the second quarter of 2008, Centerra spent and accrued $11.1 million on sustaining capital projects and $10.9 million on growth projects. Expenditures on growth projects at Kumtor was $3.7 million included $2.9 million on the SB Zone underground development while sustaining capital was $7.1 million. At Boroo, sustaining capital was $3.9 million and growth capital was $6.9 million including $4.5 million in Pit 3 pre-stripping and $2.4 million for the heap leach project.

As at June 30, 2008, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $32.8 million (Kumtor $30.4 million, Boroo $2.4 million). These contracts are expected to be settled over the next twelve months.

Cash on hand was $108.0 million at the end of the second quarter of 2008, compared to $105.5 million at December 31, 2007.

The Company believes it has sufficient cash to carry out its operational business plan for 2008. For information on forward-looking information see “Caution Regarding Forward-Looking Information”.

Six Month Period Ended June 30, 2008 Compared with the Six Month Period Ended June 30, 2007

Revenue for the first six months of 2008 increased by $69.2 million, or 37%, to $255.2 million compared to $186.0 million in the same period of 2007 due primarily to higher gold prices. Gold production of 278,698 ounces in the first six months of 2008 was on plan but lower than the 286,419 ounces reported in the same period of 2007. The average realized gold price for the first six months of 2008 was $898 per ounce compared to $657 per ounce in the same period of 2007 reflecting higher spot prices for gold.

Net earnings before unusual items in the first six months of 2008 were $37.5 million, or $0.17 per share, compared to $24.6 million, or $0.11 per share, for the same period in 2007, reflecting the higher gold prices.

Net earnings after unusual items in the first six months of 2008 were $75.2 million, or $0.35 per share, compared to net earnings of $24.6 million, or $0.11 per share, in the same period of 2007. The increase reflects higher gold prices and unusual items in the second quarter of 2008.

Cash flow provided by operations for the first six months of 2008 was $38.6 million compared to $15.2 million in the same period of 2007 reflecting higher net earnings. Cash used in investing activities totaled $36.1 million in the six months of 2008 compared to $73.2 million in the prior year, reflecting decreased spending at Kumtor. Significant capital was spent in the first half of 2007 to expand the mining fleet at Kumtor.

Asset Retirement Obligations

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

The Company has estimated the net present value of the total asset retirement obligations to be $22.3 million as at June 30, 2008 (December 31, 2007 - $20.9 million). These payments are expected to commence over the next 3 to 5 years. The Company used an average credit-adjusted risk-free rate of 8% to calculate the present value of the asset retirement obligations.

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During the first quarter 2008, the closure study at Boroo was updated by an independent consultant. The future decommissioning and reclamation costs for the Boroo mine are now estimated to be $8.6 million ($3.2 million - June 30, 2007). As a result, an increase of $0.8 million to Boroo's asset retirement obligation was recorded in the first half of 2008.

The Company's future undiscounted decommissioning and reclamation costs for the Kumtor mine have been estimated to be $21.0 million before salvage value of $14.9 million. A review of the closure cost estimate for Kumtor is being updated by an independent contractor and is expected to be finalized in the fourth quarter 2008. A resulting adjustment to the asset retirement obligation at Kumtor would be recorded as applicable during the fourth quarter.

Share capital

As of July 30, 2008, Centerra had 216,318,188 shares issued and outstanding. In addition, at the same date, the Company had 1,828,976 share options outstanding under its share option and share appreciation rights plan with exercise prices between Cdn$5.17 and Cdn$14.29 per share, and with expiry dates between 2012 and 2016.

Gold hedges

The Company had no gold hedges in place in the second quarter of 2008 and no deferred charges were recognized.

Market Update

A significant factor in determining profitability and cash flow from the Company's operations is the price of gold. The spot market gold price based on the London PM fix was approximately $930 per ounce at the end of the second quarter of 2008. For the three months ended June 30, 2008, the gold price averaged $896 per ounce compared to $667 per ounce for the same period in 2007.

The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic and Mongolia, and its corporate head office is in Toronto, Canada. During the second quarter of 2008, the denomination of the currencies of Centerra's operating costs and capital expenditures were approximately 36% in Kyrgyz som, 29% in Mongolian tugrik, 21% in Canadian dollars, 11% in Euros and the balance in British pounds and Australian dollars. In the second quarter of 2008, certain suppliers began pricing materials in Euros rather than U.S. dollars, as a hedge against the weakening American currency; this explains the increase in Euro-denominated costs. On average, in the first six months of 2008, the currencies of the Kyrgyz Republic and Canada fell against the U.S. dollar by approximately 1.9% and 2.6%, respectively, from their value at December 31, 2007; the Euro and the Australian dollar strengthened against the U.S. dollar by approximately 6.3% and 8.1% respectively, whilst the Mongolian tugrik and British pound remained virtually unchanged against the currency. The impact of these movements over the six months to June 30, 2008 has been to reduce operating costs by an estimated $0.7 million.

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Mine Operations

Centerra owns 100% of the Kumtor and Boroo mines and therefore all operating and financial results are on a 100% basis.

Kumtor

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based producer. It has been operating since 1997 and has produced about 6.4 million ounces of gold. During the second quarter of 2008, Kumtor experienced 2 lost-time accidents. There were no reportable environmental incidents during the quarter.

	Three Months Ended June 30				**Six Months Ended June 30**			
Kumtor Operating Results	**2008**	**2007**	**Change**	**% Change**	**2008**	**2007**	**Change**	**% Change**
Gold sold – ounces	**115,374**	88,943	26,431	30%	**182,490**	146,706	35,784	24%
Revenue - $ millions	**102.6**	59.6	43.0	72%	**164.1**	96.8	67.3	70%
Average realized gold price - $/oz	**889**	670	219	33%	**899**	660	239	36%
Cost of sales - $ millions (1)	**74.4**	41.1	33.4	81%	**108.5**	76.5	32.0	42%
Cost of sales - $/oz sold	**645**	461	184	40%	**595**	522	73	14%
Tonnes mined - 000s	**29,605**	28,702	903	3%	**58,557**	52,372	6,185	12%
Tonnes ore mined – 000s	**1,082**	1,630	(548)	(34%)	**2,251**	2,456	(205)	(8%)
Tonnes milled - 000s	**1,410**	1,348	62	5%	**2,519**	2,710	(191)	(7%)
Average mill head grade - g/t (2)	**3.41**	2.60	0.81	31%	**2.98**	2.39	0.59	25%
Recovery - %	**76.3**	71.3	5.0	7%	**75.8**	70.6	5.2	7%
Gold produced – ounces	**111,164**	83,229	27,935	34%	**185,894**	149,436	36,458	24%
Total cash cost (3) - $/oz	**631**	491	140	29%	**685**	556	129	23%
Total production cost (3)- $/oz	**730**	583	147	25%	**794**	646	148	23%
Capital expenditures - $ millions	**10.9**	20.5	(9.7)	(47%)	**18.5**	46.0	(27.5)	(60%)

(1) Cost of sales for 2008 and comparative periods exclude regional office administration.
(2) g/t means grams of gold per tonne.
(3) Total cash cost and total production cost are non-GAAP measures and are discussed under “Non-GAAP Measures”.

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Second Quarter 2008 vs. Second Quarter 2007

Revenue and Gold Production

Revenue in the second quarter of 2008 increased to $102.6 million from $59.6 million in the second quarter of 2007 primarily as a result of the higher realized gold price and higher sales volumes (115,374 ounces in the second quarter of 2008 compared to 88,943 ounces in the same period of 2007). Kumtor produced 111,164 ounces of gold in the second quarter of 2008 compared to 83,229 ounces of gold in the second quarter of 2007. The increase results primarily from higher ore grades and increased recovery. The ore grade averaged 3.41 g/t with a recovery of 76.3% in the second quarter of 2008, compared to 2.60 g/t with a recovery of 71.3% in the same quarter of 2007.

The realized gold price in the second quarter of 2008 was $889 per ounce compared to $670 per ounce in the same period in 2007.

Cost of Sales

Cost of sales at Kumtor in the second quarter of 2008 was $74.4 million compared to $41.1 million in the same quarter of 2007. This is primarily due to increases in operating costs and higher mined and milled tons.

Operating costs at Kumtor increased $20.7 million for the second quarter 2008 compared to the same quarter of 2007. Costs increased primarily due to higher mine fleet maintenance costs ($17.2 million vs. $11.1 million for the same quarter last year), higher consumable costs ($21.1 million vs. $14.3 million for the same quarter last year), higher national labour costs ($8.0 million vs. $6.3 million). Mine fleet maintenance costs increased due to the additional costs of maintaining the expanded fleet, which includes thirty CAT 785 haul trucks and four Leibherr shovels acquired during 2006 and 2007 and the existing thirty-nine CAT 777 trucks, that have undergone significant component replacement and repairs to attain industry standards for mechanical availability and utilization. Major mine consumables costs increased primarily due to higher commodity prices and higher consumption resulting from increased material movement. The ultimate impact of these cost changes on the reported results is dependent on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented.

Cost of sales per ounce sold increased to $645 compared to $461 for the second quarter of 2007. This reflects an increase in the operating costs as described above, and the recovery of higher-cost ounces which were in inventory in the first quarter of 2008 flowing through sales in the second quarter of 2008.

Total cash costs per ounce increased to $631 in the second quarter of 2008 from $491 in the second quarter of 2007 primarily due to higher mining costs ($195 per ounce) resulting from an increase in mining expenses noted above and capitalization of pre-stripping costs related to the SB Zone in 2007, higher milling costs ($22 per ounce), higher administration costs ($15 per ounce), higher taxes unrelated to income and other costs ($31 per ounce), partially offset by an increase in ounces produced ($123 per ounce).

Exploration

Exploration expenditures totaled $3.6 million for the second quarter of 2008, which has increased from $2.7 million in the second quarter 2007. This is primarily as a result of increased spending on contractor and national labour, increased spending on fuel, drill bits, personal protective equipment, and supply costs.

Capital Expenditures

Capital expenditures in the second quarter was $10.9 million, which included $7.1 million of sustaining capital spent mainly on the tailings dam build-up, shear key construction and till dewatering program and $3.7 million invested in growth capital mainly for the SB Zone underground development ($2.9 million).

First Six Months of 2008 vs. First Six Months of 2007

Revenue and Gold Production

Revenue for the first six months of 2008 increased to $164.1 million from $96.8 million in the same period of 2007 primarily as a result of the higher realized gold price and higher sales volumes (182,490 ounces for the six months of 2008 compared to 146,706 ounces in the same period of 2007). Kumtor produced 185,894 ounces of gold for the first six months of 2008 compared to 149,436 ounces of gold in the same period of 2007. The increase results primarily from higher ore grades and increased recovery, which is partially offset by a 7% reduction in throughput. The ore grade averaged 2.98 g/t with a recovery of 75.8% for the six months period of 2008, compared to 2.39 g/t with a recovery of 70.6% in the same period of 2007. Mill throughput was impacted by the shutdown of the ball mill in February/March 2008 for repairs to the ring gear and the replacement of the ball mill shell.

The higher average realized gold price per ounce for both the three and six month periods in 2008 was due to higher gold spot prices.

Cost of Sales

Cost of sales at Kumtor in the first six months of 2008 was $108.5 million compared to $76.5 million in the same period of 2007. This is primarily due to an increase in gold sales over the period plus increases in operating costs.

Operating costs at Kumtor increased $32.1 million for the first six months 2008 compared to the same period of 2007. Costs increased primarily due to higher fleet maintenance costs ($31.5 million vs. $20.2 million for the same period last year), higher consumable costs ($39.7 million vs. $28.0 million for the same period last year), higher national labour costs ($14.9 million vs. $13.1 million).

Cost of sales per ounce sold increased to $595 compared to $522 for the first six months of 2007. This reflects an increase in the operating costs as described above, associated with ounces produced and sold in 2008.

Total cash costs per ounce increased to $685 for the first six months of 2008 from $556 in the same period of 2007 primarily due to higher mining costs ($187 per ounce) resulting from an increase in mining expenses noted above and capitalization of pre-stripping costs related to the SB Zone in 2007, higher milling cost ($18 per ounce), higher administration costs ($3 per ounce), higher taxes unrelated to income and other costs ($30 per ounce), partially offset by an increase in ounces produced ($109 per ounce).

Exploration

Exploration expenditures totaled $6.7 million for the first six months of 2008, which has increased from $6.5 million in the first six months 2007, mainly due to increased fuel, material and supply costs.

Capital Expenditures

Capital expenditures for the first six months was $18.5 million, which included $10.6 million spent on sustaining projects including the tailings dam build-up, shear key construction and till dewatering program and $7.9 million invested in growth capital mainly for the SB Zone underground development ($6.6 million).

Boroo

Located in Mongolia, this open pit mine was the first hard rock gold mine in Mongolia and to date has produced over 1.1 million ounces. During the second quarter of 2008 the mine had no lost-time accidents and had no reportable environmental spills.

	Three Months Ended June 30				Six Months Ended June 30			
Boroo Operating Results	**2008**	**2007**	**Change**	**% Change**	**2008**	**2007**	**Change**	**% Change**
Gold sold – ounces	**44,999**	66,662	(21,663)	(32%)	**101,858**	136,470	(34,612)	(25%)
Revenue - $ millions	**39.9**	44.1	(4.2)	(10%)	**91.1**	89.2	1.9	2%
Average realized gold price - $/oz	**888**	662	226	34%	**895**	654	241	37%
Cost of sales - $ millions (1)	**10.4**	6.8	3.6	53%	**26.8**	17.2	9.6	56%
Cost of sales - $/oz sold	**232**	103	129	125%	**263**	126	137	109%
Tonnes mined - 000s	**5,222**	4,397	825	19%	**9,687**	8,387	1,300	16%
Tonnes mined heap leach – 000s	**516**	944	(428)	(45%)	**1,348**	1,868	(520)	(28%)
Tonnes ore mined direct mill feed - 000’s	**481**	460	21	5%	**1,207**	1,086	121	11%
Tonnes ore milled - 000s	**604**	651	(47)	(7%)	**1,212**	1,267	(55)	(5%)
Average mill head grade - g/t (2)	**2.92**	3.76	(0.84)	(22%)	**2.83**	3.83	(1.00)	(26%)
Recovery - %	**83.5**	85.5	(2.0)	(2%)	**84.4**	86.9	(2.5	(3%)
Gold produced – ounces	**47,139**	70,185	(23,046)	(33%)	**92,805**	136,983	(44,178)	(32%)
Total cash cost (3) - $/oz	**370**	180	190	106%	**362**	182	180	99%
Total production cost (3)- $/oz	**472**	252	220	87%	**459**	252	207	82%
Capital expenditures - $ millions	**10.7**	9.6	1.1	11%	**18.6**	17.1	1.5	9%

(1) Cost of sales for 2008 and its comparative years exclude regional office administration.
(2) g/t means grams gold per tonne.
(3) Total cash cost and total production cost are non-GAAP Measures and are discussed under “Non-GAAP Measures”.

Second Quarter 2008 vs. Second Quarter 2007

Revenue and Gold Production

Revenue in the second quarter of 2008 decreased to $39.9 million from $44.1 million in the second quarter of 2007 due to lower sales volumes (44,999 ounces in the second quarter of 2008 compared to 66,662 ounces in the same period of 2007) partially offset by higher gold price. Gold production at Boroo was 47,139 ounces in the second quarter of 2008 which was 23,046 less than the ounces of gold reported in the second quarter of 2007 primarily resulting from lower grade ores and lower recovery. During the second quarter of 2008, the mill ore grade averaged 2.92 g/t with a recovery of 83.5% compared to mill ore grade of 3.76 g/t and recovery of 85.5% in the same quarter of 2007.

During the second quarter, Boroo received a temporary 6-month permit to start heap leach pilot production. Approval of the final operating permits is dependent on government commissions first approving Boroo's increased reserves followed by another commission approving the Heap Leach feasibility study. The heap leach facility commenced temporary operations on June 18, 2008 after specially formed government commissions accepted the constructed facilities as per design. The first heap leached gold is expected to be poured in July 2008.

The realized gold price in the second quarter of 2008 was $888 per ounce compared to $662 per ounce in the same period in 2007 due to the higher gold spot prices.

Cost of Sales

Cost of sales at Boroo for the second quarter of 2008 was $10.4 million compared to $6.8 million in the second quarter of 2007. The increase was due primarily to higher operating costs.

Operating costs at Boroo increased approximately $5.3 million primarily due to the higher costs of major consumables including diesel ($3.2 million vs. $1.5 million) and explosives ($1.1 million vs. $0.5 million), increased rental costs ($1.4 million vs. $0.1 million), higher national salaries ($2.3 million vs. $1.6 million) increased royalties ($2.2 million vs. $1.1 million). Major mine consumables costs increased primarily due to higher prices and higher consumption resulting from the increased material movement. Increased rental costs are a result of a requirement to increase the material mined by 9% to address the Pit 3 geotechnical challenges and substitute rental trucks for those being rebuilt. The salaries of national hourly mine employees have increased as a result of the new collective agreement (See "Other Corporate Developments – Boroo"). Royalties paid in respect of the Boroo operation increased as a result of amendments in the third quarter of 2007 to the Stability Agreement with the Mongolian Government which increased the royalty rate from 2.5% to 5% effective August 3, 2007. The ultimate impact of these cost changes on the reported results is dependent on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented.

Cost of sales per ounce sold increased to $232 from $103 for the second quarter of 2007. This reflects an increase in the operating costs as described above, associated with ounces produced and sold in 2008.

Total cash costs per ounce increased to $370 in the second quarter of 2008 from $180 in the second quarter of 2007 as the result of higher mine costs ($59 per ounce), higher mill costs ($24 per ounce) increased royalties ($24 per ounce) and a reduction in ounces produced ($88 per ounce). Partially offsetting these costs was a reduction in administration and other costs ($5 per ounce).

Exploration

Exploration expenditures in Mongolia totaled $0.7 million in the second quarter of 2008 compared with $0.3 million in 2007. The expenditures relate primarily to a more focused exploration program near the Boroo mine area and other areas with known mineralization.

Capital Expenditures

Capital expenditures in the second quarter of 2008 of $10.7 million included $3.9 million of sustaining capital and $6.8 million invested in growth capital primarily related to completing the construction of the heap leach facility ($2.4 million) and $4.6 million in capitalized pre-stripping of pit 3.

First Six Months of 2008 vs. First Six Months of 2007

Revenue and Gold Production

Revenue year to date in 2008 increased to $91.1 million from $89.2 million during 2007 due to higher realized gold prices ($895 compared to $654 in the same period of 2007) partially offset by lower sales volumes (101,858 ounces in the first half of 2008 compared to 136,470 ounces in the same period of 2007). Gold production at Boroo was 92,805 ounces in 2008 which was 44,178 fewer ounces of gold than reported in 2007 primarily resulting from lower ore grades and recoveries.

During the first six months of 2008, the mill ore grade averaged 2.83 g/t with a recovery of 84.4% compared to 3.83 g/t and a recovery of 86.9% in the same period in 2007.

Realized gold price in 2008 was $895 per ounce compared to $654 per ounce in the same period in 2007 due to the higher gold spot prices. The realized gold price is less than the average spot gold price as a significant shipment of gold (approximately 14,000 ounces) at the end of 2007 was priced at $815 per ounce and was recognized as revenue in 2008 due to the Company’s policy on revenue recognition.

Cost of Sales

Cost of sales at Boroo for 2008 was $26.8 million compared to $17.2 million in 2007. The increase was primarily due to an increase in operating costs.

Operating costs at Boroo increased approximately $9.9 million primarily due to the higher diesel costs ($5.6 million vs. $3.2 million), and blasting materials ($2.3 million vs. $1.0 million), increased rental costs ($2.5 million vs. $0.2 million), higher national salaries ($4.5 million vs. $2.9 million) and increased royalties ($4.8 million vs. $2.3 million). Major mine consumables costs increased primarily due to higher prices and higher consumption resulting from increased material movement. Increased rental costs are a result of a requirement to increase mine production by 9% for geotechnical reasons and substitute rental trucks for those being rebuilt. The salaries of national hourly mine employees have increased as a result of the new collective agreement. Royalties paid in respect of the Boroo operation increased as a result of amendments in the third quarter of 2007 to the Stability Agreement with the Mongolian Government which increased the royalty rate from 2.5% to 5% effective August 3, 2007. The ultimate impact of these cost changes on the reported results is dependent on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented.

The cost of sales per ounce sold increased to $263 compared to $126 for the same period in 2007. This reflects an increase in the operating costs, as described above, associated with ounces produced and sold in the first six months.

Total cash costs per ounce increased to $362 in 2008 from $182 in 2007 primarily as the result of higher mining costs ($57 per ounce), higher milling costs ($15 per ounce), increased royalties ($27 per ounce) and a reduction in ounces produced ($86 per ounce) partially offset by a reduction in administration and other costs ($5 per ounce).

Exploration

Exploration expenditures in Mongolia totaled $1.0 million in 2008 compared with $0.8 million in 2007. The expenditures relate primarily to a more focused exploration program near the Boroo mine area and other areas with known mineralization.

Capital Expenditures

Capital expenditures in 2008 of $18.6 million included $5.7 million sustaining capital and $12.9 million invested in growth capital primarily related to completing the construction of the heap leach facility ($5.6 million) and $7.5 million in capitalized pre-stripping of pit 3.

Other Financial Information – Related Party Transactions

Cameco Corporation

Centerra is 52.7% owned by Cameco Corporation (“Cameco”).

Kyrgyzaltyn and the Government of the Kyrgyz Republic

Revenues from the Kumtor mine are subject to a management fee of $1.50 per ounce based on sales volumes, payable to State-owned Kyrgyzaltyn JSC (“Kyrgyzaltyn”), which holds approximately 15.7% of the outstanding common shares of Centerra.

The table below summarizes the management fees and concession payments paid by Kumtor Gold Company (“KGC”), a subsidiary of the Company, 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 Sales Agreement between Kumtor Operating Company (“KOC”, a subsidiary of the Company), Kyrgyzaltyn and the Kyrgyz Republic.

($ thousands)	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Management fees paid by KGC to Kyrgyzaltyn	**173**	133	**274**	220
Concession payments paid by KGC to Kyrgyz Republic	**462**	356	**730**	587
Total	**635**	489	**1,004**	807
Gross gold and silver sales from KGC to Kyrgyzaltyn	**103,121**	59,919	**164,955**	97,504
Deduct: refinery and financing charges	**(530)**	(348)	**(855)**	(595)
Net sales revenue received by KGC from Kyrgyzaltyn	**102,591**	59,571	**164,100**	96,909

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to a Gold and Silver Sale Agreement entered into between KOC, Kyrgyzaltyn and the Government of the Kyrgyz Republic. Under these arrangements, Kyrgyzaltyn is required to prepay for all gold delivered to it, based on the London PM fixed price of gold on the London Bullion Market on the same day on which KOC provides notice that a consignment is available for purchase. Pursuant to an amendment to the Gold and Silver Sale Agreement, effective from December 22, 2005, as amended from time to time since then, Kyrgyzaltyn is permitted, until December 31, 2008, to defer payments for gold for up to 12 calendar days. Kyrgyzaltyn is required to pay interest on deferred amounts equal to one-half LIBOR plus 0.125%. The obligations of Kyrgyzaltyn are partially secured by a pledge of a portion of the Centerra shares owned by Kyrgyzaltyn, the value of which fluctuates with the market price. As at June 30, 2008, a receivable of $19.7 million was outstanding under these arrangements (December 31, 2007 - $14.1 million).

Other

The Company paid and accrued Cdn$237,500 in the second quarter of 2008 and Cdn$287,800 in the six months ended June 30, 2008 (Cdn$103,700 and Cdn$280,000 for the corresponding periods in 2007, respectively) to Ms. Marina Stephens, a lawyer and the spouse of the former President and Chief Executive Officer of the Company, Mr. Leonard Homeniuk. Ms. Stephens provided independent legal and business advisory services related to the Company's international operations under the terms of a consulting contract, which came to an end on June 16, 2008.

Quarterly Results – Last Eight Quarters

Over the last eight quarters, Centerra's results reflect the positive impact of rising gold prices, offset by rising cash costs and reduced production at Kumtor due to the pitwall movement in July 2006 and subsequent change in the mine plan in 2006 and 2007.

$ millions, except per share data	**2008**		**2007**				**2006**	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	143	113	89	98	104	82	88	76
Earnings before unusual items	14	24	10	5	19	6	2	12
Net earnings (loss)	56	19	(27)	(90)	19	6	2	12
Earnings per share before unusual items (basic and diluted)	0.06	0.11	0.03	0.02	0.09	0.03	0.01	0.05
Earnings (loss) per share (basic and diluted)	0.26	0.09	(0.12)	(0.42)	0.09	0.03	0.01	0.05

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Other Corporate Developments

Kyrgyz Republic

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

In the circumstances and in response to court proceedings described below, on June 4, 2008, the Company resumed international arbitration previously initiated by the Company in accordance with its Investment Agreement, which provides that all disputes with respect to the project are subject to international arbitration.

Centerra is continuing to hold discussions with the Government working group responsible for Kumtor. To allow for such discussions the parties have agreed to a limited postponement of the arbitration proceeding to September 29, 2008.

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

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

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

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and suspended development of the Sarytor deposit. All Kumtor mining operations are taking place in the concession area and continue uninterrupted.

On June 17, 2008, as has previously been reported, the Bishkek Inter District Court issued an order invalidating the Southwest and Sarytor mining and Kumtor exploration licenses. The court has not yet ruled on the validity of the decrees and agreements (including the 2003 Investment Agreement and Concession Agreement).

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

After reactivating the international arbitration proceedings on June 2, 2008, Centerra and KGC, on June 13, 2008, added claims based on the Vice-Speaker's lawsuits and their consequences. At the initial conference on June 23, 2008, Centerra filed an application for interim relief in the arbitration, requesting that all parties to the arbitration be directed to maintain the *status quo* and treat the licenses, agreements and decrees at issue in the Kyrgyz Republic as valid and enforceable. The Kyrgyz Republic has taken the position in its response to such application that, among other things, the 2003 Investment Agreement required but did not receive Parliamentary approval and therefore is not in effect. A hearing on the application will be held on September 29, 2008.

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

Mongolia

On June 29, 2008 Mongolia held parliamentary elections. According to the General Election Commission the Mongolian People's Revolutionary Party (MPRP), who held a slight majority in the prior parliament, obtained 39 out of 76 seats and the Mongolian Democratic Party obtained 25 seats. The results for 10 seats are in dispute and are to be recounted.

The Company expects a new government will be formed shortly. Centerra is hopeful that the new government will resume negotiations with respect to an investment agreement for the Gatsuurt Project.

The World Bank is providing $9.3 million from International Development Association funds for a Mining Sector Technical Assistance Project (MTSA) in Mongolia, aimed at improving the nation's ability to regulate and financially benefit from its burgeoning mining industry, while reducing government corruption.

The World Bank estimated that mining accounted for about 20% of real GDP, 56% of gross industrial output, 69% of exports, and 36% of revenue for Mongolia in 2007.

For information on forward-looking information see “Caution Regarding Forward-Looking Information”.

Management Changes

During the second quarter of 2008, Stephen A. Lang was promoted to President and Chief Executive Officer and appointed to Centerra’s board of directors to replace Leonard A. Homeniuk upon his retirement. Jeffrey S. Parr, Vice President Finance was promoted to Chief Financial Officer to replace David M. Petroff, who resigned to pursue other interests. Additionally, the board appointed Bruce Walter as Vice Chair, to assist in leading the growth of the Company.

On July 30, 2008, Ron Colquhoun was appointed Vice President and Chief Operating Officer.

Critical Accounting Estimates

Centerra prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”). In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented and in the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and various other factors believed to be reasonable under the circumstances. Management believes the critical accounting estimates as described in its annual management’s discussion and analysis and audited annual consolidated financial statements for the year ended December 31, 2007 reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements.

Depreciation and depletion of property, plant and equipment directly involved in mining and milling operations is primarily calculated using the “unit of production” method. This method allocates the cost of an asset to each period based on current period production as a portion of total lifetime production or a portion of estimated recoverable ore reserves. Estimates of lifetime production and amounts of recoverable reserves are subject to judgment and could change significantly over time. If actual reserves prove to be significantly different than the estimates, there would be a material impact on the amounts of depreciation and depletion charged to earnings.

Mobile equipment and other administrative assets are depreciated according to the straight-line method, based on an estimate of their useful lives.

Significant decommissioning and reclamation activities are often not undertaken until substantial completion of the useful lives of productive assets. Regulatory requirements and alternatives with respect to these activities are subject to change over time. A significant change to either the estimated costs or recoverable reserves would result in a material change in the amount charged to earnings. The quantum of any such change in the amount charged cannot be estimated at this time.

If it is determined that carrying values of property, plant and equipment cannot be recovered, then the asset is written down to fair value. Similarly, Centerra tests goodwill annually for impairment to ensure that the fair value remains greater than or equal to book value. Any excess of book value over fair value is charged to income in the period in which the impairment is determined. Recoverability and fair value assessments are dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and economically recoverable ore reserves and resources. A material change in assumptions may significantly impact the potential impairment of these assets.

During the first six months of 2008, the following events occurred which may have an impact on critical accounting estimates of the Company as described in its 2007 management's discussion and analysis:

- A new life of mine estimate and mine plan was finalized at Kumtor..
- A new closure study was completed at Boroo which increased the cost estimate of reclamation activity required at the site and adjusted the timing of such activity. See "Asset Retirement Obligations".
- The ten million treasury common shares contingently issuable has been adjusted to the May 30, 2008 share price. Following the non-ratification of the agreement with the Kyrgyz Government, the Company reclassified the amount recorded as contingent shares issuable from shareholders' equity to long-term liabilities. The ultimate amount of this liability will depend on negotiation of a settlement and the terms thereof agreed between all parties. See "Unusual Items".

Changes in Accounting Policies [1]

Centerra's unaudited interim consolidated financial statements for the three and six months ended June 30, 2008 were prepared following accounting policies consistent with Centerra's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2007, except for the following changes in accounting policies.

Inventories:

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

Upon adoption of this standard at January 1, 2008, $10.4 million of previously unvalued heap leach inventory at Boroo and $10.0 million of waste material now reclassified as low-grade ore inventory following the lowering of the cut-off grade at Kumtor ($16.6 million net of tax in total) was fully recorded as inventory with a corresponding recognition in Retained Earnings and no prior period restatements as provided by the new standard.

Financial Instruments:

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

Section 3862 on financial instrument disclosures provides guidance on necessary disclosures in the financial statements. The new Section simplifies the disclosures relating to concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861.

Section 3863 establishes standards for the presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Capital Disclosures:

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

Financial Instruments Presentation:

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

New Pronouncements:

On February 1, 2008 the CICA issued section 3064, Goodwill and Intangible assets. This Section establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period which removes the ability for companies to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The impact of this new standard is being assessed and cannot be determined at this time.

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International Financial Reporting Standards ("IFRS"):

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") with IFRS over an expected five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for public accountable companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(1) See note 2 to Centerra's quarterly financial statements for the three and six months ended June 30, 2008 for a more detailed discussion of the changes in accounting policies.

Outlook

Centerra expects consolidated gold production in 2008 of 770,000 to 830,000 ounces, which is unchanged from prior guidance. Total cash cost is expected to be $409 to $449 per ounce in 2008. (This includes revenue-based taxes and royalties incurred in the Kyrgyz Republic under its existing (2003) Investment Agreement of approximately 7.5% of revenue.) The Company's prior total cash cost guidance for 2008 of $360 to $400 per ounce (re-confirmed in the first quarter) assumed that a new agreement for the Kumtor project would be implemented and be retroactive to January 1, 2008. The revenue-based tax under the proposed new agreement was excluded from total cash cost in our prior guidance because such new tax was not considered a royalty or production tax. The impact of including the revenue-based taxes and royalties under the existing Investment Agreement (7.5%) for all of 2008 results in an increase of approximately $49 per ounce on total cash cost. In addition, the Company has experienced rising costs at both sites. However, the Company is only changing its guidance for total cash cost relative to the adjustment for the inclusion of revenue-based taxes and royalties as described above.

Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Gold production for the full year 2008 at the Kumtor mine is expected to be between 580,000 and 620,000 ounces, unchanged from prior guidance. Greater than 70% of the ounce production at Kumtor is planned for the second half of 2008. Total cash cost for 2008 is expected to be $416 to $456 per ounce reflecting the impact of approximately $66 per ounce relative to the adjustment for the inclusion of revenue-based taxes and royalties as described above.

At Boroo, the Company expects gold production of 190,000 to 210,000 ounces in 2008. Total cash cost is expected to be $380 to $420 per ounce in 2008. These numbers are unchanged from the prior guidance.

Centerra's revenues, earnings and cash flows are sensitive to changes in the gold price. The Company estimates that a $25 per ounce change in the spot gold price for the last six months of 2008 would change aggregate revenues, net earnings and cash from operations by approximately $13.5 million, $11.6 million (or $0.05 per share) and $11.8 million, respectively.

A 10% change in the cost of diesel fuel would result in a $6 per ounce impact on Centerra's total cash cost per ounce.

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

Production (100%) *Ounces of gold*	**First Six Months of 2008 Actual**	**2008 Forecast**	**2007 Actual**
Kumtor	**185,894**	580,000 – 620,000	300,862
Boroo	**92,804**	190,000 – 210,000	254,548
Total	**278,698**	770,000 – 830,000	555,410

Total Cash Cost (1) *$ per ounce*	**First Six Months of 2008 Actual**	**2008 Forecast**	**2007 Actual**
Kumtor	**685**	416 – 456 (2)	610
Boroo	**362**	380 – 420	244
Consolidated	**577**	409 - 449– (2)	442

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

(2) Unit costs reflect changes described above.

The production and cost forecasts for 2008 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed under the heading "Caution Regarding Forward-Looking Information".

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

- a gold price of $900 per ounce,
- exchange rates:
  - $1USD:$1CAD
  - $1USD:34.5 Kyrgyz Som
  - $1USD:1,127 Mongolian Tugrik
  - $1USD:0.6398 Euro
- prices for fuel oil, reagents and other consumables remaining consistent with current levels,
- mine production at the Kumtor pit being maintained at current levels and ensuring continued access to the SB Zone as planned,
- no delays in or interruption of scheduled production from our mines, including due to natural phenomena, labour disputes or other development and operation risks,
- the Company's schedule for final permitting and approvals for the Boroo heap leach are obtained as planned,
- in respect of total cash cost guidance, the existing (2003) Investment Agreement for Kumtor will be effective through 2008, and
- all necessary permits, licences and approvals are received in a timely manner.

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

Exploration and Business Development

One of Centerra's priorities is to continue to add to its reserves and resources base through its exploration program.

The 2008 exploration program will continue the aggressive exploration at the Kumtor mine, target generation programs at the Boroo mine and on the Company's land holdings in Mongolia. Target generation programs will continue in Central Asia, Russia and China. The Company forecasts $25 million of spending on its program for the year. The forecast includes $15 million for exploration at Kumtor.

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

Kumtor

- Additional drilling programs in the vicinity of the main Kumtor pit to test the northeasterly strike extension of the deposit and down dip extensions of the stockwork zone.

- Exploration work will continue on other target areas such as Northeast prospect, Bordoo and Akbel once the work suspension related to the challenge of the exploration license is lifted.

Boroo

- Programs will focus on generating and testing targets for additional mineralization around the mine.

Mongolia

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

REN

- Barrick Gold holds a 37% joint-venture interest in the REN property. Barrick Gold elected not to participate in further exploration on the REN property in 2007. The Company is considering its options for the property which include selling or joint venturing its interest in the REN project.

The business development program is forecast at $5 million for 2008 to support merger and acquisition initiatives of the Company for the year.

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For information on forward-looking information see “Caution Regarding Forward-Looking Information”.

Administration

Annual corporate and administration expenses without unusual items are expected to amount to approximately $40 million in 2008.

Corporate Income Taxes

The corporate income tax rate for Boroo for 2008, and subsequent years, pursuant to an amendment to its Stability Agreement entered into in the third quarter of 2007, is 25% for income in excess of 3 billion tugriks (about $2.5 million at current exchange rates) and 10% for income up to that amount.

The corporate income tax rate for Kumtor, as provided in its Investment Agreement, is 10%. In addition, the agreement requires Kumtor to pay 2% of net income to the Issyk Kul Social Fund. Kumtor continues to record and pay taxes based on its existing Investment Agreement.

Capital Expenditures

The capital requirement in 2008 is estimated to be $88 million, including $45 million of sustaining capital. Growth capital is forecast at $43 million, which includes $24 million for Kumtor (the largest expenditures would be $13 million for the development of the SB Zone underground decline in 2008, $4 million for two additional haul trucks, $2 million for replacement of the ball mill ring gear and $3 million for additional de-watering equipment) and $19 million for Boroo (the largest expenditures would be $12 million for the pre-stripping of Pit 3 and $5 million to complete the heap leach facility). The development of the SB Zone underground decline at Kumtor, pre-stripping of Pit 3 at Boroo and the heap leach facility construction will be capitalized and amortized based on units of production consistent with the Company’s accounting policies.

The estimated capital requirement of $88 million has increased from the Company’s prior guidance for 2008 of $78 million. Sustaining capital has increased $5.0 million and growth capital is up $5.0 million.

Non-GAAP Measures

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

Total cash costs, 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. Certain amounts of stock-based compensation have been excluded as well. Total production costs includes total cash cost plus depreciation, depletion and amortization. Total cash cost per ounce and total production

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

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

Centerra Gold Inc.
TOTAL CASH COST & TOTAL PRODUCTION COST RECONCILIATION (unaudited)
($ millions, unless otherwise specified)

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Centerra:				
Cost of sales, as reported	**$ 84.8**	$ 47.9	**$ 135.3**	$ 93.7
Adjust for:				
Refining fees & by-product credits	**(0.1)**	(0.2)	**(0.4)**	(0.2)
Regional Office administration	**7.4**	7.4	**14.6**	13.0
Non-operating costs	**(0.5)**	0.9	**0.1**	2.9
Inventory movement	**(4.1)**	(2.5)	**11.3**	(1.3)
Total cash cost - 100%	**$ 87.5**	$ 53.5	**$ 160.9**	$ 108.1
Depreciation, Depletion, Amortization and Accretion	**17.2**	12.2	**27.9**	22.2
Inventory movement - non-cash	**(1.2)**	-	**1.4**	0.8
Total production cost - 100%	**$ 103.5**	$ 65.7	**$ 190.2**	$ 131.1
Ounces poured - 100% (000)	**158.3**	153.4	**278.7**	286.4
Total cash cost per ounce	**$ 553**	$ 349	**$ 577**	$ 377
Total production cost per ounce	**$ 653**	$ 412	**$ 682**	$ 455
Kumtor:				
Cost of sales, as reported	**$ 74.4**	$ 41.1	**$ 108.5**	$ 76.5
Adjust for:				
Refining fees & by-product credits	**(0.4)**	(0.1)	**(0.7)**	(0.1)
Regional Office administration	**4.9**	4.5	**9.9**	8.0
Non-operating costs	**(0.7)**	0.3	**(0.2)**	2.3
Inventory movement - cash	**(8.1)**	(4.9)	**9.9**	(3.5)
Total cash cost - 100%	**$ 70.1**	$ 40.9	**$ 127.4**	$ 83.2
Depreciation, Depletion, Amortization and Accretion	**$ 13.3**	$ 7.7	**$ 19.9**	$ 13.4
Inventory movement - non-cash	**$ (2.1)**	$ (0.5)	**$ 0.4**	$ -
Total production cost - 100%	**$ 81.3**	$ 48.1	**$ 147.7**	$ 96.6
Ounces poured - 100% (000)	**111.2**	83.2	**185.9**	149.4
Total cash cost per ounce	**$ 631**	$ 491	**$ 685**	$ 556
Total production cost per ounce	**$ 730**	$ 583	**$ 794**	$ 646
Boroo:				
Cost of sales, as reported	**$ 10.4**	$ 6.8	**$ 26.8**	$ 17.2
Adjust for:				
Refining fees & by-product credits	**0.3**	(0.1)	**0.3**	(0.1)
Regional Office administration	**2.5**	2.9	**4.7**	5.0
Non-operating costs	**0.2**	0.6	**0.3**	0.6
Inventory movement	**4.0**	2.4	**1.4**	2.2
Total cash cost - 100%	**$ 17.4**	$ 12.6	**$ 33.5**	$ 24.9
Depreciation, Depletion, Amortization and Accretion	**3.9**	4.5	**8.0**	8.8
Inventory movement - non-cash	**0.9**	0.5	**1.0**	0.8
Total production cost - 100%	**$ 22.2**	$ 17.6	**$ 42.5**	$ 34.5
Ounces poured - 100% (000)	**47.1**	70.2	**92.8**	137
Total cash cost per ounce	**$ 370**	$ 180	**$ 362**	$ 182
Total production cost per ounce	**$ 472**	$ 252	**$ 459**	$ 252

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Qualified Person

The scientific and technical information in this document was prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and was reviewed, verified and compiled by Centerra's geological and mining staff under the supervision of Ian Atkinson, Certified Professional Geologist, Centerra's Vice-President, Exploration, who is the qualified person for the purpose of NI 43-101.

Caution Regarding Forward-Looking Information

This Management's Discussion and Analysis and the documents incorporated by reference herein, contain statements which are not current statements or historical facts and are "forward-looking information" within the meaning of applicable Canadian securities laws. All statements, other than statements of historical fact, contained or incorporated by reference in this Management's Discussion and Analysis constitute forward-looking information. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "forecasts", "projections", "anticipate" or "does not anticipate", "believe", "intent", "potential", "strategy", "schedule", "estimates" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved and other similar expressions have been used to identify forward-looking information. These forward-looking statements relate to, among other things Centerra's expectations regarding, future growth, results of operations (including, without limitation, future production and sales, and operating and capital expenditures), performance (both operational and financial), business and political environment and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities.

Although the forward-looking information in this Management's Discussion and Analysis reflects Centerra's current beliefs on the date of this Management's Discussion and Analysis based upon information currently available to management and based upon what management believes to be reasonable assumptions, Centerra cannot be certain that actual results, performance, achievements, prospects and opportunities, either expressed or implied, will be consistent with such forward-looking information. By its very nature, forward-looking information necessarily involves significant known and unknown risks, assumptions, uncertainties and contingencies that may cause Centerra's actual results, assumptions, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking information. These risks and uncertainties include, among other things, risks relating to the outcome of litigation commenced in the Kyrgyz Republic by Vice Speaker Isabekov and of the international arbitration commenced by Centerra, both of which are described above under the heading "Other Corporate Developments – Kyrgyz Republic", gold prices, replacement of reserves, reduction in reserves related to geotechnical risks, ground movements, political risk, nationalization risk, changes in laws and regulations, civil unrest, labour unrest, legal compliance costs, reserve and resource estimates, production estimates, exploration and development activities, competition, operational risks, environmental, heath and safety risks, costs associated with reclamation and decommissioning, defects in title, seismic activity, cost and availability of labour, material and supplies, increases in production and capital costs, permitting and construction to raise the tailings dam height and increase the capacity of the existing Kumtor tailing dam, illegal mining, enforcement of legal rights, decommissioning and reclamation cost estimates, future financing and personnel. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See “Risk Factors” in the Company’s 2007 Annual Information Form and Annual Management’s Discussion and Analysis available on SEDAR at www.sedar.com.

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking information and statements contained in this Management’s Discussion and Analysis. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward-looking information. Forward-looking information is as of July 30, 2008. Centerra assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

Centerra Gold Inc.

Consolidated Financial Statements

For the Six Months and Quarter Ended June 30, 2008

(Unaudited)

(Expressed in United States Dollars)

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

	June 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	**$ 107,983**	$ 105,482
Amounts receivable	**28,865**	18,021
Inventories (note 3)	**151,194**	115,062
Prepaid expenses	**21,686**	21,230
	309,728	259,795
Property, plant and equipment	**383,311**	373,841
Goodwill	**148,540**	148,540
Long-term receivables and other	**6,699**	6,632
Long-term inventories (note 3)	**17,440**	9,093
Future income tax asset	**9,248**	16,467
	565,238	554,573
Total assets	**$ 874,966**	$ 814,368
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 40,123**	$ 42,482
Taxes payable	**6,042**	-
Short term debt	**10,000**	10,000
	56,165	52,482
Provision for reclamation (note 4)	**22,303**	20,868
Contingent common shares issuable (note 7)	**89,084**	-
Shareholders' equity (note 8)		
Share capital	**523,107**	523,107
Contingent common shares issuable (note 7)	**-**	126,794
Contributed surplus	**32,080**	30,767
Retained earnings	**152,227**	60,350
	707,414	741,018
Total liabilities and shareholders' equity	**$ 874,966**	$ 814,368

Commitments and Contingencies (note 10)

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	**June 30, 2008**	June 30, 2007
Revenue from Gold Sales	**$ 142,562**	$ 103,714	**$ 255,238**	$ 186,041
Expenses				
Cost of sales (excluding depreciation, depletion and amortization expenses)	**84,792**	47,864	**135,319**	93,687
Regional office administration	**7,391**	7,371	**14,632**	13,000
Depreciation, depletion and amortization	**17,012**	11,705	**27,500**	21,435
Accretion and reclamation expense (note 4)	**408**	745	**753**	1,216
Exploration and business development (note 5)	**5,185**	4,481	**10,119**	10,889
Other (income) and expenses	**254**	(2,277)	**459**	(4,140)
Corporate administration (note 6)	**7,463**	6,014	**13,947**	10,337
	122,505	75,903	**202,729**	146,424
Earnings before unusual items, income taxes and non controlling interest	**20,057**	27,811	**52,509**	39,617
Unusual items (note 7)	**(42,178)**	-	**(37,710)**	-
Earnings before income taxes and non-controlling interest	**62,235**	27,811	90,219	39,617
Income tax expense (note 9)	**6,242**	8,250	**14,954**	12,733
Non-controlling interest	**-**	947	**-**	2,326
Net earnings and comprehensive income	**$ 55,993**	$ 18,614	**75,265**	24,558
Basic and diluted earnings per common share (note 8)	**$ 0.26**	$ 0.09	$ 0.35	$ 0.11

See accompanying notes to the consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	**June 30, 2007**	June 30, 2007
Operating activities				
Net earnings	**55,993**	18,614	**$ 75,265**	24,558
Items not involving cash:				
Depreciation, depletion and amortization	**17,012**	11,705	**27,500**	21,435
Accretion and reclamation expense	**408**	745	**753**	1,216
Deferred charges recognized	**-**	-	**-**	557
Contingent common shares issuable (note 7)	**(42,178)**	-	**(37,710)**	-
Future income tax expense	**454**	16	**3,418**	(1,127)
Long-term inventory	**2,598**	-	**2,050**	-
Non-controlling interest	**-**	947	**-**	2,326
Other operating items	**1,369**	(592)	**1,067**	312
	35,656	31,435	**72,343**	49,277
Increase in working capital	**(25,046)**	(23,993)	**(33,731)**	(34,045)
Cash provided (used) by operations	**10,610**	7,442	**38,612**	15,232
Investing activities				
Additions to property, plant and equipment	**(18,726)**	(29,134)	**(36,111)**	(73,200)
Cash used in investing	**(18,726)**	(29,134)	**(36,111)**	(73,200)
Financing activities				
Proceeds from short term debt	**-**	10,000	**-**	10,000
Issuance of common shares for cash	**-**	53	**-**	53
Cash provided by financing	**-**	10,053	**-**	10,053
(Decrease) Increase in cash during the period	**(8,116)**	(11,639)	**2,501**	(47,915)
Cash and cash equivalents at beginning of the period	**116,099**	149,883	**105,482**	186,159
Cash and cash equivalents at end of the period	**$ 107,983**	$ 138,244	**$ 107,983**	$ 138,244

Supplemental disclosure with respect to cash flows

Cash and cash equivalents consist of :				
Cash	**57,189**	45,194	**57,189**	45,194
Short term investments	**50,794**	93,050	**50,794**	93,050
	107,983	138,244	**107,983**	138,244

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

	Number of Common Shares	Amount	Contingent Common Shares Issuable	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive income	Total
Balance at December 31, 2006	216,238,815	$ 522,383	$ -	$ 30,257	$ 152,899	$ 557	$ 706,096
Options issued to employees	-	-	-	138	-	-	138
Recognition in net income	-	-	-	-	-	(557)	(557)
Net earnings and comprehensive income for the period	-	-		-	5,944	-	5,944
Balance at March 31, 2007	216,238,815	$ 522,383	$ -	$ 30,395	$ 158,843	$ -	$ 711,621
Shares issued:							
Options exercised by employees	11,178	96	-	(5)	-	-	91
Options issued to employees	-	-	-	114	-	-	114
Net earnings and comprehensive income for the period	-	-	-	-	18,614		18,614
Balance at June 30, 2007	216,249,993	$ 522,479	$ -	$ 30,504	$ 177,457	$ -	$ 730,440
Shares issued:							
Options exercised by employees	68,195	628	-	(85)	-	-	543
Contingent common shares issuable revalued (note 7)	-	-	90,334	-	-	-	90,334
Options issued to employees	-	-	-	174	-	-	174
Net loss and comprehensive loss for the period	-	-	-	-	(90,393)		(90,393)
Balance at September 30, 2007	216,318,188	$ 523,107	$ 90,334	$ 30,593	$ 87,064	$ -	$ 731,098
Contingent common shares issuable revalued (note 7)	-	-	36,460	-	-	-	36,460
Options issued to employees	-	-		174	-	-	174
Net loss and comprehensive loss for the period	-	-	-	-	(26,714)	-	(26,714)
Balance at December 31, 2007	216,318,188	$ 523,107	$ 126,794	$ 30,767	$ 60,350	-	$ 741,018
Contingent common shares issuable revalued (note 7)	-	-	4,468	-	-	-	4,468
Options issued to employees	-	-	-	187	-	-	187
Inventory adjustments, on adoption of accounting standard, net of tax (note 2)	-	-	-	-	16,612	-	16,612
Net earnings and comprehensive income for the period	-	-	-	-	19,272	-	19,272
Balance at March 31, 2008	216,318,188	$ 523,107	$ 131,262	$ 30,954	$ 96,234	$ -	$ 781,557
Contingent common shares issuable revalued (note 7)	-	-	(42,178)	-	-	-	(42,178)
Contingent common shares issuable reclassified (note 7)			(89,084)				(89,084)
Options issued to employees	-	-	-	1,126	-	-	1,126
Net earnings and comprehensive income for the period	-	-	-	-	55,993	-	55,993
Balance at June 30, 2008	216,318,188	$ 523,107	$ -	$ 32,080	$ 152,227	$ -	$ 707,414

The accompanying notes are an integral part of the consolidated financial statements.

1. Basis of Presentation

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

As at June 30, 2008, Centerra held 100% interest in the Kumtor mine, the Boroo mine, and the Gatsuurt property and held a 63% interest in the REN deposit.

2. Significant Accounting Policies:

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

Adoption of New Accounting Standards and Developments

a. Inventories:

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

Upon adoption of this standard at January 1, 2008, $10.4 million of previously written off heap leach inventory and $10.0 million of mineralized material now reclassified as low- grade ore inventory following the lowering of the cut-off grade (total of $20.4 million (note 3) and $16.6 million, net of tax) was recorded as inventory with a corresponding recognition in retained earnings. Prior periods have not been restated as permitted by the standard. There were no other changes to the Company’s accounting policies required on implementation of this standard.

2. Significant Accounting Policies (continued):

b. Financial Instruments – Disclosures

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

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

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

The Company has included disclosures recommended by the new section in Notes 11 and 12 to these unaudited interim consolidated financial statements.

c. Capital Disclosures

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

The Company has included disclosures recommended by the new section in Note 13 to these unaudited interim consolidated financial statements

2. Significant Accounting Policies (continued):

d. Financial Statements Presentation

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

e. New Pronouncements

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

f. International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for public accountable companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(Expressed in thousands of United States Dollars)

3. Inventories

(Thousands of US$)	**June 30, 2008**	December 31, 2007
Stockpiles (a)	**$ 55,352**	$ 26,769
Gold in-circuit	**7,285**	6,962
Heap leach in circuit	**4,141**	-
Gold doré	**11,436**	11,118
	78,215	44,849
Supplies	**90,419**	79,306
	168,634	124,155
Less: Long-term inventory (heap leach) (a)	**(17,440)**	(9,093)
Total Inventories-current portion	**$ 151,194**	$ 115,062

(a)-Includes recognition of heap leach stockpiles and mineralized materials reclassified as low grade inventory of $20.4 million in the first quarter of 2008 (see note 2(a)) as a result of the application of the new accounting standard Section 3031- Inventories.

4. Asset Retirement Obligations

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

The Company has estimated the total asset retirement obligations to be $22.3 million as at June 30, 2008 (December 31, 2007 - $20.9 million). These payments are expected to begin over the next 3 to 5 years. The Company used an average credit adjusted risk free rate of 8% to calculate the present value of the asset retirement obligations.

(Expressed in thousands of United States Dollars)

4. Asset Retirement Obligations (continued)

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

(Thousands of US$)	Three Months Ended		Six Months Ended	
	June 30/08	**June 30/07**	**June 30/08**	**June 30/07**
Balance, beginning of period	**$ 21,856**	$ 18,739	**$20,868**	$16,532
Liabilities incurred / (settled)	**(184)**	(118)	**(184)**	(147)
Revisions in estimated timing of cash flows	**223**	1,314	**866**	3,237
Accretion expense	**408**	354	**753**	667
Balance, end of period	**$22,303**	$20,289	**$22,303**	$20,289

An increase to the present value of the closure cost estimate at the Boroo mine site of $0.8 million was recorded during the first half of 2008 ($3.2 million –June 30, 2007), following the completion of a regularly scheduled closure cost update study.

5. Exploration and Business Development

(Thousands of US$)	Three months ended		Six months ended	
	June 30/08	**June 30/07**	**June 30/08**	**June 30/07**
Exploration costs	**$ 5,139**	$ 4,232	**$ 10,064**	$ 9,552
Business development and feasibility costs	**46**	249	**55**	1,337
	$ 5,185	$ 4,481	**$ 10,119**	$ 10,889

6. Corporate Administration

On June 17, 2008, Centerra announced a re-organization of its senior management team. As a result, corporate administration costs for the quarter include a $5 million expense as severance payments to the former CEO and CFO, including the forgiveness of a relocation loan to the former CEO in the amount of $0.25 million. Partially off-setting this is a reduction in the stock-based compensation obligation resulting from a decrease in the share price in the quarter.

(Expressed in thousands of United States Dollars)

7. Unusual Items

Contingent common shares issuable

(Thousands of US$)	Three months ended Jun 30/08	Three months ended Jun 30/07	Six months ended Jun 30/08	Six months ended Jun 30/07
Provision, beginning of period	**$ 131,262**	-	**$ 126,794**	-
Change in value during the period	**(42,178)**	-	**(37,710)**	-
Provision, end of the period	**$ 89,084**	-	**$ 89,084**	-

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

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

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

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

(Expressed in thousands of United States Dollars)

8. Shareholders' Equity

a. Share Capital

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

b. Earnings Per Share

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

	Three Months Ended	
	June 30/08	**June 30/07**
Basic weighted average number of common shares outstanding (thousands)	**216,318**	216,247
Effect of stock options (thousands)	**1,138**	535
Diluted weighted average number of common shares outstanding (thousands)	**217,456**	216,782
Basic and diluted earnings per common share	**$ 0.26**	$ 0.09

	Six Months Ended	
	June 30/08	**June 30/07**
Basic weighted average number of common shares outstanding (thousands)	**216,318**	216,243
Effect of stock options (thousands)	**1,281**	321
Diluted weighted average number of common shares outstanding (thousands)	**217,599**	216,564
Basic and diluted earnings per common share	**$ 0.35**	$ 0.11

(Expressed in thousands of United States Dollars)

8. Shareholders' Equity (continued)

c. Stock-Based Compensation

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

(Millions of US$ except as indicated)	Number outstanding	Expense Three months ended		Expense Six months ended		Liability	
	June 30/08	June 30/08	June 30/07	June 30/08	June 30/07	June 30/08	Dec 31/07
(i) Centerra stock options	**1,828,976**	**(0.3)**	-	**0.1**	(0.4)	**-**	1.2
(ii) Centerra performance share units	**624,780**	**(2.6)**	(0.2)	**(1.8)**	(0.1)	**-**	4.0
(ii) Centerra annual performance share units	**97,405**	**-**	0.3	**0.5**	0.8	**0.2**	1.2
(iv) Deferred share units	**195,217**	**(1.2)**	0.1	**(1.1)**	(0.1)	**1.0**	2.5
(v) Cameco stock options	**64,800**	**0.5**	0.7	**0.1**	0.8	**2.2**	2.3
		(3.6)	0.9	**(2.2)**	1.0	**3.4**	11.2

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

	Number outstanding Dec 31/07	Issued	Exercised	Forfeited	Number outstanding June 30/08
(i) Centerra stock options	962,028	866,948	-	-	1,828,976
(ii) Centerra performance share units	595,080	254,114	-	(224,414)	624,780
(iii) Centerra annual performance share units	122,911	125,704	(136,316)	(14,894)	97,405
(iv) Deferred share units	197,351	9,857	(11,991)	-	195,217
(v) Cameco stock options	73,200	-	(8,400)	-	64,800

Centerra Stock Option Issue

During the first half of 2008, Centerra granted 866,948 stock options at an average strike price of Cdn $8.14 per share. The fair value of the stock options was determined using the Black-Scholes valuation model, assuming average 4.27-year term, 50.80% volatility and a risk-free rate of return of 3.40%. The resulting average value per option granted was $2.90. The estimated fair value of the options is expensed over their respective vesting periods.

The stock options granted during the first half of 2008 partly include 589,403 options issued as a result of the management re-organization in June 2008.

9. Income Tax Expense

The corporate income tax rate for Boroo for 2008, and subsequent years is 25% for income in excess of 3 billion tugriks (about approximately $2.5 million at current exchange rates), and 10% for income up to that amount.

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

10. Commitments and Contingencies

Commitments

As at June 30, 2008, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $32.8 million (Kumtor $30.4 million, Boroo $2.4 million): these are expected to be settled over the next twelve months

Contingencies

Kyrgyz Republic

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

In the circumstances and in response to court proceedings described below, on June 4, 2008, the Company resumed international arbitration previously initiated by the Company in accordance with its Investment Agreement, which provides that all disputes with respect to the project are subject to international arbitration.

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

10. Commitments and Contingencies (continued)

Contingencies (continued)

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

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

On June 17, 2008, as has previously been reported, the Bishkek Inter District Court issued an order invalidating the Southwest and Sarytor mining and Kumtor exploration licenses. The court has not yet ruled on the validity of the decrees and agreements (including the 2003 Investment Agreement and Concession Agreement).

Having been joined involuntarily as third parties, KGC and the Company are now defending the validity of the agreements, licenses and decrees in the Kyrgyz court actions on procedural and substantive grounds. At the same time, KGC and the Company are maintaining their position that the Investment Agreement's arbitration clause confers exclusive jurisdiction over questions surrounding the validity of the agreements and licensees on to the international arbitration tribunal.

10. Commitments and Contingencies (continued)

Contingencies (continued)

With respect to the relevant agreements and decrees, the Kyrgyz Ministry of Justice issued various legal opinions repeatedly affirming that the Government had the legal capacity to enter into and perform the agreements.

After reactivating the international arbitration proceedings on June 2, 2008, Centerra and KGC, on June 13, 2008, added claims based on the Vice-Speaker's lawsuits and their consequences. At the initial conference on June 23, 2008, Centerra filed an application for interim relief in the arbitration, requesting that all parties to the arbitration be directed to maintain the *status quo* and treat the licenses, agreements and decrees at issue in the Kyrgyz Republic as valid and enforceable. The Kyrgyz Republic has taken the position in its response to such application that, among other things, the 2003 Investment Agreement required but did not receive Parliamentary approval and therefore is not in effect. A hearing on the application will be held on September 29, 2008 and a decision from the tribunal is expected shortly thereafter.

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

Mongolia

On June 29, 2008 Mongolia held parliamentary elections and a new government is expected to be formed shortly. Centerra is hopeful following the formation of the government to resume negotiations with respect to an investment agreement for the Gatsuurt Project.

In March 2008 an assessment was received from State Inspectors alleging that further tariffs were owed to the local authority for the use of material to construct the tailings dam at the Boroo site and that these amounts were required to be paid immediately in order for the mine to remain in operation. The assessment was reduced in the second quarter to approximately $1.5 million which has been provided. Discussions are continuing.

(Expressed in thousands of United States Dollars)

11. Related Party Transactions

The Company paid and accrued approximately Cdn $237,500 and Cdn $287,800 during the three month and six month period ended June 30, 2008 (Cdn $103,700 and Cdn $280,000 three month and six month period ended June 30, 2007) to Ms Marina Stephens, a lawyer and the spouse of Centerra's former President and Chief Executive Officer, Mr Homeniuk. Ms Stephens provided certain designated legal and business advisory services related to the Company's international operations under the terms of a consulting contract, which came to an end on June 16, 2008.

Kyrgyzaltyn and the Government of the Kyrgyz Republic

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

The table below summarizes 100% of the management fees and concession payments paid by Kumtor to Kyrgyzaltyn or the Government of the Kyrgyz Republic and the amounts paid by Kyrgyzaltyn to Kumtor according to the terms of a Gold and Silver Sales Agreement between Kumtor Operating Company ("KOC"), Kyrgyzaltyn and the Government of the Kyrgyz Republic.

	Three Months Ended	
(Thousands of US$)	**June 30/08**	**June 30/07**
Management fees to Kyrgyzaltyn	**$ 173**	$ 133
Concession payments to the Kyrgyz Republic	**462**	356
	$ 635	$ 489
Gross gold and silver sales to Kyrgyzaltyn	**$ 103,121**	$ 59,919
Deduct: refinery and financing charges	**(530)**	(348)
Net sales revenue received from Kyrgyzaltyn	**$ 102,591**	$ 59,571

	Six Months Ended	
(Thousands of US$)	**June 30/08**	**June 30/07**
Management fees to Kyrgyzaltyn	**$ 274**	$ 220
Concession payments to the Kyrgyz Republic	**730**	587
	$ 1,004	$ 807
Gross gold and silver sales to Kyrgyzaltyn	**$ 164,955**	$ 97,504
Deduct: refinery and financing charges	**(855)**	(595)
Net sales revenue received from Kyrgyzaltyn	**$ 164,100**	$ 96,909

11. Related Party Transactions (continued)

Kyrgyzaltyn and the Government of the Kyrgyz Republic (continued)

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Gold and Silver Sale Agreement entered into between KOC, Kyrgyzaltyn and the Government of the Kyrgyz Republic. Under these arrangements, Kyrgyzaltyn is required to prepay for all gold delivered to it, based on the price of gold on the London Bullion Market on the same day on which KOC provides notice that a consignment is available for purchase. Pursuant to an amendment to the Gold and Silver Sale Agreement, effective from December 22, 2005, as amended from time to time since then, Kyrgyzaltyn is permitted, until December 31, 2008, to defer payments for gold for up to 12 calendar days.

Kyrgyzaltyn is required to pay interest on deferred amounts equal to one-half LIBOR plus 0.125%.

The obligations of Kyrgyzaltyn are secured by a pledge of a portion of the Centerra shares owned by Kyrgyzaltyn. As at June 30, 2008, $19.7 million was outstanding under these arrangements (December 31, 2007 - $14.1 million).

On August 30, 2007, the Company entered into an agreement with the Government of the Kyrgyz Republic, pursuant to which the parties have agreed on revised terms with respect to the Kumtor Project. Provisions and conditions of this agreement, including the requirement for further ratification by the Kyrgyz Parliament are further described in note 7.

12. Fair Value of Financial Instruments

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

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

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

(Expressed in thousands of United States Dollars)

12. Fair Value of Financial Instruments (continued)

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

The carrying values of these financial instruments are as follows:

	June 30, 2008		December 31, 2007	
(Thousands of US$)	**Estimated fair value**	**Carrying value**	Estimated fair value	Carrying value
Financial Assets				
Cash and cash equivalents	**$ 107,983**	**$ 107,983**	$ 105,482	$ 105,482
Accounts receivable	**28,865**	**28,865**	18,021	18,021
Reclamation trust fund	**4,953**	**4,953**	4,853	4,853
	$ 141,801	**$ 141,801**	$ 128,356	$ 128,356

	June 30, 2008		December 31, 2007	
(Thousands of US$)	**Estimated fair value**	**Carrying value**	Estimated fair value	Carrying value
Financial Liabilities				
Accounts payable and accrued liabilities and taxes	**$ 46,165**	**$ 46,165**	$ 42,482	$ 42,482
Short-term debt	**10,000**	**10,000**	10,000	10,000
Contingent common shares issuable	**89,084**	**89,084**	-	-
	$ 145,249	**$ 145,249**	$ 52,482	$ 52,482

13. Financial Risk Exposure and Risk Management

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

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

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

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

i) Currency Risk

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

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

As required, the Company either enters into short-term forward contracts to purchase Canadian dollars or make purchases at the prevailing spot price to fund corporate activities. During the three months and six months ended June 30, 2008, $1.5 million and $3.0 million of such forward contracts were executed (Nil- Three months and six months ended June 30, 2007). There were no outstanding forward contracts at June 30, 2008 (Nil – June 30, 2007).

(Expressed in thousands of United States Dollars)

13. Financial Risk Exposure and Risk Management (continued)

i) Currency Risk (continued)

The exposure of the Company's financial assets and liabilities to currency risk as at June 30, 2008 are as follows:

(Thousands of US$)	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	Australia Dollar	European Euro
Financial Assets					
Cash and cash equivalents	$ 283	$ 176	$ 1,232	$ -	$ 65
Accounts receivables	113	2,717	241	-	-
	$ 396	$ 2,893	$ 1,473	$ -	$ 65
Financial Liabilities					
Accounts payable and accrued liabilities	$ 6,198	$ 3,686	$ 4,824	$ 1,301	$ 7

ii) Interest Rate Risk

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

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

The Company manages its interest rate risk by endeavouring to maximize the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company's policy focuses on preservation of capital and limits the investing of excess funds to liquid government and corporate bonds having a single "A" rating or greater.

Fluctuations in market interest rates have not had a significant impact on the Company's results of operations due to the short-term to maturity of the investments held and the low U.S. interest rate environment has resulted in lower interest payable on the $10 million facility.

13. Financial Risk Exposure and Risk Management (continued)

iii) Concentration of Credit Risk

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

The Company's exposure to credit risk, in respect of gold sales, is influenced mainly by the individual characteristics of each customer. The Company's revenues are directly attributable to sales transactions with two customers. To mitigate the risk at Kumtor, the Company has an agreement in place whereby Kyrgyzaltyn, the customer and a shareholder of Centerra, has pledged a certain amount of Centerra shares as security against a gold shipment, in the event of default on payment (Note 10). Boroo sells its product under a refining agreement, and the value of individual gold shipments is covered by third-party insurance as well as contingent insurance in the event a loss of product occurs before Boroo can receive payment therefore.,

The Company manages credit risk, in respect of short-term investments, by maintaining bank accounts with Schedule 1 banks and investing only in highly- rated Canadian and US Governments bills and bonds, term deposits or banker's acceptances with highly-rated financial institutions, and government agency instruments and corporate bond issues that can be promptly liquidated. The Company monitors exposure to credit risk on an ongoing basis in accordance with its Financial Risk Management Policy.

At the balance sheet date there was no significant concentration of credit risk in respect of short-term investments. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet except for those assets for which the Company, through its Kumtor subsidiary, has collateral in respect of amounts receivable for gold sales.

13. Financial Risk Exposure and Risk Management (continued)

iv) Liquidity Risk

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

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

The Company's cash and equivalents are invested in various instruments including term deposits, banker's acceptances, government bills and bonds and government agency issues and corporate direct credit. The Company's financial risk management policy prohibits investment in asset-backed commercial paper.

v) Commodity Price Risk

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

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

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

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

14. Capital Management

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

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

As at June 30, 2008, the Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy.

15. Comparative Information

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

16. Segmented Information

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

Geographic Segmentation of Revenue

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

(Expressed in thousands of United States Dollars)

16. Segmented Information (continued)

Three months ended June 30, 2008

($ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	**$ 102.6**	**$ 39.9**	**$ -**	**$ 142.5**
Expenses				
Cost of sales	**74.4**	**10.4**	**-**	**84.8**
Regional office administration	**4.9**	**2.5**	**-**	**7.4**
Depreciation, depletion and amortization	**13.0**	**3.8**	**0.2**	**17.0**
Accretion and reclamation expense	**0.3**	**0.1**	**-**	**0.4**
Exploration and business development	**3.7**	**0.6**	**0.9**	**5.2**
Interest and other	**2.7**	**(1.3)**	**(1.2)**	**0.2**
Corporate administration	**0.7**	**0.5**	**6.3**	**7.5**
Earnings (loss) before unusual items, income taxes and Non-controlling interest	**2.9**	**23.3**	**(6.2)**	**20.0**
Unusual Items				**(42.2)**
Earnings before income taxes and Non-controlling interest				**62.2**
Income tax expense				**6.2**
Net earnings and comprehensive income				**$ 56.0**
Capital expenditures for the quarter	**$ 10.9**	**$ 11.1**	**$ 0.1**	**$ 22.1**

Three months ended June 30, 2007

($ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	$ 59.6	$ 44.1	$ -	$ 103.7
Expenses				
Cost of sales	41.1	6.8	-	47.9
Regional office administration	4.5	2.9	-	7.4
Depreciation, depletion and amortization	7.4	4.1	0.2	11.7
Accretion and reclamation expense	0.3	0.4	-	0.7
Exploration and business development	2.8	0.3	1.4	4.5
Interest and other	0.4	(1.8)	(0.9)	(2.3)
Corporate administration	0.6	0.6	4.8	6.0
Earnings (loss) before unusual items, income taxes and Non-controlling interest	2.5	30.8	(5.5)	27.8
Unusual Items	-	-	-	-
Earnings before income taxes and Non-controlling interest				
Income tax expense				8.2
Non-controlling interest				0.9
Net earnings and comprehensive income				$ 18.6
Capital expenditures for the quarter	$ 20.5	$ 10.3	$ -	$ 30.8

(Expressed in thousands of United States Dollars)

16. Segmented Information (continued)

Six months ended June 30, 2008

($ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	**$ 164.1**	**$ 91.1**	**$ -**	**$ 255.2**
Expenses				
Cost of sales	**108.5**	**26.8**	**-**	**135.3**
Regional office administration	**9.9**	**4.7**	**-**	**14.6**
Depreciation, depletion and amortization	**19.4**	**7.7**	**0.4**	**27.5**
Accretion and reclamation expense	**0.5**	**0.3**	**-**	**0.8**
Exploration and business development	**7.0**	**1.0**	**2.1**	**10.1**
Interest and other	**4.8**	**(2.1)**	**(2.2)**	**0.5**
Corporate administration	**1.3**	**1.1**	**11.5**	**13.9**
Earnings (loss) before unusual items, income taxes and Non-controlling interest	**12.7**	**51.6**	**(11.8)**	**52.5**
Unusual Items				**(37.7)**
Earnings before income taxes and Non-controlling interest				**90.2**
Income tax expense				**15.0**
Net earnings and comprehensive income				**$ 75.2**
Capital expenditures for the quarter	**$ 18.5**	**$ 19.1**	**$ 0.3**	**$ 37.9**

Six months ended June 30, 2007

($ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	$ 96.8	$ 89.2	$ -	$ 186.0
Expenses				
Cost of sales	76.5	17.2	-	93.7
Regional office administration	8.0	5.0	-	13.0
Depreciation, depletion and amortization	12.9	8.1	0.4	21.4
Accretion and reclamation expense	0.5	0.7	-	1.2
Exploration and business development	6.7	0.8	3.4	10.9
Interest and other	0.9	(2.9)	(2.1)	(4.1)
Corporate administration	1.3	1.0	8.0	10.3
Earnings (loss) before unusual items, income taxes and Non-controlling interest	(10.0)	59.3	(9.7)	39.6
Unusual Items	-	-	-	-
Earnings before income taxes and Non-controlling interest				
Income tax expense				12.7
Non-controlling interest				2.3
Net earnings and comprehensive income				$ 24.6
Capital expenditures for the quarter	$ 46.0	$ 17.8	$ -	$ 63.8