



## NEWS RELEASE

(All figures are in United States dollars)

### Centerra Gold Reports Second Quarter Earnings of US\$0.09 per Share

**Toronto, Canada, July 27, 2007:** Centerra Gold Inc. (TSX: CG) today reported second quarter net earnings of \$18.6 million (\$0.09 per common share) on revenues of \$103.7 million, compared to net earnings of \$29.0 million (\$0.13 per common share) on revenues of \$106.8 million in the same quarter of last year, reflecting lower gold production and sales and higher income taxes as a result of the Boroo mine commencing to pay corporate income tax. Cash provided by operations, net of working capital changes and other operating items, was \$7.4 million compared to \$23.9 million in the second quarter of 2006.

Consolidated gold production, on a 100% basis, totaled 153,414 ounces at a total cash cost of \$349 per ounce in the second quarter compared to 164,252 ounces at a total cash cost of \$325 per ounce in the corresponding quarter of 2006.

For the first half of 2006, net earnings were \$24.6 million (\$0.11 per common share) and cash provided by operations amounted to \$15.2 million. Consolidated gold production totalled 286,419 ounces at a total cash cost of \$377 per ounce. In the comparable period of 2006, Centerra reported net earnings of \$47.2 million (\$0.22 per common share) and cash provided by operations of \$56.0 million. Consolidated gold production was 318,063 ounces at a total cash cost of \$331 per ounce.

Lower year-over-year net earnings for the quarter and the first half resulted from lower gold production and sales volumes, which were partially offset by a higher realized gold price. Gold production was lower reflecting lower throughput and grades at Kumtor due to the alteration of the mine plan as a result of the pitwall movement in July 2006.

#### Second Quarter Highlights

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- Boroo exceeded plan on production and cash costs.
- Discussions continued with the governments in the Kyrgyz Republic and Mongolia.
- Subsequent to the quarter end:
  - The preliminary geotechnical analysis was completed at Kumtor of the SB Zone highwall requiring a revision in forecasted gold production.

In a news release, dated July 19, 2007, the Company announced that independent geotechnical experts completed a preliminary analysis of the previously reported (April 27, 2007) Kumtor SB Zone highwall waste dump movement. They have recommended stabilizing the pitwall by designing to flatter angles through the underlying till layer and overlying waste dump. The lower slope angles require the removal of more waste than previously planned and delays the access to the high-grade SB Zone ore until the second quarter 2008. Consequently, 2007 gold production at the Kumtor mine is now forecast to be approximately 300,000 ounces compared to Centerra's previous projection of approximately 450,000 to 460,000 ounces. Total cash cost for 2007 is expected to be \$580 per ounce, compared to previous guidance of \$440 to \$450 per ounce.

In July, Centerra, Cameco Corporation and the Government of the Kyrgyz Republic held further negotiations regarding settlement of outstanding issues relating to the Kumtor Project. The Company expects negotiations to resume in the near future.

The Company continues to hold negotiations regarding its Boroo Stability Agreement with the Mongolian Government. No agreement has been reached.

## **Commentary**

"The Boroo operation performed well, again exceeding expectations," said Len Homeniuk, President and CEO. "We are disappointed with the delay in accessing the high-grade SB Zone ore, however, we are pleased that there are technical solutions to the problem. Further technical assessment and additional geotechnical drilling is underway and we expect by year-end to have a revised outlook for life-of-mine production including an assessment on any impact on reserves and resources. Safety is paramount at our operations and to be able to engineer into our mine design an acceptable safety factor has made it necessary to reduce our production outlook at Kumtor for the year."

## **Financial Summary – Second Quarter**

Revenue in the second quarter of 2007 decreased to \$103.7 million from \$106.8 million in the same quarter last year reflecting lower sales and lower production volume partially offset by higher realized gold price. Centerra realized an average gold price of \$667 per ounce for the third quarter, an increase over the \$632 per ounce realized in the same quarter of 2006.

Total consolidated production on a 100% basis for the three months ended June 30, 2007 at Kumtor and Boroo mines was 153,000 ounces of gold an increase from the 133,000 ounces produced in the first quarter of 2007. This compares to production of 164,000 ounces of gold in the second quarter of 2006 and was due primarily to lower production at Kumtor as a result of the lower grades and recoveries due to the revised mine plan as a result of the pit wall movement in July 2006.

Using the Gold Institute standard, Centerra's total cash cost per ounce of gold was \$349 for the second quarter, compared to \$325 recorded in the same period of 2006. The increase mainly reflects lower production at the Kumtor mine as a result of lower head grades and recovery due

to the revised mine plan at Kumtor as a result of the pit wall movement in July 2006. (Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measure – Total Cash Cost” in the Management’s Discussion and Analysis for the three months ended June 30, 2007, issued in conjunction with this press release.)

Net earnings totalled \$18.6 million or \$0.09 per share in the second quarter of 2007, compared to net earnings of \$29.0 million or \$0.13 per share in the second quarter of 2006, reflecting lower gold production and sales, and higher income taxes due to the Boroo mine becoming taxable.

For the three months ended June 30, 2007, cash provided by operations was \$7.4 million compared to \$23.9 million for the prior year second quarter reflecting lower net earnings and increased working capital levels due to the timing of gold shipments which increased inventory, the new gold payment agreement at Kumtor which increased receivables, and due to reduced payables in 2007.

Capital expenditures in the second quarter of 2007 amounted to \$30.8 million of which \$7.4 million was spent on sustaining capital projects and the balance on growth projects. Centerra’s cash position at the end of June, 2007 was \$138.2 million, compared to \$186.2 million at December 31, 2006. The Company has no gold hedge positions and has sufficient cash to carry out its operational business plan in 2007.

### **Operations Update – Second Quarter**

At the Kumtor mine, gold production was 83,000 ounces in the second quarter of 2007, compared to 100,000 ounces in the second quarter of 2006. During the quarter, a total of 1.3 million tonnes was milled with a mill head grade of 2.60 g/t and a recovery rate of 71.3%, compared to 1.4 million tonnes with a mill head grade of 2.87 g/t and a recovery rate of 75.8% in the second quarter of 2006. The lower gold production is due to lower ore grades and recoveries reflecting the fact that the mill feed is still being sourced from the low-grade stock piles as the pre-stripping continues to gain access the high-grade SB Zone as result of the change in the Mine Development Plan following the pit wall movement in July 2006.

Total cash costs per ounce, a non-GAAP measure of production efficiency, at Kumtor improved to \$491 in the second quarter of 2007 from \$639 in the first quarter of 2007, but was higher than the \$402 per ounce in the same period in 2006. The lower gold production combined with increased tonnages mined and higher operating costs during the quarter have contributed to the higher total unit cash costs in 2007.

During the second quarter of 2007 capital expenditures at Kumtor were \$20.5 million, of which \$4.5 million was for sustaining capital and the balance on growth projects.

At the Boroo mine, gold production was 70,000 ounces in the second quarter of 2007, compared to 65,000 ounces in the second quarter of 2006. During the quarter, a total of 651,000 tonnes were milled with a mill head grade of 3.76 g/t and a recovery rate of 85.5%, compared to 570,000 tonnes with a mill head grade of 4.13 g/t and a recovery rate of 87.6% in

the second quarter of 2006. Higher gold production is due to the increase in tonnes milled for the period and reduced mill circuit gold inventory.

Total cash costs per ounce, a non-GAAP measure of production efficiency, at Boroo decreased to \$180 for the second quarter of 2007 from \$207 per ounce in the same period in 2006. The decrease is a result mainly from the capitalization of Pit 6 pre-stripping. Capitalization of pre-stripping for Pit 6 amounted to \$3.5 million in the quarter and \$5.7 million in the first six months of 2007.

The Boroo Heap Leach Project was initiated in the spring of 2007 with the stripping of top soils and preparation of the area for the placement of the pad liner.

During the second quarter of 2007 capital expenditures at Boroo were \$9.6 million, of which \$2.9 million was for sustaining capital.

## **Exploration Update**

### **Kyrgyz Republic**

During the second quarter of 2007, exploration drilling programs were ongoing in the main Kumtor pit area and at the Sarytor deposit.

### **Kumtor Pit**

The drilling program focused on wide-spaced drill testing for strike and dip extensions to the main mineralized horizons in a relatively un-drilled area to the northeast of the pit highwall.

Four diamond drill holes were completed to their target depths ranging from 562 metres to 819 metres. An additional five drill holes did not reach their planned target depths and were terminated early due to technical drilling problems. Most of these terminated holes only tested the shallower portions of the structural system.

The drill holes penetrating the shallower portions of the structural system have returned several narrow intercepts consisting of 60.0 g/t Au over 1.0 metre in D 1148 and 11.3 g/t Au over 0.7 metres in D 1146. The drill holes penetrating to the deeper structural target have intersected a continuous, relatively thin mineralized horizon returning 5.1 g/t Au over 2.0 metres in D1149, 2.1 g/t Au over 4.5 metres in D 1148, and 6.7 g/t over 0.8 metres and 1.4 g/t Au over 6.6 metres in D 1146 A. The best mineralized hole, D 1148, returned multiple narrow mineralized intercepts from 553.6 metres to 734.5 metres and indicates that the mineralization becomes stronger at depth in this area.

Drilling is continuing in the third quarter of 2007 to further test the northerly strike extension of the Kumtor mineralized structure with widely spaced drill holes at different elevations.

### **Sarytor**

Two drills were active on exploration targets in the Sarytor area during the second quarter 2007. The drilling activities focused on in-filling the drilling pattern to a 40 metre by 40 metre nominal spacing and testing the up-dip northerly flanks of the deposit.

The northerly limits of the mineralization were better defined by the current drilling program. Mineralized intercepts in drill holes extended the mineralized horizon with a best intercept of 4.5 g/t Au over 3.2 metres in SR-166. Two drill holes were designed to test for down dip extensions to the mineralized zones. Drill hole SR-168 returned an intercept averaging 5.6 g/t Au over a 15.8 metres down hole interval and the mineralization remains open in the down dip direction. True widths for the mineralized zones are typically from 70% to 95% of the stated intercept. Drill hole SR-170 was terminated prior to the target horizon being reached due to drilling difficulties.

One hole, SR-161A, was designed to follow up on the steeply dipping mineralized structure identified on the northwest corner of the Sarytor deposit outside of the planned open pit. The hole was abandoned due to technical problems prior to reaching the target horizon. This zone was first intersected in hole SR 06-151, completed in the fourth quarter of 2006, which returned an intercept of 3.36 g/t Au over 79.8 metres. Two of the three follow up holes completed in the first quarter of 2007 intersected the steeply dipping mineralised structure that returned assays of 4.34 g/t Au over 68.8 metres and 1.99 g/t over 14.2 metres. Further drilling in this area will be conducted in the third quarter to determine the extent and controls on the mineralization and to determine the true widths for the mineralized zones.

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](http://www.centerragold.com)

## **REN - Nevada**

The Company is continuing to review its options for the REN property in Nevada which include selling or joint venturing its interest in the property

## **Political Environment**

### **Kyrgyz Republic**

The political situation in the Kyrgyz Republic continues to evolve and there continues to be a risk of future political instability.

During the first quarter of 2007 the Parliament accepted in the first reading and returned to committee for further deliberation draft legislation that, among other things, challenges the legal validity of Kumtor agreements with the Kyrgyz Republic, proposes recovery of additional taxes on amounts relating to past activities, and provides for the transfer of gold deposits (including Kumtor) to a state-owned entity. If enacted, there would be a substantial risk of harm to the Company's rights. The Company expects the draft bill to be the subject of extensive discussion and parliamentary procedure before being considered for further approval, if at all. The bill was on the Parliamentary agenda for its May session, which began May 21, 2007, but was not brought forward for discussion. Currently this bill has no legislative effect and does not interfere with the Company's operations in the country.

A new proposed resolution promoted by Deputy Maliev (author of the prior resolution) requesting the President to suspend all existing legislation related to the restructuring of Kumtor was delayed and was not put on the parliamentary agenda. There is a risk that this resolution will be tabled if the continuing negotiations are not successful.

Centerra, Cameco and the Government held discussions in Bishkek from July 16 to 20. The Government's Working Group, chaired by the Minister of Finance, and including members of the Government, representatives of the Parliament and civil societies, presented their views of the Kumtor Project and their positions regarding material economic terms for settlement of all disputes. The parties agreed to report the results of this round of discussions to their respective Boards, Prime Minister and the President of the Republic and consider the proposals in greater detail. The Company expects that the parties will resume negotiations in the near future.

If the issues between the parties are not resolved to their mutual satisfaction, the risks to Centerra will increase.

An international arbitrator has been appointed in the dispute regarding the high altitude tax, land tax and nationalization bill. Centerra and the government have agreed to postpone the first procedural hearing as negotiations are ongoing.

Pursuant to an agreement dated December 7, 2006 between the Government, KGC, Centerra and Kyrgyzaltyn relating to payments in connection with the 1998 Barskoon cyanide spill, KGC has advanced to the Government a total of \$3.7 million with the final installment of \$0.7 million due in 2007. This money has been distributed to members of the local communities by a committee created by the Government to administer the distribution of compensation. One half of the loan (\$2.2 million) is repayable no later than 2010 and is secured by shares of Centerra owned by Kyrgyzaltyn and the other half of the loan (\$2.2 million) is forgivable in 2012 if there is no event of default pursuant to the Investment Agreement between KGC, Centerra and the Government of the Kyrgyz Republic.

## **Mongolia**

The Company continues to advance its negotiations regarding its Boroo Stability Agreement with the Mongolian Government amid strong nationalistic sentiment in the country. No agreement has yet been reached. If negotiations are not successful the Government may threaten to terminate the Stability Agreement. The Company does not believe that there is any valid basis for such a termination.

The Minister of Finance has asserted that Boroo is subject to tax at the rate of 20% effective January 1, 2007, rather than March 1, 2007, on the basis that commercial production, and therefore the three-year tax exemption applicable to Boroo under its Stability Agreement, began on January 1, 2004 rather than March 1, 2004. The Company disputes the Minister's claim. The amount in issue is approximately \$4 million for the full year 2007, which the Company has paid under protest and expensed. The Company believes that this and other remaining matters will be resolved as part of continuing negotiations on the Boroo Stability Agreement.

The Mongolian Parliament continues to debate recent changes to mining legislation and the applicability of the windfall profit tax as well as State participation in various mining projects. The windfall tax applies at the rate of 68% on sales of gold above \$500 per ounce. Under the new minerals law, Parliament may designate deposits as strategic and the State may take up to a 34% interest in those strategic deposits in respect of which exploration was funded privately or 50% interest in those strategic deposits in respect of which exploration was funded by the State. On February 6, 2007, Parliament designated the Boroo deposit as strategic but resolved that the State would take no interest as the deposit would continue to be subject to the terms of the existing amended Stability Agreement. While the Government has acknowledged that neither the windfall profit tax nor the strategic deposit provisions will apply to the Boroo project, it has not yet agreed to provide similar protection to the Company's Gatsuurt project and may yet determine Gatsuurt to be of strategic importance.

Pursuant to an agreement between Centerra Gold Mongolia Limited ("CGM") and Gatsuurt LLC, an arm's length Mongolian limited liability company, under which CGM acquired the Gatsuurt licenses, CGM agreed to transfer the license that covers the Central Zone of the Gatsuurt property to Gatsuurt LLC if CGM did not complete a feasibility study by December 31, 2005. CGM completed a feasibility study in December 2005. In early 2006 Gatsuurt LLC informed Centerra that it does not believe that CGM complied with its obligation. In December 2006, Gatsuurt LLC began proceedings in the Mongolian National Arbitration Court ("MNAC") alleging non-compliance by CGM and seeking the return of the license. CGM believes that the Gatsuurt LLC claim is without merit and on July 10, 2007 filed a petition with Mongolia's District Court contesting the jurisdiction of the MNAC. In its first hearing on procedural matters, held on July 20, 2007, the MNAC decided to suspend its proceedings, pending a decision by the Mongolian District Court as to MNAC's jurisdiction. On July 25, 2007, the Mongolian District Court returned CGM's petition, without a decision on the jurisdictional issue, to permit CGM to supplement its submissions. CGM's challenge to the jurisdiction of the MNAC may be unsuccessful, resulting in the MNAC taking jurisdiction over the dispute. Any decision of the MNAC may be final and binding on CGM. An appeal, if any, would likely be to the courts of Mongolia. Even if the jurisdiction of the MNAC is successfully challenged, Gatsuurt LLC may choose to continue pursue its claim through the courts of Mongolia.

While the Company had been in discussions with the Mongolian Government in 2006 and during the first half of 2007 regarding an investment agreement for Gatsuurt, those discussions have been temporarily deferred pending a resolution on the Company's Boroo Stability Agreement with the Government. The Company has received written confirmation, dated July 18, 2007, from the Minister of Finance that the Government has no objection to concluding an investment agreement regarding the Gatsuurt Project based on the current mineral laws of Mongolia, provided that all necessary documents required for registration of Gatsuurt's reserves have been received by the appropriate Mongolian agency and such registration has taken place. The Ministry of Finance has acknowledged receipt of documentation from the Company related to the registration of reserves and the Company expects such registration to be completed this fall. The Company is prepared to quickly advance discussions with the

Government regarding an investment agreement for Gatsuurt following a resolution of outstanding issues concerning the Boroo Stability Agreement.

On March 13, 2007, the Company suspended its development operations at Gatsuurt, other than those necessary to maintain the property in good standing and comply with permits, pending finalization of the terms of an investment agreement with the Government and the claim by Gatsuurt LLC being resolved. As at June 30, 2007, the Company has made an aggregate of \$19 million in expenditures on the exploration and development of Gatsuurt and the property has a recorded book value of \$2.3 million. Upon a satisfactory investment agreement being reached and the claim by Gatsuurt LLC being resolved, the Company expects to begin the first stage of development of Gatsuurt, budgeted at \$20 million, to construct a 54 kilometre access road and mine facilities at Gatsuurt, procure required mobile mining equipment and expand the camp at Boroo to allow for processing of Gatsuurt ore. The Company's reported mineral reserves and resources for the Gatsuurt property are not materially affected by any of the legal, title, taxation or socio-political issues discussed above.

### **Outlook for 2007**

Gold production for the full year 2007 will be lower than previously forecast as a result of the recently announced stabilization plan for the SB Zone highwall at the Kumtor mine. Consequently, 2007 gold production at the Kumtor mine is now forecast to be approximately 300,000 ounces compared to Centerra's previous projection of 450,000 to 460,000 ounces. Total cash cost for 2007 is expected to be \$580 per ounce, compared to previous guidance of \$440 to \$450 per ounce.

At Boroo, the Company expects, on a 100% basis, production of 250,000 to 260,000 ounces of gold in 2007 consistent with the previous forecast. Total cash cost is expected to be \$250 to \$260 per ounce in 2007.

Overall, Centerra now expects consolidated gold production in 2007 of 550,000 to 560,000 ounces. Total cash costs are now expected to be \$430 to \$440 per ounce in 2007.

In terms of sensitivity of results for the last six months of 2007, a \$25 per ounce change in the gold spot price is anticipated to affect revenues, net earnings and cash from operations by approximately \$6.6 million, \$5.4 million (\$0.02 per share) and \$5.5 million, respectively.

The outlook noted above for the Company is based on the following key assumptions:

- no significant changes in our estimates of future production or costs,
- no delays in or interruption of production from our mines or in our development activities, and
- all necessary permits, licences and approvals are received in a timely manner.

### **Qualified Person**

The new drilling results for Kumtor in this news release and on Centerra's website and the



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 Annual Information Form (the “AIF”) for the year ended December 31, 2006 and in a technical report dated March 9, 2006 prepared in accordance with NI 43-101. The AIF and technical report have been filed on SEDAR at [www.sedar.com](http://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 the same as, or similar to, those described in the technical report.

### **Cautionary Note Regarding Forward-looking Statements**

Statements contained in this news release including those under the heading “Outlook for 2007”, which are not historical facts are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; equipment failure; unexpected geological or hydrological conditions; political risks arising from operating in certain developing countries; inability to enforce legal rights, defects in title; litigation or arbitration proceedings in which third parties claim title to properties or assets of the Company imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; environmental and safety risks including increased regulatory burdens; seismic activity, weather and other natural phenomena; failure to obtain necessary permits and approvals from government authorities; changes in government regulations and policies, including trade and tax laws and policies; ability to maintain and further improve positive labour relations; and other development and operating risks. For further discussion of the factors that could cause actual results to differ materially, please refer to Centerra’s Annual Information Form and Annual Management’s Discussion and Analysis for the year ended December 31, 2006, available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **About Centerra**

Centerra is a growth-oriented, pure-play gold company focused on acquiring, exploring, developing and operating gold properties primarily in Central Asia, the former Soviet Union and other emerging markets. 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 conference call on Monday, July 30, 2007 at 11:00 am. Eastern Time. The call is open to all investors and the media. To join the call, North American participants should dial the toll-free number (800) 833-9611. International participants may access the call at (212) 346-6589. The call will also be web cast live on the internet at [www.centerragold.com](http://www.centerragold.com). An audio recording of the call will be available on [www.centerragold.com](http://www.centerragold.com) approximately two hours after the call and via telephone until midnight on Monday, August 6, 2007 and can be accessed by calling (800) 558-5253 or (416) 626-4100 and using the passcode 21344211.

## **For more information:**

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

## Management's Discussion and Analysis

The following discussion of the financial condition and results of operations of Centerra Gold Inc. ("Centerra" or the "Company") for the three and six months ended June 30, 2007 should be read in conjunction with the unaudited consolidated financial statements and the notes of the Company for the period ended June 30, 2007, as well as the audited consolidated financial statements for the Company for the year ended December 31, 2006 and management's discussion and analysis of the audited statements, both of which are included in the 2006 Annual Report and the Annual Information Form. The financial statements of Centerra are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and, unless otherwise specified, all figures are in United States dollars. The Company's 2006 Annual Report and the Annual Information Form are available at [www.centerragold.com](http://www.centerragold.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Toronto, Ontario, Canada, July 26, 2007

### Caution Regarding Forward-Looking Statements

Statements contained herein, including those under the heading "Outlook", which are not historical facts are forward-looking statements that involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; procurement of required capital equipment and operating parts and supplies; equipment failure; unexpected geological or hydrological conditions; political risks arising from operating in certain developing countries; inability to enforce legal rights; defects in title; litigation or arbitration proceedings in which third parties claim title to properties or assets of the Company; imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; environmental and safety risks including increased regulatory burdens; seismic activity, weather and other natural phenomena; failure to obtain necessary permits and approvals from government authorities; changes in government regulations and policies including tax and trade laws and policies; ability to maintain and further improve positive labour relations; and other development and operating risks.

Reserve and resource figures included are estimates and no assurances can be given that the indicated levels of gold will be produced or that Centerra will receive the gold price assumed in determining its reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While Centerra believes that the reserve and resource estimates included are well established and the best estimates of Centerra's management, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable.

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

Resources figures included herein have not been adjusted in consideration of these risks and, therefore, no assurances can be given that any resource estimate will ultimately be reclassified as proven or probable reserves.

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

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

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

Measured and indicated mineral resources are not mineral reserves, and do not have demonstrated economic viability, but do have reasonable prospects for economic extraction. Measured and indicated resources are sufficiently well defined to allow geological and grade continuity to be reasonably assumed and permit the application of technical and economic parameters in assessing the economic viability of the resource. Inferred resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that mineral resources of any category can be upgraded to mineral reserves through continued exploration.

## Consolidated Financial Results

Centerra's consolidated financial results for the three and six months ended June 30, 2007 reflect fully consolidated interests in the Kumtor and Boroo mines, a 62% interest in REN and a 100% interest in Gatsurt.

### Highlights – Centerra

Financial Highlights	Three months ended June 30		Six months ended June 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue - \$ millions	103.7	106.8	186.0	199.8
Gross profit - \$ millions <sup>(1)</sup>	36.0	39.9	56.7	70.3
Net earnings - \$ millions	18.7	29.0	24.7	47.2
Earnings per common share - \$ - basic and diluted	0.09	0.13	0.11	0.22
Cash provided by operations - \$ millions	6.8	23.9	14.6	56.0
Weighted average shares outstanding – basic - (thousands)	216,247	216,239	216,243	216,239
Gold sold – ounces <sup>(2)</sup>	155,605	169,026	283,176	340,579
Gold poured – ounces <sup>(2)</sup>	153,414	164,252	286,419	318,063
Average realized gold price - \$/oz	667	632	657	587
Average gold spot market price - \$/oz	668	610	659	591
Total cash cost <sup>(3)</sup> - \$/oz	349	325	377	331

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

(2) Differences reflect either the amount of gold in transit or gold delivered from prior periods.

(3) Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measure – Total Cash Cost”.

## Second Quarter Results

### Gold Production and Revenue

Revenue decreased during the second quarter of 2007 to \$103.7 million from \$106.8 million in the same quarter last year due to lower gold production and sales partially offset by higher realized gold prices. Total gold poured of 153,414 ounces was lower than the 164,252 ounces reported in the second quarter of 2006 mainly due to lower gold production at Kumtor resulting from lower ore grade due to the alteration of the mine plan as a result of the pitwall movement in July 2006, and lower recoveries. This was partially offset by increased gold production at Boroo.

Centerra realized an average gold price of \$667 per ounce for the second quarter. This is an increase from the \$632 per ounce realized in the same quarter of 2006 which included a recovery of \$0.6 million related to deferred hedges. Since Centerra's gold production is unhedged, the increase was due to higher spot gold prices which averaged \$668 per ounce for the period.

### **Cost of sales**

Cost of sales was \$55.2 million in the quarter compared to \$57.1 million in the same period of 2006. Lower cost of sales at Boroo were partially offset by increased amounts at Kumtor. Lower costs at Boroo reflects the reduced mining costs primarily resulting from the capitalization of pre-stripping in Pit 6 and the valuation of inventory of low-grade material to be used in heap leaching. This material was previously treated as waste. This is partially offset by higher costs at Kumtor resulting from increased personnel, maintenance and consumables. On a unit basis, the total cash cost per ounce was \$349, up from \$325 in the second quarter of 2006, primarily due to higher costs and lower gold production at Kumtor.

### **Depreciation, Depletion and Amortization**

Depreciation, depletion and amortization for the quarter increased to \$11.7 million from \$9.6 million in the prior year's second quarter, mainly due to higher depreciation at Kumtor resulting from the larger truck fleet. On a per unit basis, depreciation and amortization for the second quarter of 2007 was \$75 per ounce sold compared to \$57 per ounce sold in the second quarter of 2006, reflecting lower ounces sold and the addition of the capital equipment at Kumtor.

### **Accretion and Reclamation Expense**

Accretion and reclamation expense in the quarter increased to \$0.7 million, compared to \$0.1 million in the prior year's second quarter. The increase in the accretion mainly reflects an increase of \$2.8 million in Boroo's estimated closure cost obligation.

### **Exploration & Business Development**

Exploration costs in the second quarter of 2007 decreased to \$4.2 million from \$4.6 million in the second quarter of 2006 primarily reflecting lower exploration spending at Kumtor due to a focus in the quarter on geotechnical drilling which required the relocation of drilling equipment. The Company's objective is to increase reserves at and around its existing mines through focused drill programs.

Business development costs in the second quarter of 2007 decreased to \$0.3 million from \$0.9 million in the second quarter of 2006 reflecting reduced activity on the Gatsurt project. The Company continues to look for new growth opportunities through acquisitions.

## **Interest and Other**

Interest and other expenses totalled \$2.3 million in the quarter which reflected interest earned on the Company's cash and short-term investments. The comparable amount in the second quarter of 2006 totalled \$3.8 million. The reduction reflects lower cash balances which averaged \$149.0 million during the second quarter of 2007 compared to \$227.0 million for the equivalent 2006 period. The Company has \$10 million of interest-bearing debt outstanding.

## **Administration**

Administration costs for the second quarter 2007 were \$6.0 million compared to \$6.2 million in the same period last year. The decrease primarily reflects lower stock-based compensation expense.

## **Income Tax Expense**

Income tax expense in the quarter is \$8.2 million, compared to a tax expense of \$2.0 million in the second quarter of 2006. The \$6.2 million increase reflects the fact that Boroo is taxable in the current quarter but was tax exempt in 2006. This increase is partially offset by a reduction in tax in the amount of \$2.0 million in Kyrgyzstan due to lower profits at Kumtor and \$0.2 million in North America.

Losses incurred in the North American segment have not been tax effected.

## **Net earnings**

Net earnings for the second quarter of 2007 were \$18.6 million or \$0.09 per share compared to net earnings of \$29.0 million or \$0.13 per share for the same period in 2006 reflecting lower gold production and sales and higher income taxes due to the Boroo mine becoming taxable. This was partially offset by higher gold prices.

## **Liquidity and capital resources**

Cash provided by operations was \$7.4 million for the quarter compared to \$23.9 million for the prior year second quarter reflecting lower net earnings and increased working capital levels due to the timing of gold shipments, which increased inventory, and due to reduced payables in 2007.

Cash used in investing activities in the second quarter of 2007 was \$29.1 million for capital spending, compared to \$23.6 million in the same quarter of 2006. In the second quarter of 2007, \$7.4 million was spent on sustaining capital projects while \$21.7 million was spent on growth projects. Expenditures on growth projects at Kumtor included \$8.5 million in SB Zone pre-stripping and \$2.7 million for haul trucks, shovels and other fleet equipment. At Boroo, growth capital included \$3.5 million in Pit 6 pre-stripping and \$2.9 million for the heap leach project.

Cash on hand was \$138.2 million at the end of the second quarter of 2007, compared to \$186.2 million at December 31, 2006.

During the second quarter of 2007 Centerra Gold Mongolia LLC (CGMC) one of the Company's subsidiaries entered into a \$10 million demand loan facility. Funds drawn are to be used for the proposed development of the Gatsuurt gold project. The loan is secured by the Gatsuurt mining licenses and related assets and guaranteed by Centerra Gold Inc. At June 30, 2007, the full amount available under the facility was drawn. Interest accrued at LIBOR plus 250 basis points.

Centerra has sufficient cash to carry out its operational business plan in 2007.

## **Year-to-date Results**

Revenue for the first six months of 2007 was \$186.0 million compared to \$199.8 million in the same period in 2006 due to the lower gold production and sales. Gold production of 286,419 ounces was lower than the 318,063 ounces reported in the first six months of 2006 mainly as a result of lower production at Kumtor due to the pitwall movement in July 2006, partially offset by higher volumes at Boroo. The average realized gold price for the first six months of 2007 was \$657 per ounce compared to \$587 per ounce in the same period in 2006 reflecting higher spot prices for gold.

Net earnings in the first six months of 2007 were \$24.6 million (\$0.11 per share) compared to net earnings of \$47.2 million (\$0.22 per share) in the same period of 2006 reflecting lower year-to-date gold sales and production, and higher income taxes due to the Boroo mine becoming taxable. This was partially offset by higher gold prices.

Cash flow provided by operations for the first six months of 2007 amounted to \$15.2 million from \$56.0 million in the comparable period of 2006.

## **Share capital**

As of June 30, 2007, Centerra had 216,249,993 shares outstanding and 1,012,644 share options outstanding under its stock option plans.

## **Gold hedges**

During the second quarter of 2007 no deferred charges were recognized because the remaining \$0.6 million of deferred charges, net of deferred revenue, related to the closing of the gold hedges in 2004 were recorded in the income statement during the first quarter of 2007. During the second quarter of 2006, \$0.6 million of these deferred charges were recorded in the income statement.



## 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 closed the quarter at \$653 per ounce after reaching a high of \$691 during the period. For the three months ended June 30, 2007, the price averaged \$668 per ounce compared to \$610 per ounce for the same period in 2006.

Centerra receives its revenues through the sale of gold in U.S. dollars. However, Centerra has operations in Kyrgyzstan and Mongolia along with its corporate office in Canada where a portion of the operating costs and capital expenditures are denominated in the local currency. The Company also purchases a large component of its operating supplies from China and Russia. Therefore, movements in the exchange rate between the currencies of these countries and the U.S. dollar have an impact on profitability and cash flow.

## Mine Operations

Operating and financial results of the Kumtor and Boroo mines are shown on a 100% basis. Centerra continues to own 100% of Kumtor and 95% of Boroo.

### **Kumtor – 100% basis**

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based producer. It has been operating since 1997 and has produced more than 5.8 million ounces. During the quarter, Kumtor experienced six lost-time accidents and unfortunately had one fatality. There was also one environmental incident during the period.

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Kumtor Operating Results</b>				
Sales volume – ounces	88,943	101,672	146,706	209,527
Revenue - \$ millions	59.6	63.7	96.8	122.9
Average realized price - \$/oz	670	627	660	586
Tonnes mined - 000s	28,702	20,628	52,372	40,829
Tonnes ore mined – 000s	1,630	1,206	2,456	2,556
Tonnes milled - 000s	1,348	1,425	2,710	2,929
Average mill head grade - g/t <sup>(1)</sup>	2.60	2.87	2.39	2.61
Recovery - %	71.3	75.8	70.6	76.9
Ounces poured	83,229	99,592	149,436	188,440
Total cash costs - \$/oz <sup>(2)</sup>	491	402	556	413
Capital expenditures - \$ millions	20.5	18.1	46.0	26.9

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

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

### **Revenue and Gold Production**

In the second quarter of 2007, revenue was \$59.6 million compared to \$63.7 million in the same period in 2006. The decrease is mainly due to lower sales volumes which were only partially offset by higher realized gold prices. Production was 83,229 ounces poured, compared to 99,592 ounces poured in the prior year quarter. Lower production was due primarily to lower ore grades averaging

2.60 g/t compared to 2.87 g/t in 2006 due to the resequencing of ore as a result of the pitwall movement in July 2006 and the subsequent alteration to the mine plan.

Revenue for the first six months of 2007 was \$96.8 million compared to \$122.9 million in the same period of 2006, reflecting lower sales volumes due to lower production from lower ore grades partially offset by the higher realized price per ounce.

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

### **Cost of sales**

The cost of sales for the second quarter and first six months of 2007 was \$45.5 million and \$84.5 million, respectively compared to \$43.1 million and \$83.8 million in the second quarter and first six months of 2006. Total cash costs per ounce increased to \$491 and \$556 in the second quarter and first six months of 2007, respectively, compared to \$402 and \$413 in the same periods in 2006 due to lower production resulting from lower average grade fed to the mill and lower recoveries and increased operating costs. Operating costs were up due primarily to higher cost of consumables (\$3.0 million for the quarter and \$6.0 million year-to-date), higher maintenance costs due to the aging of the equipment and the additional new trucks and equipment (\$1.8 million for the quarter and \$2.3 million year-to-date) and higher labour costs resulting from the new collective agreement (\$1.1 million for the quarter and \$4.0 million year-to-date) which included an increase in the high altitude coefficient from 1.75 to 2.4 which increased premiums paid to the workers working at the mine site.

### **Exploration**

Exploration expenditures totaled \$2.7 million for the quarter and \$6.5 million year-to-date, compared to \$3.5 million and \$6.5 million in the same periods in 2006. The expenditures relate primarily to ongoing drilling in the immediate vicinity of the central pit and the Sarytor deposit.

## Boroo - 100% basis

Located in Mongolia, this open pit mine was the first hard rock gold mine in Mongolia. During the second quarter of 2007, the mine had no reportable lost-time injuries and no environmental exceedances.

Boroo Operating Results	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Sales volume – ounces	66,662	67,354	136,470	131,052
Revenue - \$ millions	44.1	43.1	89.2	76.9
Average realized price - \$/oz	662	640	654	587
Tonnes mined – 000s <sup>(1)</sup>	4,397	4,129	8,387	8,133
Tonnes ore mined – 000s <sup>(2)</sup>	460	680	1,086	1,408
Tonnes milled – 000s	651	570	1,267	1,141
Average mill head grade-(g/t) <sup>(3)</sup>	3.76	4.13	3.83	4.00
Recovery - %	85.5	87.6	86.9	89.6
Ounces poured	70,185	64,660	136,983	129,623
Total cash cost - \$/oz <sup>(4)</sup>	180	207	182	211
Capital expenditures - \$ millions	9.6	5.3	17.1	7.1

(1) Includes heap leach material of 944,000 tonnes with an average grade of 0.97 g/t in the second quarter of 2007 and 1,868,000 tonnes with an average grade of 0.84 g/t in the six months ended 2007.

(2) Excludes heap leach ore

(3) g/t means grams per tonne

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

## Revenue and Gold Production

In the second quarter of 2007, revenue increased to \$44.1 million from \$43.1 million in the same period in 2006, reflecting the higher year-over-year realized gold price partially offset by a lower sales volume. Gold production was 70,185 poured ounces, compared to 64,660 poured ounces in the prior year quarter reflecting higher tonnes milled and reduced mill circuit gold inventory offset by lower grades.

Revenue for the first six months of 2007 was \$89.2 million compared to \$76.9 million in the same period of 2006, primarily reflecting the higher realized gold prices and higher sales volumes.

The second quarter and six month, year-over-year, higher average realized price was due to higher gold spot prices.

## **Cost of sales**

The cost of sales for the second quarter and first six months of 2007 were \$9.7 million and \$22.2 million, respectively, compared to \$14.0 million and \$27.7 million respectively in the second quarter and first six months of 2006. The decrease mainly reflects reduced mining costs resulting from the use of mining equipment to carry out pre-stripping in Pit 6 (which is an activity where the costs are capitalized) and the valuation as inventory of low-grade ore previously classified as waste, which is now being stock piled for heap leaching.

Total cash costs per ounce decreased to \$180 in the second quarter of 2007 compared to \$207 in the second quarter of 2006, and to \$182 for the first six months of 2007 compared to \$211 for the first six months of 2006. The decrease resulted mainly from the capitalization of Pit 6 pre-stripping, the treatment of low-grade ore as inventory and an increase in ounces poured.

Capitalization of pre-stripping for Pit 6 amounted to \$3.5 million in the quarter and \$5.7 million in the first six months of 2007. The Boroo Heap Leach Project was initiated in the spring of 2007 with the stripping of top soils and preparation of the area for the placement of the liner.

## **Exploration**

Exploration expenditures in the second quarter of 2007 in Mongolia totaled \$0.3 million compared to \$0.4 million spent in the second quarter of 2006. The expenditures relate primarily to exploratory work in the vicinity of the open pit at Boroo and on some of Centerra's landholdings in Mongolia.

## **Other Financial Information – Related Party Transactions**

### **Cameco Corporation**

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

Costs associated with the enhancement of internal controls at Centerra were shared with Cameco up to February 28, 2007, resulting in a charge of Cdn\$0.3 million year to date (Cdn\$3 million charged during the first six months of 2006).

The balance receivable from Cameco at June 30, 2007 was Cdn\$0.5 million (Cdn\$2.5 million receivable at June 30, 2006).

### **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 Kyrgyzaltyn.

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

<i>\$ thousands</i>	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Related Parties in the Kyrgyz Republic</b>				
Management fees to Kyrgyzaltyn	133	152	220	314
Concession payments to Kyrgyz Republic	356	407	587	838
<b>Total</b>	<b>489</b>	<b>559</b>	<b>807</b>	<b>1,152</b>
Gross gold and silver sales to Kyrgyzaltyn	59,919	64,465	97,504	124,399
Deduct: refinery and financing charges	(348)	(472)	(595)	(955)
<b>Net sales revenue received from Kyrgyzaltyn</b>	<b>59,571</b>	<b>63,993</b>	<b>96,909</b>	<b>123,444</b>

During the first half of 2007, the Company has expensed \$1.4 million of which \$0.7 million was paid and the balance accrued, pursuant to an agreement dated December 7, 2006 between the Government, KGC, Centerra and Kyrgyzaltyn relating to payments in connection with the 1998 Barskoon cyanide spill. The money is to be distributed to members of the local communities by a committee created by the Government to administer the distribution of compensation. The total amount advanced to date is \$3.7 million with the final installment of \$0.7 million due the last half of 2007. One half of the loan (\$2.2 million) is repayable no later than 2010 and is secured by shares of Centerra owned by Kyrgyzaltyn and the other half of the loan (\$2.2 million) is forgivable in 2012 if there is no event of default pursuant to the Investment Agreement between KGC, Centerra and the Government of the Kyrgyz Republic.

Kyrgyzaltyn and Kumtor have agreed, pursuant to a Gold Payment Agreement effective December 22, 2005 as amended (the “GPA”) and most recently extended effective June 6, 2007, that until the earlier of (i) November 15, 2007 and (ii) the date on which at least \$12 million of proceeds from the sale of shares of Centerra currently owned by Kyrgyzaltyn have been deposited into a special purpose gold payment account of Kyrgyzaltyn, Kyrgyzaltyn will have 12 days to pay for gold shipped from the Kumtor mine. Kyrgyzaltyn shall pay interest on unpaid amounts equal to LIBOR plus 0.25%. Prior to the effective date of the GPA, Kumtor shipped gold to Kyrgyzaltyn on a pre-paid basis. Under the GPA Kyrgyzaltyn has agreed to sell before November 15, 2007, a sufficient number of Centerra shares to yield \$12 million of proceeds. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility, which facility will be used by Kyrgyzaltyn to resume the prior practice of pre-paying for gold. While the GPA is in effect the obligations of Kyrgyzaltyn to Kumtor are secured by a pledge of Centerra shares owned by Kyrgyzaltyn. As at June 30, 2007, there were no amounts outstanding under this agreement.

## Other

The Company paid and accrued Cdn\$103,700 in the second quarter of 2007 and Cdn\$280,000 in the six months ended June 30, 2007, (Cdn\$245,321 and Cdn\$377,221 in 2006, respectively), to Ms. Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr. Homeniuk. Ms. Stephens provides legal and business advisory services related to international operations.

As at June 30, 2007, a relocation loan in the amount of Cdn\$250,000 was outstanding with Centerra's President and Chief Executive Officer, Mr. Homeniuk. The loan principal is payable in June 2010, while interest is treated as a taxable benefit to Mr. Homeniuk.

## Quarterly Results – Last Eight Quarters

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

<i>\$ millions, except per share data</i>	2007		2006			2005		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	104	82	88	76	107	93	75	77
Net earnings	19	6	2	12	29	18	6	9
Earnings per share (basic & diluted)	0.09	0.03	0.01	0.05	0.13	0.08	0.03	0.04

## Other Corporate Developments

### **Kyrgyz Republic**

The political situation in the Kyrgyz Republic continues to evolve and there continues to be a risk of future political instability.

During the first quarter of 2007 the Parliament accepted in the first reading and returned to committee for further deliberation draft legislation that, among other things, challenges the legal validity of Kumtor agreements with the Kyrgyz Republic, proposes recovery of additional taxes on amounts relating to past activities, and provides for the transfer of gold deposits (including Kumtor) to a state-owned entity. If enacted, there would be a substantial risk of harm to the Company's rights. The Company expects the draft bill to be the subject of extensive discussion and parliamentary procedure before being considered for further approval, if at all. The bill was on the Parliamentary agenda for its May session, which began May 21, 2007, but was not brought forward

for discussion. Currently this bill has no legislative effect and does not interfere with the Company's operations in the country.

A new proposed resolution promoted by Deputy Maliev (author of the prior resolution) requesting the President to suspend all existing legislation related to the restructuring of Kumtor was delayed and was not put on the parliamentary agenda. There is a risk that this resolution will be tabled if the continuing negotiations are not successful.

Centerra, Cameco and the Government held discussions in Bishkek from July 16 to 20. The Government's Working Group, chaired by the Minister of Finance, and including members of the Government, representatives of the Parliament and civil societies, presented their views of the Kumtor Project and their positions regarding material economic terms for settlement of all disputes. The parties agreed to report the results of this round of discussions to their respective Boards, Prime Minister and the President of the Republic and consider the proposals in greater detail. The Company expects that the parties will resume negotiations in the near future.

If the issues between the parties are not resolved to their mutual satisfaction, the risks to Centerra will increase.

An international arbitrator has been appointed in the dispute regarding the high altitude tax, land tax and nationalization bill. Centerra and the government have agreed to postpone the first procedural hearing as negotiations are ongoing.

Pursuant to an agreement dated December 7, 2006 between the Government, KGC, Centerra and Kyrgyzaltyn relating to payments in connection with the 1998 Barskoon cyanide spill, KGC has advanced to the Government a total of \$3.7 million with the final installment of \$0.7 million due in 2007. This money has been distributed to members of the local communities by a committee created by the Government to administer the distribution of compensation. One half of the loan (\$2.2 million) is repayable no later than 2010 and is secured by shares of Centerra owned by Kyrgyzaltyn and the other half of the loan (\$2.2 million) is forgivable in 2012 if there is no event of default pursuant to the Investment Agreement between KGC, Centerra and the Government of the Kyrgyz Republic.

## **Mongolia**

The Company continues to advance its negotiations regarding its Boroo Stability Agreement with the Mongolian Government amid strong nationalistic sentiment in the country. No agreement has yet been reached. If negotiations are not successful the Government may threaten to terminate the Stability Agreement. The Company does not believe that there is any valid basis for such a termination.

The Minister of Finance has asserted that Boroo is subject to tax at the rate of 20% effective January 1, 2007, rather than March 1, 2007, on the basis that commercial production, and therefore the three-year tax exemption applicable to Boroo under its Stability Agreement, began on January 1, 2004 rather than March 1, 2004. The Company disputes the Minister's claim. The amount in issue is approximately \$4 million for the full year 2007, which the Company has paid under protest and



expensed. The Company believes that this and other remaining matters will be resolved as part of continuing negotiations on the Boroo Stability Agreement.

The Mongolian Parliament continues to debate recent changes to mining legislation and the applicability of the windfall profit tax as well as State participation in various mining projects. The windfall tax applies at the rate of 68% on sales of gold above \$500 per ounce. Under the new minerals law, Parliament may designate deposits as strategic and the State may take up to a 34% interest in those strategic deposits in respect of which exploration was funded privately or 50% interest in those strategic deposits in respect of which exploration was funded by the State. On February 6, 2007, Parliament designated the Boroo deposit as strategic but resolved that the State would take no interest as the deposit would continue to be subject to the terms of the existing amended Stability Agreement. While the Government has acknowledged that neither the windfall profit tax nor the strategic deposit provisions will apply to the Boroo project, it has not yet agreed to provide similar protection to the Company's Gatsuurt project and may yet determine Gatsuurt to be of strategic importance.

Pursuant to an agreement between Centerra Gold Mongolia Limited ("CGM") and Gatsuurt LLC, an arm's length Mongolian limited liability company, under which CGM acquired the Gatsuurt licenses, CGM agreed to transfer the license that covers the Central Zone of the Gatsuurt property to Gatsuurt LLC if CGM did not complete a feasibility study by December 31, 2005. CGM completed a feasibility study in December 2005. In early 2006 Gatsuurt LLC informed Centerra that it does not believe that CGM complied with its obligation. In December 2006, Gatsuurt LLC began proceedings in the Mongolian National Arbitration Court ("MNAC") alleging non-compliance by CGM and seeking the return of the license. CGM believes that the Gatsuurt LLC claim is without merit and on July 10, 2007 filed a petition with Mongolia's District Court contesting the jurisdiction of the MNAC. In its first hearing on procedural matters, held on July 20, 2007, the MNAC decided to suspend its proceedings, pending a decision by the Mongolian District Court as to MNAC's jurisdiction. On July 25, 2007, the Mongolian District Court returned CGM's petition, without a decision on the jurisdictional issue, to permit CGM to supplement its submissions. CGM's challenge to the jurisdiction of the MNAC may be unsuccessful, resulting in the MNAC taking jurisdiction over the dispute. Any decision of the MNAC may be final and binding on CGM. An appeal, if any, would likely be to the courts of Mongolia. Even if the jurisdiction of the MNAC is successfully challenged, Gatsuurt LLC may choose to continue pursue its claim through the courts of Mongolia.

While the Company had been in discussions with the Mongolian Government in 2006 and during the first half of 2007 regarding an investment agreement for Gatsuurt, those discussions have been temporarily deferred pending a resolution on the Company's Boroo Stability Agreement with the Government. The Company has received written confirmation, dated July 18, 2007, from the Minister of Finance that the Government has no objection to concluding an investment agreement regarding the Gatsuurt Project based on the current mineral laws of Mongolia, provided that all necessary documents required for registration of Gatsuurt's reserves have been received by the appropriate Mongolian agency and such registration has taken place. The Ministry of Finance has acknowledged receipt of documentation from the Company related to the registration of reserves and the Company expects such registration to be completed this fall. The Company is prepared to

quickly advance discussions with the Government regarding an investment agreement for Gatsuurt following a resolution of outstanding issues concerning the Boroo Stability Agreement.

On March 13, 2007, the Company suspended its development operations at Gatsuurt, other than those necessary to maintain the property in good standing and comply with permits, pending finalization of the terms of an investment agreement with the Government and the claim by Gatsuurt LLC being resolved. As at June 30, 2007, the Company has made an aggregate of \$19 million in expenditures on the exploration and development of Gatsuurt and the property has a recorded book value of \$2.3 million. Upon a satisfactory investment agreement being reached and the claim by Gatsuurt LLC being resolved, the Company expects to begin the first stage of development of Gatsuurt, budgeted at \$20 million, to construct a 54 kilometre access road and mine facilities at Gatsuurt, procure required mobile mining equipment and expand the camp at Boroo to allow for processing of Gatsuurt ore. The Company's reported mineral reserves and resources for the Gatsuurt property are not materially affected by any of the legal, title, taxation or socio-political issues discussed above.

## **Waste Dump Movement at Kumtor**

As was disclosed in the first quarter of 2007, minor slope movement was detected in the waste dump above the Central Pit and SB Zone highwall. The waste dump slope is currently designed at a 33 degree angle. Geotechnical drilling and analysis is underway to determine whether a lower design slope angle is required to stabilize the waste dump and if, to the effect on future production.

In a press release issued on July 19<sup>th</sup> the Company indicated that independent geotechnical experts have completed their preliminary analysis of the previously reported high wall waste dump movement and have recommended stabilizing the area by using a flatter designed pit wall angle through the underlying till layer and overlying waste dump. The lower slope angles require the removal of more waste than previously planned and delays the access to the high-grade SB Zone ore until the second quarter 2008. Consequently, gold production at the Kumtor mine is now forecast for 2007 to be approximately 300,000 ounces compared to Centerra's previous projection of 450,000 to 460,000 ounces. Total cash cost is expected to be \$580 per ounce, compared to previous guidance of \$440 to \$450 per ounce. Further technical assessment and additional geotechnical drilling is underway. The Company expects by year-end to have a revised outlook for life-of-mine production including an assessment on any impact on reserves and resources.

## **Management Changes**

During the second quarter of 2007 Mr. Paul Korpi was appointed Vice President and Chief Operating Officer of Centerra Gold Inc. Mr. Korpi has over 30 years experience in the mining sector, in exploration, engineering, development and operations. Since early 2005, he had been President of the Company's subsidiary, the Boroo Gold Company.

Mr. John Kazakoff has been appointed President of Boroo Gold Company who succeeds Mr. Paul Korpi. Mr. Kazakoff has over 35 years of progressive experience in the mining industry in Canada and the Kyrgyz Republic. Most recently he was Senior Vice President Operations and Vice President Asian Business Development for Kumtor Operating Company.

Mr. John Ross was appointed Vice President Human Resources for Centerra Gold Inc. Mr. Ross has over 30 years of international human resources experience most recently with Dynatec Mining Corporation and previously with Rio Algom Limited.

## **Critical Accounting Estimates**

Centerra prepares its consolidated financial statements in accordance with Canadian 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 following critical accounting policies 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 the 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-type 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 the 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.

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, goodwill is tested for impairment annually 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.

## **Changes in accounting policies**

See note 2 to the quarterly financial statements.

## **Change in Internal Control over Financial Reporting**

Effective June 1, 2007 Boroo Gold Company began using a new software package to maintain its accounting balances. The new system is highly automated whereas Boroo's prior system required significant management overview. Boroo intends to assess its internal controls over financial reporting in light of the new system.

## **Outlook**

Gold production for the full year 2007 will be lower than previously forecast as a result of the recently announced stabilization plan for the SB Zone highwall at the Kumtor mine. Independent geotechnical experts have recommended stabilization by designing to flatter angles through the underlying till layer and overlying waste dump. The lower slope angles require the removal of more waste than previously planned which delays the access to the high-grade SB Zone ore until the second quarter 2008. Consequently, 2007 gold production at the Kumtor mine is now forecast to be approximately 300,000 ounces compared to Centerra's previous projection of 450,000 to 460,000 ounces. Total cash cost for 2007 is expected to be \$580 per ounce, compared to previous guidance of \$440 to \$450 per ounce.

At Boroo, the Company expects, on a 100% basis, production of 250,000 to 260,000 ounces of gold in 2007 consistent with the previous forecast. Total cash cost is expected to be \$250 to \$260 per ounce in 2007.

Overall, Centerra now expects consolidated gold production in 2007 of 550,000 to 560,000 ounces. Total cash costs are now expected to be \$430 to \$440 per ounce in 2007.

In terms of sensitivity of results for the last six months of 2007, a \$25 per ounce change in the gold spot price is anticipated to affect revenues, net earnings and cash from operations by approximately \$6.6 million, \$5.4 million (\$0.02 per share) and \$5.5 million, respectively.

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

<b>Production</b> <i>Ounces of gold</i>	<b>YTD 2007 Actual</b>		<b>2007 Forecast</b>	<b>2006 Actual</b>
Kumtor production (100%)	149,436		300,000	303,582
Boroo production (100%)	136,983		250,000 – 260,000	282,802
Total production (100%)	286,419		550,000 – 560,000	586,384
Total production (Centerra share) <sup>(1)</sup>	279,570		538,000 – 547,000	572,244

(1) Reflects 95% of Boroo

<b>Total Cash Cost</b> <sup>(1)</sup> <i>\$ per ounce</i>	<b>YTD 2007 Actual</b>		<b>2007 Forecast</b>	<b>2006 Actual</b>
Kumtor	556		580	544
Boroo	182		250 – 260	217
Consolidated	377		430 - 440	386

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

The outlook noted above for the Company is based on the following key assumptions:

- no significant changes in our estimates of future production or costs
- no delays in or interruption of production from our mines or in development activities.
- 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 Centerra's Annual Information Form including the section titled "Risk Factors" and annual Management's Discussion and Analysis for the year ended December 31, 2006 available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Exploration and Business Development

One of Centerra's priorities is to continue to add to its reserves and resources base through its exploration program. Activities at Kumtor, Boroo, Gatsuurt and REN are planned as follows:

The 2007 exploration program will continue the aggressive exploration at the Kumtor mine, target generation programs at the Boroo mine and around the Gatsuurt project and on our extensive land holdings in Mongolia. Generative programs will continue in Central Asia, Russia and China. Accordingly, the Company has forecast \$25 million of spending on its program for the year. The forecast includes \$15 million for exploration at Kumtor.

The business development program is forecast at \$4.2 million for 2007 to support the M&A initiatives of the Company during the year.

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

### **Kumtor**

- Additional drilling programs are planned in the vicinity of the main Kumtor pit to test the northeasterly strike extension of the deposit.
- Exploration work will continue on other target areas such as Bordoo and Akbel.

### **Boroo**

- At the Boroo mine, programs will focus on generating and testing targets for additional mineralization around the Boroo operating facilities.

### **Mongolia**

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

### **REN**

- Data from the 2006 drill program will be compiled and targets evaluated for further drilling. Barrick Gold holds a 32% joint-venture interest in the REN property. Barrick Gold has elected not to participate in further exploration on the REN property in 2007. The Company is considering its options for the property which include further drilling, selling or joint venturing its interest in the REN project.

## **Administration**

Annual corporate and administration expenses are expected to amount to approximately \$30 million in 2007. The forecast includes increased personnel at the corporate office, costs for securing a credit facility and the continued implementation and maintenance costs of regulatory standards.

## **Corporate Income Taxes**

The corporate income tax rate for 2007, based on existing agreements, applicable to Kumtor is 10%, and to Boroo is 20%. Boroo's three-year 100% corporate income tax exemption ended February 28, 2007 following which the Boroo is subject to half of the statutory tax rate of 40% which was in effect when the Stability Agreement was signed. The Company is in disagreement with the Mongolian government on the end date of Boroo's three-year 100% tax exemption. The Boroo Stability Agreement protects it from the windfall profits tax. Negotiations with the Mongolian Government to amend the Boroo Stability Agreement are continuing. The Company has also been invited to negotiate changes to the Kumtor Investment agreement. These discussions are also ongoing.

## **Capital Expenditures**

The capital requirement in 2007 is estimated at \$134 million including \$30 million of maintenance capital. Growth capital is forecast at \$104 million, which includes \$71 million at Kumtor (\$12 million for the development of the SB Zone decline, \$33 million to pre-strip the SB zone in the Central Pit and \$20 million for equipment originally scheduled for delivery in 2006 received in the first quarter of 2007) and \$32 million at Boroo (\$17 million for the Heap Leach project, \$7 million for the pre-strip of Pit 6 and \$3 million at the Gatsuurt Project, primarily for permitting). Amounts for the development of the SB zone decline, pre-stripping of the SB zone, heap leach, pre-strip of Pit 6 at Boroo and the Gatsuurt project will be capitalized and amortized on a units of production basis consistent with the Company's accounting policies.

## **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.

## **Non-GAAP Measure - Total Cash Cost**

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

Total cash costs, as defined in the Gold Institute standard, include mine operating costs such as mining, processing, administration, royalties and production taxes, but exclude amortization, reclamation costs, financing costs and capital, development and exploration. Certain amounts of stock-based compensation have been excluded as well.

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

## Total Cash Cost per Ounce can be reconciled as follows:

Centerra Gold Inc. TOTAL CASH COST RECONCILIATION (unaudited) (\$ millions, unless otherwise specified)	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
<b><u>Centerra:</u></b>				
Cost of sales, as reported	\$ 55.2	\$ 57.1	\$ 106.7	\$ 111.5
Adjust for:				
Refining fees & by-product credits	(0.2)	-	(0.2)	0.1
Non-operating costs	1.0	(0.3)	2.9	(1.8)
Inventory movement	(2.5)	(3.4)	(1.3)	(4.6)
Total cash cost - 100%	\$ 53.5	\$ 53.4	\$ 108.1	\$ 105.2
Ounces poured - 100% (000)	153.4	164.3	286.4	318.0
Total cash cost per ounce	\$ 349	\$ 325	\$ 377	\$ 331
<b><u>Kumtor:</u></b>				
Cost of sales, as reported	\$ 45.5	\$ 43.1	\$ 84.5	\$ 83.8
Adjust for:				
Refining fees & by-product credits	(0.1)	(0.1)	(0.1)	(0.1)
Non-operating costs	0.4	(0.3)	2.3	(1.7)
Inventory movement	(4.9)	(2.7)	(3.5)	(4.1)
Total cash cost - 100%	\$ 40.9	\$ 40.0	\$ 83.2	\$ 77.9
Ounces poured - 100% (000)	83.2	99.6	149.4	188.4
Total cash cost per ounce	\$ 491	\$ 402	\$ 556	\$ 413
<b><u>Boroo:</u></b>				
Cost of sales, as reported	\$ 9.7	\$ 14.0	\$ 22.2	\$ 27.7
Adjust for:				
Refining fees & by-product credits	(0.1)	0.1	(0.1)	0.2
Non-operating costs	0.6	-	0.6	(0.1)
Inventory movement	2.4	(0.7)	2.2	(0.5)
Total cash cost - 100%	\$ 12.6	\$ 13.4	\$ 24.9	\$ 27.3
Ounces poured - 100% (000)	70.2	64.7	137.0	129.6
Total cash cost per ounce	\$ 180	\$ 207	\$ 182	\$ 211



**Centerra Gold Inc.**  
**Consolidated Financial Statements**  
**For the Six Months and Quarter Ended June 30, 2007**  
**(Unaudited)**  
**(Expressed in United States Dollars)**

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

	June 30, 2007	December 31, 2006
	(Unaudited)	
<b>Assets</b>		
Current assets		
Cash	\$ 138,244	\$ 186,159
Amounts receivable	28,837	24,006
Inventories	102,797	83,714
Prepaid expenses	22,231	24,737
	<u>292,109</u>	<u>318,616</u>
Property, plant and equipment	345,233	305,366
Goodwill	154,586	154,586
Long-term receivables and other	6,489	6,778
Future income tax asset	10,028	8,901
	<u>516,336</u>	<u>475,631</u>
<b>Total assets</b>	<b>\$ 808,445</b>	<b>\$ 794,247</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 35,560	\$ 62,347
Short term debt (note 3)	10,000	-
	<u>45,560</u>	<u>62,347</u>
Provision for reclamation (note 4)	20,289	16,532
Non-controlling interest	12,155	9,829
<b>Shareholders' equity</b>		
Share capital (note 5)	522,479	522,383
Contributed surplus	30,504	30,257
Retained earnings	177,457	152,899
	<u>730,440</u>	<u>705,539</u>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 808,445</b>	<b>\$ 794,247</b>

Commitments and Contingencies (note 9)

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

**Centerra Gold Inc.**  
**Consolidated Statements of Earnings and Retained Earnings**  
(Unaudited)  
(Expressed In thousands of United States Dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
<b>Revenue from</b>				
Gold sales	\$ 103,714	\$ 106,823	\$ 186,041	\$ 199,790
<b>Expenses</b>				
Cost of sales	55,235	57,061	106,687	111,543
Depreciation, depletion and amortization	11,705	9,571	21,435	19,770
Accretion and reclamation expense (note 4)	745	137	1,216	(2,003)
Exploration and business development (note 6)	4,481	5,480	10,889	12,449
Interest and other (income)	(2,277)	(3,813)	(4,140)	(5,789)
Administration	6,014	6,150	10,337	12,575
	<u>75,903</u>	<u>74,586</u>	<u>146,424</u>	<u>148,545</u>
<b>Earnings before income taxes and non-controlling interest</b>	<b>27,811</b>	<b>32,237</b>	<b>39,617</b>	<b>51,245</b>
Income tax expense (note 7)	8,250	2,039	12,733	1,912
Non-controlling interest	947	1,214	2,326	2,103
<b>Net earnings</b>	<b>\$ 18,614</b>	<b>\$ 28,984</b>	<b>24,558</b>	<b>47,230</b>
Retained earnings, beginning of period	158,843	110,545	152,899	92,299
<b>Retained earnings, end of period</b>	<b>177,457</b>	<b>139,529</b>	<b>177,457</b>	<b>139,529</b>
<b>Basic and diluted earnings per common share [note 8]</b>	<b>\$ 0.09</b>	<b>\$ 0.13</b>	<b>\$ 0.11</b>	<b>\$ 0.22</b>

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

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
<b>Operating activities</b>				
Net earnings	18,614	\$ 28,984	\$ 24,558	\$ 47,230
Items not involving cash:				
Depreciation, depletion and amortization	11,705	9,571	21,435	19,770
Accretion and reclamation expense	745	137	1,216	(2,003)
Deferred charges recognized	-	(557)	557	1,311
Future income tax expense (recovery)	16	1,214	(1,127)	935
Non-controlling interest	947	1,214	2,326	2,103
Other operating items	(592)	(800)	312	(1,780)
	31,435	39,763	49,277	67,566
(Increase) decrease in working capital	(23,993)	(15,868)	(34,045)	(11,568)
<b>Cash provided by operations</b>	<b>7,442</b>	<b>23,895</b>	<b>15,232</b>	<b>55,998</b>
<b>Investing activities</b>				
Additions to property, plant and equipment	(29,134)	(23,579)	(73,200)	(34,744)
<b>Cash used in investing</b>	<b>(29,134)</b>	<b>(23,579)</b>	<b>(73,200)</b>	<b>(34,744)</b>
<b>Financing activities</b>				
Proceeds from short term debt	10,000	-	10,000	-
Issuance of common shares for cash	53	-	53	-
<b>Cash provided by financing</b>	<b>10,053</b>	<b>-</b>	<b>10,053</b>	<b>-</b>
Increase (decrease) in cash during the period	(11,639)	316	(47,915)	21,254
Cash at beginning of the period	149,883	223,355	186,159	202,417
<b>Cash at end of the period</b>	<b>\$ 138,244</b>	<b>\$ 223,671</b>	<b>\$ 138,244</b>	<b>\$ 223,671</b>

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

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**1. Basis of Presentation**

These unaudited interim consolidated financial statements of Centerra Gold Inc. ("Centerra") 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, 2006.

Centerra's ownership interests consist of a 100% interest in the Kumtor mine, a 95% interest in the Boroo mine, a 100% interest in the Gatsuurt property and a 62% interest in the REN deposit.

**2. Changes in 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, 2006, except for the following changes in accounting policies:

**a. Accounting changes:**

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

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

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**2. Changes in accounting policies (continued):**

**b. Financial instruments:**

Effective on January 1, 2007, the Company adopted the recommendations of CICA Handbook Section 1530, Comprehensive Income ("Section 1530") and Section 3855, Financial Instruments - Recognition and Measurement ("Section 3855"). These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian GAAP.

Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no impact on opening retained earnings. Under Section 3855, financial instruments must be classified into one of these five categories: held-for trading, held-to-maturity, loans and receivables, available-for sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for trading, which are measured at fair value. Any marketable securities that are not cash equivalents will be classified as available-for-sale securities measured at fair value and the resulting gain or loss will be recognized in other comprehensive income until the financial asset is derecognized at which point all related cumulative gains or losses will be recognized in the consolidated statement of operations and deficit.

Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and debenture, are classified as other financial liabilities. The Company had neither available for sale, nor held to maturity instruments during the three months ended March 31, 2007.

As at June 30, 2007 the fair values of the Company's assets and liabilities approximate their carrying values due to the relatively short maturity of these instruments.

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

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**2. Changes in accounting policies (continued):**

The adoption of these new standards translated into an increase in accumulated other comprehensive income of \$0.6 million relating to deferred hedging losses at January 1, 2007. These amounts have been fully recognized in earnings during the three months ended March 31, 2007.

**c. Non-monetary transactions:**

Effective January 1, 2007, the Company adopted the new recommendations of CICA Handbook Section 3831, Non-monetary Transactions prospectively. This standard requires all non-monetary transactions be measured at fair value unless they meet one of four criteria. Commercial substance replaces culmination of the earnings process as the test for fair value measurement. A transaction has commercial substance if it causes an identifiable and measurable change in the economic circumstances of the entity. The adoption of this standard had no impact on the Company's financial statements

**d. Equity**

Effective January 1, 2007, the Company adopted the new recommendations of CICA Handbook section 3251, "Equity" prospectively. This standard establishes requirements for the presentation of equity and changes in equity during the reporting period.

**e. New pronouncements**

In June 2007, the CICA issued new 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 costs formulas that are used to assign costs to inventories and allows for reversals of writedowns. The effective date of this new standard applies to fiscal years beginning January 1, 2008. The impact that the adoption of Section 3031 will have on the Company's future results of operations and financial condition is not known or reasonably estimable at this time.

On December 1, 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures. These new standards are applicable for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 on financial instrument disclosures, provides guidance on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed and is consistent with Section 3861. The new Section removes duplicative disclosures and simplifies the disclosures relating to concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. The company will adopt these standards on January 1, 2008.

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

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**3. Short-term debt**

On June 1, 2007 Centerra Gold Mongolia LLC (CGMC), one of the Company's subsidiaries, signed a credit facility agreement for \$10 million with HSBC Bank USA for purposes of developing the Gatsuurt gold deposit. The credit facility may be drawn down, converted or rolled over under the credit facility between a Base Rate Loan and LIBOR Loan. Interest is payable quarterly at base rate plus 2% per annum for a Base Rate Loan and at LIBOR rate plus 2.5% for a LIBOR Loan. The termination date for the credit facility is the earlier of (i) May 31, 2010, subject to HSBC satisfaction of the Company's business and financial conditions or (ii) an earlier date as HSBC shall determine. The facility is secured by the Gatsuurt mining licenses and guaranteed by Centerra Gold Inc.

As at June 30, 2007, CGMC has drawn \$10 million under the LIBOR loan facility. Financing fees on this loan of \$51 have been charged to earnings during the three month and six month period ended June 30, 2007.

**4. Asset Retirement Obligations**

Following is a reconciliation of the total consolidated liability for asset retirement obligations:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30/07</b>	<b>June 30/06</b>	<b>June 30/07</b>	<b>June 30/06</b>
	(Thousands)		(Thousands)	
Balance, beginning of period	<b>\$ 18,739</b>	\$ 16,040	<b>\$16,532</b>	\$ 17,897
Liabilities incurred / (settled)	<b>(118)</b>	(42)	<b>(147)</b>	241
Revisions in estimated timing of cash flows	<b>1,314</b>	-	<b>3,237</b>	(2,589)
Accretion expense	<b>354</b>	137	<b>667</b>	586
Balance, end of period	<b>\$20,289</b>	\$ 16,135	<b>\$20,289</b>	\$ 16,135

An increase to the present value of the closure cost estimate at the Boroo mine site of \$ 3,237 was recorded during the first half of 2007, following the completion of a regularly scheduled closure cost update study.

A reduction in the present value of the obligation of \$2,589 recorded in the second quarter 2006 reflected the delay in the reclamation spending at Kumtor due to the significant new reserve announced at the beginning of the year.



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

**5. 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. As at June 30, 2007 the number of outstanding shares is as follows:

<b>Number Issued</b>	(Number of Shares)	(Thousands of \$US)
Balance at January 1, 2006 and 2007	<b>216,238,815</b>	<b>\$ 522,383</b>
Shares issued in the period on exercise of options	<b>11,178</b>	<b>96</b>
Balance at June 30, 2007	<b>216,249,993</b>	<b>\$ 522,479</b>

**b) Contributed surplus**

The following summarizes movements in contributed surplus:

(Thousands of \$US)	<b>6 months Ending June 30/07</b>	<b>12 months Ending Dec 31/06</b>
Balance at beginning of period	30,257	29,739
Amortization of stock option valuations in period	247	518
Balance at end of period	30,504	30,257

**c) Stock-based compensation**

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

(Millions of US\$ except as indicated)	Number outstanding June 30/07	Expense				Liability	
		Three months ended		Six months ended			
		June 30/07	June 30/06	June 30/07	June 30/06		
(i) Centerra stock options	<b>1,012,644</b>	-	-	<b>(0.4)</b>	0.8	<b>1.2</b>	1.7
(ii) Centerra performance share units	<b>495,962</b>	<b>(0.2)</b>	0.3	<b>(0.1)</b>	1.5	<b>2.4</b>	5.4
(iii) Centerra annual performance share units	<b>137,692</b>	<b>0.3</b>	0.5	<b>0.8</b>	2.2	<b>0.5</b>	0.8
(iv) Deferred share units	<b>168,423</b>	<b>0.1</b>	-	<b>(0.1)</b>	0.4	<b>1.7</b>	1.6
(v) Cameco stock options	<b>78,000</b>	<b>0.7</b>	1.0	<b>0.8</b>	2.2	<b>3.3</b>	4.1
		<b>0.9</b>	1.8	<b>1.0</b>	7.1	<b>9.1</b>	13.6

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

**5. Shareholders' Equity (continued):**

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

	Number outstanding Dec 31/06	Issued	Exercised	Forfeited	Number outstanding June 30/07
(i) Centerra stock options	879,321	261,317	(8,064)	(119,930)	1,012,644
(ii) Centerra performance share units	726,733	160,348	(304,794)	(86,325)	495,962
(iii) Centerra annual performance share units	173,098	171,411	(187,910)	(18,907)	137,692
(iv) Deferred share units	142,093	26,330	-	-	168,423
(v) Cameco stock options	129,600	-	(51,600)	-	78,000

**Centerra Stock Option Issue**

On May 8, 2007, Centerra granted an additional 261,317 stock options at a strike price of Cdn \$11.17 per share. The compensation expense associated with this stock option series was calculated using the Black-Scholes valuation model, assuming a 6-year term, 39% volatility and a risk-free rate of return of 4.16%, and is being charged against net income over its vesting period. The resulting value per option is \$4.35.

**6. Exploration and Business Development**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>Jun 30/07</b>	<b>Jun 30/06</b>	<b>Jun 30/07</b>	<b>Jun 30/06</b>
	<b>(Thousands)</b>		<b>(Thousands)</b>	
Exploration costs	<b>\$ 4,232</b>	\$ 4,620	<b>\$ 9,552</b>	\$ 10,272
Business development and feasibility costs	<b>249</b>	860	<b>1,337</b>	2,177
	<b>\$ 4,481</b>	\$ 5,480	<b>\$ 10,889</b>	\$ 12,449

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**7. Income Tax Expense**

Income tax expense of \$8.2 million and \$12.7 million was expensed during the three month and six month period ended June 30, 2007 (June 30, 2006- \$2.0 million and \$1.9 million).

Losses incurred in the North American segment have not been tax effected.

**8. Earnings Per Share Amounts**

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>Jun 30/07</b>	<b>Jun 30/06</b>	<b>Jun 30/07</b>	<b>Jun 30/06</b>
Basic weighted average number of common shares outstanding (Thousands)	<b>216,247</b>	216,239	<b>216,243</b>	216,239
Diluted weighted average number of common shares outstanding (Thousands)	<b>216,782</b>	216,578	<b>216,564</b>	216,558
<b>Basic and diluted earnings per common share</b>	<b>\$0.09</b>	\$0.13	<b>\$0.11</b>	\$0.22

## **9. Commitments and Contingencies**

### **Kyrgyz Republic operations**

- a) During the first quarter of 2007 the Parliament accepted in the first reading and returned to committee for further deliberation draft legislation that, among other things, challenges the legal validity of Kumtor agreements with the Kyrgyz Republic, proposes recovery of additional taxes on amounts relating to past activities, and provides for the transfer of gold deposits (including Kumtor) to a state-owned entity. If enacted, there would be a substantial risk of harm to the Company's rights. The Company expects the draft bill to be the subject of extensive discussion and parliamentary procedure before being considered for further approval, if at all. The bill was on the Parliamentary agenda for its May session, which began May 21, 2007, but was not brought forward for discussion. Currently this action has no legislative effect and does not interfere with the Company's operations in the country.

A new proposed resolution promoted by Deputy Maliev (author of the prior resolution) requesting the President to suspend all existing legislation related to the restructuring of Kumtor was delayed and was not put on the parliamentary agenda. There is a risk that this resolution will be tabled if the continuing negotiations are not successful.

Centerra, Cameco and the Government held discussions in Bishkek from July 16 to 20. The Government's Working Group, chaired by the Minister of Finance, and including members of the Government, representatives of the Parliament and civil societies, presented their views of the Kumtor Project and their positions regarding material economic terms for settlement of all disputes. The parties agreed to report the results of this round of discussions to their respective Boards, Prime Minister and the President of the Republic and consider the proposals in greater detail. The Company expects that the parties will resume negotiations in the near future.

If the issues between the parties are not resolved to their mutual satisfaction, the risks to Centerra will increase.

- b) Pursuant to an agreement dated December 7, 2006 between the Government, KGC, Centerra and Kyrgyzaltyn relating to payments in connection with the 1998 Barskoon cyanide spill, KGC has advanced to the Government a total of \$3.7 million with the final installment of \$0.7 million due in 2007. This money has been distributed to members of the local communities by a committee created by the Government to administer the distribution of compensation. One half of the loan (\$2.2 million) is repayable no later than 2010 and is secured by shares of Centerra owned by Kyrgyzaltyn and the other half of the loan (\$2.2 million) is forgivable in 2012 if there is no event of default pursuant to the Investment Agreement between KGC, Centerra and the Government of the Kyrgyz Republic.

**Centerra Gold Inc.**  
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**9. Commitments and Contingencies (continued)**

- c) An international arbitrator has been appointed in the dispute regarding the high altitude tax, land tax and nationalization bill. Centerra and the government have agreed to postpone the first procedural hearing as negotiations are ongoing.

**Mongolia operations**

- d) Pursuant to an agreement between Centerra Gold Mongolia Limited (“CGM”) and Gatsuurt LLC, an arm’s length Mongolian limited liability company, under which CGM acquired the Gatsuurt licenses, CGM agreed to transfer the license that covers the Central Zone of the Gatsuurt property to Gatsuurt LLC if CGM did not complete a feasibility study by December 31, 2005. CGM completed a feasibility study in December 2005. In early 2006 Gatsuurt LLC informed Centerra that it does not believe that CGM complied with its obligation. In December 2006, Gatsuurt LLC began proceedings in the Mongolian National Arbitration Court (“MNAC”) alleging non-compliance by CGM and seeking the return of the license. CGM believes that the Gatsuurt LLC claim is without merit and on July 10, 2007 filed a petition with Mongolia’s District Court contesting the jurisdiction of the MNAC. In its first hearing on procedural matters, held on July 20, 2007, the MNAC decided to suspend its proceedings, pending a decision by the Mongolian District Court as to MNAC’s jurisdiction. On July 25, 2007, the Mongolian District Court returned CGM’s petition, without a decision on the jurisdictional issue, to permit CGM to supplement its submissions. CGM’s challenge to the jurisdiction of the MNAC may be unsuccessful, resulting in the MNAC taking jurisdiction over the dispute. Any decision of the MNAC may be final and binding on CGM. An appeal, if any, would likely be to the courts of Mongolia. Even if the jurisdiction of the MNAC is successfully challenged, Gatsuurt LLC may choose to continue pursue its claim through the courts of Mongolia.

While the Company had been in discussions with the Mongolian Government in 2006 and during the first half of 2007 regarding an investment agreement for Gatsuurt, those discussions have been temporarily deferred pending a resolution on the Company’s Boroo Stability Agreement with the Government. The Company has received written confirmation, dated July 18, 2007, from the Minister of Finance that the Government has no objection to concluding an investment agreement regarding the Gatsuurt Project based on the current mineral laws of Mongolia, provided that all necessary documents required for registration of Gatsuurt’s reserves have been received by the appropriate Mongolian agency and such registration has taken place. The Ministry of Finance has acknowledged receipt of documentation from the Company related to the registration of reserves and the Company expects such registration to be completed this fall. The Company is prepared to quickly advance discussions with the Government regarding an investment agreement for Gatsuurt following a resolution of outstanding issues concerning the Boroo Stability Agreement.

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**9. Commitments and Contingencies (continued)**

On March 13, 2007, the Company suspended its development operations at Gatsuurt, other than those necessary to maintain the property in good standing and comply with permits, pending finalization of the terms of an investment agreement with the Government and the claim by Gatsuurt LLC being resolved. As at June 30, 2007, the Company has made an aggregate of \$19 million in expenditures on the exploration and development of Gatsuurt and the property has a recorded book value of \$2.3 million. Upon a satisfactory investment agreement being reached and the claim by Gatsuurt LLC being resolved, the Company expects to begin the first stage of development of Gatsuurt, budgeted at \$20 million, to construct a 54 kilometre access road and mine facilities at Gatsuurt, procure required mobile mining equipment and expand the camp at Boroo to allow for processing of Gatsuurt ore. The Company's reported mineral reserves and resources for the Gatsuurt property are not materially affected by any of the legal, title, taxation or socio-political issues discussed above.

- e) The Company continues to advance its negotiations regarding its Boroo Stability Agreement with the Mongolian Government amid strong nationalistic sentiment in the country. No agreement has yet been reached. If negotiations are not successful the Government may threaten to terminate the Stability Agreement. The Company does not believe that there is any valid basis for such a termination.

The Minister of Finance has asserted that Boroo is subject to tax at the rate of 20% effective January 1, 2007, rather than March 1, 2007, on the basis that commercial production, and therefore the three-year tax exemption applicable to Boroo under its Stability Agreement, began on January 1, 2004 rather than March 1, 2004. The Company disputes the Minister's claim. The amount in issue is approximately \$4 million for the full year 2007, which the Company has paid under protest and expensed. The Company believes that this and other remaining matters will be resolved as part of continuing negotiations on the Boroo Stability Agreement.

- f) The Mongolian Parliament continues to debate recent changes to mining legislation and the applicability of the windfall profit tax as well as State participation in various mining projects. The windfall tax applies at the rate of 68% on sales of gold above \$500 per ounce. Under the new minerals law, Parliament may designate deposits as strategic and the State may take up to a 34% interest in those strategic deposits in respect of which exploration was funded privately or 50% interest in those strategic deposits in respect of which exploration was funded by the State. On February 6, 2007, Parliament designated the Boroo deposit as strategic but resolved that the State would take no interest as the deposit would continue to be subject to the terms of the existing amended Stability Agreement. While the Government has acknowledged that neither the windfall profit tax nor the strategic deposit provisions will apply to the Boroo project, it has not yet agreed to provide similar protection to the Company's Gatsuurt project and may yet determine Gatsuurt to be of strategic importance.

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**10. Related Party Transactions**

**Cameco Corporation**

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

Costs associated with the enhancement of internal controls at Centerra (as prescribed by the Sarbanes-Oxley Act) were shared with Cameco up to February 28, 2007 to a prescribed amount. During the six month period ended June 30, 2007, approximately \$0.3 million Cdn (\$2.9 million Cdn during the second quarter 2006 and \$3 million Cdn year to date) was charged to Cameco.

A net receivable balance from Cameco of \$0.5 million Cdn was outstanding at June 30, 2007 (\$3.8 million Cdn receivable from Cameco at December 31, 2006).

**Other**

The Company paid and accrued approximately \$103,700 Cdn and \$ 280,000 Cdn during the three month and six month period ended June 30, 2007 to Ms Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr Homeniuk. Ms Stephens provides certain designated legal and business advisory services related to international operations.

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**10. Related Party Transactions (continued)**

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

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

The table below summarizes 100% of the management fees, royalties 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.

	<b>Three Months Ended</b>	
	<b>Jun 30/07</b>	<b>Jun 30/06</b>
Management fees to Kyrgyzaltyn	\$ 133	\$ 152
Concession payments to the Kyrgyz Republic	356	407
	<b>\$ 489</b>	<b>\$ 559</b>

Gross gold and silver sales to Kyrgyzaltyn	\$ 59,919	\$ 64,465
Deduct: refinery and financing charges	(348)	(472)
Net sales revenue received from Kyrgyzaltyn	<b>\$ 59,571</b>	<b>\$ 63,993</b>

	<b>Six Months Ended</b>	
	<b>Jun 30/07</b>	<b>Jun 30/06</b>
Management fees to Kyrgyzaltyn	\$ 220	\$ 314
Concession payments to the Kyrgyz Republic	587	838
	<b>\$ 807</b>	<b>\$ 1,152</b>

Gross gold and silver sales to Kyrgyzaltyn	\$ 97,504	\$ 124,399
Deduct: refinery and financing charges	(595)	(955)
Net sales revenue received from Kyrgyzaltyn	<b>96,909</b>	<b>\$ 123,444</b>

During 2007, management fee commitments to Kyrgyzaltyn are offset against the advance of \$1.0 million which was made for this purpose in November 2005. This advance has now been fully applied.



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**10. Related Party Transactions (continued)**

Kyrgyzaltyn and Kumtor have agreed, pursuant to a Gold Payment Agreement effective December 22, 2005 as amended (the “GPA”) and most recently extended effective from June 6, 2007, that until the earlier of (i) November 15, 2007 and (ii) the date on which at least \$12 million of proceeds from the sale of shares of Centerra currently owned by Kyrgyzaltyn have been deposited into a special purpose gold payment account of Kyrgyzaltyn, Kyrgyzaltyn will have 12 days to pay for gold shipped from the Kumtor mine. Kyrgyzaltyn shall pay interest on unpaid amounts equal to LIBOR plus 0.25%. Prior to the effective date of the GPA, Kumtor shipped gold to Kyrgyzaltyn on a pre-paid basis. Under the GPA Kyrgyzaltyn has agreed to sell before November 15, 2007, a sufficient number of Centerra shares to yield \$12 million of proceeds. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility, which facility will be used by Kyrgyzaltyn to resume the prior practice of pre-paying for gold. While the GPA is in effect the obligations of Kyrgyzaltyn to Kumtor are secured by a pledge of Centerra shares owned by Kyrgyzaltyn. As at June 30, 2007, \$8.8 million was outstanding under this agreement.

**11. 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.

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**11. Segmented Information (continued)**

**Three months ended June 30, 2007**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 59.6	\$ 44.1	-	\$ 103.7
Expenses				
Cost of sales	45.5	9.7	-	55.2
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	0.5	(1.8)	(0.9)	(2.2)
Administration	0.7	0.6	4.8	6.1
<b>Earnings (loss) before income taxes and Non-controlling interest</b>	<b>2.4</b>	<b>30.8</b>	<b>(5.5)</b>	<b>27.7</b>
Income tax expense (recovery)	-	8.1	0.1	8.2
Non-controlling interest	-	0.9	-	0.9
<b>Net earnings (loss)</b>	<b>2.4</b>	<b>21.8</b>	<b>(5.6)</b>	<b>18.6</b>
<b>Capital expenditures for the quarter</b>	<b>20.5</b>	<b>10.3</b>	<b>-</b>	<b>30.8</b>

**Three months ended June 30, 2006**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 63.7	\$ 43.1	\$ -	\$ 106.8
Expenses				
Cost of sales	43.1	14.0	-	57.1
Depreciation, depletion and amortization	4.6	4.9	0.1	9.6
Accretion and reclamation expense	0.1	-	-	0.1
Exploration and business development	3.7	1.0	0.8	5.5
Interest and other	0.3	(0.4)	(3.7)	(3.8)
Administration	0.7	0.3	5.1	6.1
<b>Earnings (loss) before income taxes and Non-controlling interest</b>	<b>11.2</b>	<b>23.3</b>	<b>(2.3)</b>	<b>32.2</b>
Income tax expense (recovery)	1.9		0.1	2.0
Non-controlling interest		1.2	-	1.2
<b>Net earnings (loss)</b>	<b>\$ 9.3</b>	<b>\$ 22.1</b>	<b>\$ (2.4)</b>	<b>29.0</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 18.1</b>	<b>\$ 5.3</b>	<b>\$ 0.2</b>	<b>23.6</b>

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**11. Segmented Information (continued)**

**Six months ended June 30, 2007**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 96.8	\$ 89.2	-	\$ 186.0
Expenses				
Cost of sales	84.5	22.2	-	106.7
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)
Administration	1.3	1.0	8	10.3
<b>Earnings (loss) before income taxes and Non-controlling interest</b>	<b>(10.0)</b>	<b>59.3</b>	<b>(9.7)</b>	<b>39.6</b>
Income tax expense (recovery)	(2.2)	14.8	0.1	12.7
Non-controlling interest	-	2.3	-	2.3
<b>Net earnings (loss)</b>	<b>(7.8)</b>	<b>42.2</b>	<b>(9.6)</b>	<b>24.6</b>
<b>Capital expenditures for the period</b>	<b>46.0</b>	<b>17.8</b>	<b>-</b>	<b>63.8</b>

**Six months ended June 30, 2006**

(\$ millions)	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>North America</b>	<b>Total</b>
Revenue	\$ 122.9	\$ 76.9	\$ -	\$ 199.8
Expenses				
Cost of sales	83.8	27.7	-	111.5
Depreciation, depletion and amortization	10.2	9.3	0.2	19.7
Accretion and reclamation expense	(2.1)	0.1	-	(2.0)
Exploration and business development	6.8	3.7	2.0	12.5
Interest and other	0.8	(0.4)	(6.2)	(5.8)
Administration	1.3	0.7	10.6	12.6
<b>Earnings (loss) before income taxes and Non-controlling interest</b>	<b>22.1</b>	<b>35.8</b>	<b>(6.6)</b>	<b>51.3</b>
Income tax expense (recovery)	1.8	-	0.2	2.0
Non-controlling interest		2.1		2.1
<b>Net earnings (loss)</b>	<b>\$ 20.3</b>	<b>\$ 33.7</b>	<b>\$ (6.8)</b>	<b>47.2</b>
<b>Capital expenditures for the period</b>	<b>\$ 26.9</b>	<b>\$ 7.1</b>	<b>\$ 0.7</b>	<b>\$ 34.7</b>