

centerra**GOLD**



## NEWS RELEASE

### Centerra Gold Reports Third Quarter Earnings of \$0.08 per share

*(This news release contains forward-looking information that is subject to the risk factors and assumptions set out on page 9 and in our Cautionary Note Regarding Forward-looking Information on page 12. All figures are in United States dollars.)*

**Toronto, Canada, October 31, 2008:** Centerra Gold Inc. (TSX: CG) today reported third quarter net earnings of \$16.9 million or \$0.08 per common share based on revenues of \$139.4 million compared to net earnings before unusual items of \$4.8 million or \$0.02 per common share on revenues of \$98.0 million in the same quarter of last year. In the third quarter of 2007 after reflecting unusual items, the Company recorded a loss of \$90.4 million or \$0.42 per common shares.

Centerra's consolidated gold production for the third quarter of 2008 totaled 186,145 ounces at a total cash cost of \$498 per ounce compared to 136,461 ounces at a total cash cost of \$440 per ounce in the corresponding quarter of 2007. Cash provided by operations, net of working capital changes and other operating items was \$24.4 million compared to \$29.3 million in the third quarter of 2007. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures" in the Management's Discussion and Analysis issued in conjunction with this news release).

As disclosed in the Company's news release of September 25, 2008, Centerra agreed to suspend the international arbitration proceedings initiated by the Company, which had been previously postponed to September 29, 2008. The Company continues to hold discussions with Cameco Corporation and the Government working group responsible for Kumtor and the parties have agreed that this suspension will allow for these discussions to continue and for the parties to concentrate on resolving outstanding issues relating to the project. See "Other Corporate Developments – Kyrgyz Republic".

#### Third Quarter Events

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- Suspended international arbitration proceedings, as negotiations continue.
- Gold production and operations continue uninterrupted at Kumtor and the heap leach facility at Boroo has commenced gold production.
- Higher grade material being accessed in the SB Zone at Kumtor.
- Exploration joint ventures signed in Russia (Tyva Republic) and Turkey.
- Surface mapping and sampling continued on the Tonopah Divide project in Nevada.

## **Commentary**

Stephen Lang, President and CEO of Centerra Gold commented, “The operations during the quarter provided strong cash flow, contributing \$63 million year-to-date. I can report that our discussions are continuing with the Kyrgyz Government and the suspension of the international arbitration indicates that those discussions are continuing. The higher grade portion of the SB Zone at Kumtor was reached in September, but head grades at the early stage of the high-grade development were lower than expected. While we are starting to see much better grades at Kumtor, as we get deeper into the SB Zone, we have revised our guidance to reflect the lower than anticipated gold production for the third quarter. There will be a significant increase in gold production in the fourth quarter at Kumtor as we mine the higher-grades in the SB Zone.”

## **Financial and Operating Summary**

Revenues for the third quarter of 2008 were \$139.4 million compared to \$98.0 million during the same period one year ago. Third quarter 2008 revenue reflects a 26% increase in realized gold price (\$860 per ounce in the third quarter of 2008 versus \$680 per ounce in the third quarter of 2007).

The Company produced a total of 186,145 ounces in the third quarter of 2008, up from 158,303 ounces of gold in the second quarter of 2008 and the 136,461 ounces of gold produced in the third quarter of 2007.

Centerra’s total cash cost per ounce of gold was \$498 in the third quarter compared to \$440 in the third quarter of 2007. The year-over-year increase in unit cash costs was primarily due to a \$61 per ounce increase in operating costs resulting from reduced deferred stripping in 2008, an \$18 per ounce increase in consumable costs, partially offset by the impact of higher grades and recoveries at Kumtor. (Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measures” in the Management’s Discussion and Analysis for the three months ended September 30, 2008, issued in conjunction with this news release.)

Cash provided by operations was \$24.4 million for the third quarter of 2008 compared to \$29.3 million for the prior year third quarter. The decrease reflects the higher working capital levels partially offset by increased gold sales and higher average gold price received.

Capital expenditures in the third quarter of 2008 amounted to \$29.3 million of which \$14.5 million was spent on sustaining capital projects and \$14.8 million invested in growth capital, the major components are related to the SB Zone underground development at Kumtor (\$3.1 million), completion of the heap leach facility at Boroo (\$2.5 million) and Pit 3 pre-stripping at Boroo (\$5.0 million).

During the third quarter of 2008, the Company paid down a \$10 million revolving credit facility taken out in 2007. The facility remains available for future use. After repaying the \$10 million revolving credit facility, Centerra’s cash position at the end of September 2008 was \$91.8 million, compared to \$105.5 million at December 31, 2007.

Exploration expenditures for the third quarter were \$5.6 million dollars compared to \$3.9 million in the third quarter of 2007 reflecting higher spending at Kumtor in 2008.

## **Other Corporate Developments**

### **Kyrgyz Republic**

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

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

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

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

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

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

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

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

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

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

Centerra is continuing to hold discussions with the Government working group responsible for the negotiations in respect of Kumtor. To allow for such discussions to continue and for the parties to concentrate on resolving outstanding issues related to the project, Centerra agreed to suspend the international arbitration proceedings initiated by the Company, which had been previously postponed to September 29, 2008.

Since February of 2008, Kumtor has been made the subject of several new tax assessments and other proceedings in the Kyrgyz Republic. These include an investigation by the Kyrgyz Republic financial police into alleged tax evasion in relation to the grant of tax exemptions pursuant to the Investment Agreement governing the Kumtor project and an audit by the state tax inspectorate to determine the amount of taxes that Kumtor would have owed for the years 2005 to 2008 had the Investment Agreement and the Concession Agreement relating to the project not been in effect. The financial police have requested, and have been provided by Kumtor with, information and documents relating to the project and have interviewed senior Kumtor personnel. Kumtor has also

received assessments from tax authorities relating to value-added taxes, land taxes and customs duties alleged to be owed by Kumtor. Kumtor is cooperating with the relevant authorities and continues to pay all taxes in accordance with applicable laws and the Investment Agreement and believes that there is no basis for these investigations or assessments.

## **Mongolia**

On June 29, 2008, Mongolia held parliamentary elections. The Mongolian People's Revolutionary Party (MPRP), who held a slight majority in the prior parliament, obtained 45 out of 76 seats and the Mongolian Democratic Party obtained 28 seats. Despite the fact that the MPRP won a clear majority in the elections, a Coalition Government was formed and, as a result of government restructuring a new ministry of mining was established. Centerra expects that the new government will resume negotiations with respect to an investment agreement for the Gatsuurt Project. The Mongolian Parliament has established a new working group to consider revisions to its mineral law, including possible changes to the windfall profits tax.

## **Operations Update**

### **Kumtor**

At the Kumtor mine, gold production was 133,813 ounces in the third quarter of 2008 representing a 73% increase from the same quarter in 2007, due to higher ore grades and increased recovery. The ore grade in the third quarter averaged 3.63 g/t with a recovery of 79.4% compared to 2.11 g/t with a recovery of 77.9% in the same quarter of 2007. While the gold production was 20% higher in third quarter of 2008 than the second quarter of 2008, the high grade SB Zone was reached in September as planned, however, head grades at this early stage of development were lower than expected.

Total cash cost per ounce, a non-GAAP measure of production efficiency, was virtually unchanged in the third quarter year-over-year at \$561, but decreased from \$631 in the second quarter of 2008. The 2008 cash cost per ounce reflects higher mining costs (\$164 per ounce) resulting from an increase in mining expenses and capitalization of pre-stripping costs related to the SB Zone in 2007, higher milling costs (\$32 per ounce), higher administration costs (\$32 per ounce), higher taxes (unrelated to income) and other costs (\$7 per ounce), offset by an increase in ounces produced (\$235 per ounce).

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

Exploration expenditures totaled \$3.6 million for the third quarter of 2008, an increase from \$2.3 million in the third quarter 2007, primarily as a result of increased drilling activity.

During the third quarter of 2008 capital expenditures were \$18.4 million which included \$11.2 million sustaining capital spent mainly on the tailings dam build-up, shear key construction and till dewatering program, one bulldozer and the CAT 785 haul trucks major overhaul program. In addition \$7.2 million was invested in growth capital mainly for the SB Zone underground development (\$3.1 million) and the purchase of two new CAT 785 haul trucks (\$3.8 million).

The SB Zone underground decline has advanced 102 metres. The underground development continues to advance towards the hanging wall of the Kumtor fault zone.

## **Boroo**

At the Boroo mine in the third quarter of 2008, gold production was 52,332 ounces (including heap leach production), 6,625 ounces lower than the third quarter of 2007 due to reduced ore grades, 2.58 g/t versus 3.61 g/t 2007 and lower recovery 70.5% compared to 81.9%. During the third quarter 2008, the heap leach facility commenced gold production resulting in 12,810 ounces produced from the heap leach. The Company is currently in discussions with the Mongolian government agencies to extend the temporary permit and to get the final permits and approvals for the heap leach facility.

Total cash costs per ounce, a non-GAAP measure of production efficiency, increased to \$338 in the third quarter of 2008 from \$280 in the third quarter of 2007. The cash cost increased from the same quarter in 2007, primarily as the result of higher mill costs (\$36 per ounce), and a reduction in ounces produced (\$35 per ounce). Partially offsetting these costs was a reduction in administration costs (\$12 per ounce).

Major mine consumables costs increased primarily due to higher prices and higher consumption of mine consumables related to a 6% increase in material movement. Increased rental costs are a result of the requirement to increase stacking at the heap leach pad and substitute trucks for those out for rebuild. Royalties paid in respect of the Boroo operation increased as a result of amendments in the third quarter of 2007 to the Stability Agreement with the Mongolian Government which increased the royalty rate from 2.5% to 5% effective August 3, 2007.

During the third quarter of 2008, capital expenditures of \$10.6 million included \$3.0 million sustaining capital and \$7.6 million invested in growth capital primarily related to completing the construction of the heap leach facility (\$2.5 million) and \$5.0 million in capitalized pre-stripping of pit 3.

## **Exploration Update**

### **Kyrgyz Republic**

Drilling activities in the third quarter of 2008 focused on the Kumtor Central Pit area.

### **Kumtor Pit**

In the third quarter of 2008, the drilling program focused on continuing to test the grade and extent of potential high grade underground mineable mineralization in the Stockwork Zone below the current planned open pit. Wide-spaced drill testing for strike and down dip extensions to the main

mineralized horizons in a relatively unexplored area to the northeast of the Central pit high-wall was also continued. Additionally, drilling continued in the Saddle area of the Central Pit between the SB and Stockwork Zones.

Drilling results from the Stockwork Zone continue to be encouraging confirming the potential for a high grade underground deposit. Some of the better drill intercepts are as follows: 9.3 g/t Au over 12.1 metres including 14.8 g/t Au over 7.0 metres in drill hole D1223, 31.5 g/t Au over 6.7 metres including 49.7 g/t Au over 3.0 metres in drill hole D1221A, 13.1 g/t Au over 22.4 and 24.1 g/t Au over 8.8 metres in drill hole D1227A.

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

In the third quarter of 2008 one additional drill hole D1229A was completed in the Saddle area of the Central pit between the SB and Stockwork Zones to follow up on the results from hole D1215 completed in the second quarter of 2008. Hole D1215 hole intersected significant mineralization including 6.5 g/t Au over 17.1 metres, 18.6 g/t Au over 4.0 metres, 6.0 g/t Au over 3.0 metres, 5.0 g/t Au over 6.4 metres, 2.8 g/t Au over 13.0 metres and 2.4 g/t Au over 3.0 metres at elevations from 3520 to 3406 metre. Drill hole D1229A intersected the southern mineralized zone, returning assays of 2.6 g/t Au over 43.9 metre, at the 3470 metre elevation, but this hole did not intersect the northern mineralized zone. The results of these two holes are encouraging indicating that there is excellent exploration potential at depth. Further drilling is planned in the fourth quarter as soon as the area is accessible for drilling.

Drilling continued to test the extension of the Kumtor structure to the northeast of the Central pit highwall. Two of the holes, D1210B, on section 186 and D1212B on section 246, were completed to test the strike extensions of the mineralization intersected in hole D1165 which was completed in the third quarter of 2007 returning assays of 8.6 g/t Au over 13.9 metres. Two additional holes, D1220, on section 226 and D1228A on section 246, were drilled to test the dip and strike extensions of the mineralization intersected in hole D1057B, which was completed in the first quarter 2006 and returned assays of 3.2 g/t Au over 13.6 metres. All of the drill holes intersected weak mineralization over variable widths.

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

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

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

## **Russia**

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

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

## **Turkey**

Centerra has finalized an option/joint venture agreement with KEFI Minerals covering the Artvin project in Turkey. Centerra can earn a 50% interest in the property by spending a total of \$3 million over three years after which it has a one-time option to earn an additional 20% interest in the property by spending an additional \$3 million over two years.

The property is located in north east Turkey and covers a potential gold/copper porphyry prospect. Geochemical, geophysical and geological surveys have been completed by KEFI and a drill program is being developed jointly by KEFI and Centerra. Drilling is anticipated to start in the fourth quarter.

## **United States (Nevada)**

Work continued in the third quarter of 2008 on the Tonopah Divide property, which is located in south-central Nevada in the Walker Lane trend. A geophysical survey was completed over the central portion of the project area and historic data have been compiled. Surface mapping and sampling is continuing. Analytical results confirm that anomalous gold and silver values in bedrock are widespread over much of the property with the better values focused in specific structures. A drilling program to test six priority targets, defined by geology, geochemistry, and geophysics, was started at the beginning of October 2008.

## **Outlook for 2008**

Centerra expects consolidated gold production in 2008 of 740,000 to 790,000 ounces, which is lower than the prior guidance in the second quarter of 2008 of 770,000 to 830,000 ounces. The reduction in gold production guidance is due to lower than expected gold production at Kumtor. The higher grade portion of the SB Zone at Kumtor was reached in September, as planned, but head grades at this early stage of the high grade development are lower than expected. Total cash cost in 2008 is now expected to be \$460 to \$495 per ounce up from prior guidance of \$409 to \$449 per ounce in 2008 due to the lower ounce production and rising operating costs at both sites. (This includes revenue-based taxes and royalties incurred in the Kyrgyz Republic under its existing (2003) Investment Agreement of approximately 7.5% of revenue for all of 2008.) Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Gold production for the full year 2008 at the Kumtor mine is now expected to be 550,000 to 580,000 ounces down from the prior second quarter guidance of the 580,000 and 620,000 ounce range. Total cash cost for 2008 is now expected to be \$480 to \$520 per ounce up from the prior guidance of \$416 to \$456 per ounce reflecting the impact of lower gold production and increasing operating costs.

At Boroo, the Company maintains its prior guidance for annual gold production of 190,000 to 210,000 ounces in 2008. Total cash cost is expected to be \$380 to \$420 per ounce in 2008, which is also unchanged from the prior guidance.

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

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

<b>Production (100%)</b> <i>Ounces of gold</i>	<b>First Nine Months of 2008 Actual</b>	<b>2008 Forecast</b>	<b>2007 Actual</b>
Kumtor	<b>319,707</b>	550,000 – 580,000	300,862
Boroo	<b>145,136</b>	190,000 – 210,000	254,548
Total	<b>464,843</b>	740,000 – 790,000	555,410

<b>Total Cash Cost <sup>(1)</sup></b> <i>\$ per ounce</i>	<b>First Nine Months of 2008 Actual</b>	<b>2008 Forecast</b>	<b>2007 Actual</b>
Kumtor	<b>633</b>	480 – 520 <sup>(2)</sup>	610
Boroo	<b>353</b>	380 – 420	244
Consolidated	<b>546</b>	460 - 495 <sup>(2)</sup>	442

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

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

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

- a gold price of \$800 per ounce,
- exchange rates:
  - \$1USD:\$1.10CAD
  - \$1USD:36 Kyrgyz Som
  - \$1USD:1,150 Mongolian Tugrik
  - \$1USD:0.65 Euro

Centerra’s revenues, earnings and cash flows for the fourth quarter of 2008 are sensitive to changes in certain variables and the Company has estimated their impact on revenues, net earnings and cash from operations.

Sensitivities	Change	Impact on (\$ millions)			
		Costs	Revenues	Cash flow	Earnings
Gold Price	\$25/oz	1.4	8.4	7.0	7.0
Diesel Fuel	10%	\$6/oz	-	1.7	1.5
Kyrgyz som	1 som	1.0	-	1.0	0.9
Mongolian tugrik	25 tugrik	0.3	-	0.3	0.2
Canadian dollar	10 cents	1.6	-	1.6	1.6

Other important assumptions that are implicit in Company's production, cost and capital guidance are as follows:

- grades and recoveries at Kumtor are expected to increase through the fourth quarter as planned to achieve the forecast gold production and access to the SB Zone continues as planned,
- no delays in or interruption of scheduled production from our mines, including due to natural phenomena, labour disputes or other development and operation risks,
- prices for fuel oil, reagents and other consumables will remain consistent with Company estimates for the fourth quarter,
- the necessary permits and approvals for the Boroo heap leach are obtained as planned,
- a material reduction in gold price could impact timing and amount of capital expenditures,
- in respect of total cash cost guidance, the existing (2003) Investment Agreement for Kumtor will be effective through 2008, and
- all necessary permits, licences and approvals are received in a timely manner.

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

### Labour Negotiations

At Kumtor, the existing collective bargaining agreement will expire on December 31, 2008. A new 30-month collective agreement has been tentatively agreed to by the union negotiating team and will be put before the union membership and voted on in early November 2008. The proposed contract is retroactive to July 1, 2008 and the cost outlook includes the material increase and assumes that it has been accepted by the members.

### Exploration

Exploration costs are expected to total \$25 million for the year.

## **Capital Expenditures**

The capital requirement in 2008 is estimated to be \$97 million, including \$50 million of sustaining capital. Growth capital is forecast at \$47 million, which includes \$22 million for Kumtor (the largest expenditures would be \$16 million for the development of the SB Zone underground decline in 2008, \$4 million for two additional haul trucks, and \$22 million for Boroo (the largest expenditures would be \$13 million for the pre-stripping of Pit 3 and \$9 million to complete the heap leach facility). The development of the SB Zone underground decline at Kumtor, pre-stripping of Pit 3 at Boroo and the heap leach facility construction will be capitalized and amortized based on units of production consistent with the Company's accounting policies.

The estimated capital requirement of \$97 million has increased from the Company's prior second quarter guidance for 2008 of \$88 million. Sustaining capital has increased \$5.0 million and growth capital is up \$4.0 million.

## **Administration**

Annual corporate and administration expenses without unusual items are expected to amount to approximately \$35 million in 2008.

## **Corporate Income Taxes**

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

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

## **Qualified Person**

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

The Kumtor deposit is described in Centerra's most recently filed Annual Information Form (the "AIF") and in a technical report dated March 28, 2008 prepared in accordance with NI 43-101. The AIF and technical report have been filed on SEDAR at [www.sedar.com](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 described in the technical report.

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

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

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

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or

achievements that are or may be expressed or implied by such forward-looking statements contained in this news release. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward-looking information. Forward-looking information is as of October 30, 2008. Centerra assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

## **About Centerra**

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

## **Conference Call**

Centerra invites you to join its third quarter 2008 conference call on Friday, October 31, 2008 at 10:30 am. Eastern Time. The call is open to all investors and the media. To join the call, please dial Toll-Free in North America (800) 734-4208 or International callers dial (303) 223-0117. Alternatively, an audio feed web cast will be available on [www.centerragold.com](http://www.centerragold.com). A recording of the call will be available on [www.centerragold.com](http://www.centerragold.com) shortly after the call, and via telephone until midnight on Friday, November 7, 2008 by calling (416) 626-4100 or (800) 558-5253 and using passcode 21396633.

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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).**

**MDA and Financial Statements and Notes follow**

# Centerra Gold Inc.

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

### For the period ended September 30, 2008

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

#### TABLE OF CONTENTS

Consolidated Financial Results .....	15
Highlights.....	15
Three Month Period Ended September 30, 2008 compared with the Three Month Period Ended September 30, 2007 .....	16
Nine Month Period Ended September 30, 2008 Compared with the Nine Month Period Ended September 30, 2007 .....	19
Mine Operations.....	21
Other Financial Information – Related Party Transactions.....	29
Quarterly Results – Last Eight Quarters .....	30
Other Corporate Developments .....	30
Critical Accounting Estimates .....	32
Changes in Accounting Policies .....	33
Outlook .....	35
Non-GAAP Measures .....	40
Caution Regarding Forward-Looking Information.....	42

## Consolidated Financial Results

Centerra's consolidated financial results for the three and nine month periods ended September 30, 2008 reflect 100% interests in the Kumtor and Boroo mines and Gatsurt project.

### Highlights

Financial Summary	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	Change	% Change	2008	2007	Change	% Change
Revenue - \$ millions	<b>139.4</b>	98.0	41.4	42%	<b>394.6</b>	284.1	110.5	39%
Cost of sales - \$ millions <sup>(1)</sup>	<b>78.7</b>	58.7	20.0	34%	<b>218.7</b>	155.1	63.6	41%
Net earnings before unusual items - \$ millions <sup>(3)</sup>	<b>16.9</b>	4.8	12.1	252%	<b>54.4</b>	29.4	25.0	85%
Unusual items - \$ millions	-	(95.2)	95.2	100%	<b>37.7</b>	(95.2)	132.9	140%
Net earnings (loss) - \$ millions	<b>16.9</b>	(90.4)	107.3	119%	<b>92.1</b>	(65.8)	157.9	240%
Earnings (loss) per common share - \$ basic and diluted	<b>0.08</b>	(0.42)	0.50	119%	<b>0.43</b>	(0.30)	0.73	243%
Cash provided by operations - \$ millions	<b>24.4</b>	29.3	(4.9)	(16.7)%	<b>63.0</b>	44.5	18.5	42%
Weighted average common shares outstanding - basic (thousands) <sup>(2)</sup>	<b>216,318</b>	216,300	18	0%	<b>216,318</b>	216,271	47	0%
Weighted average common shares outstanding - diluted (thousands) <sup>(2)</sup>	<b>216,318</b>	216,300	18	0%	<b>217,477</b>	216,271	1,206	1%
Gold sold – ounces	<b>162,140</b>	144,205	17,935	12%	<b>446,488</b>	427,381	19,107	4%
Gold produced – ounces	<b>186,145</b>	136,461	49,684	36%	<b>464,843</b>	422,880	41,963	10%
Cost of sales - \$/oz sold	<b>486</b>	407	79	19%	<b>490</b>	363	127	35%
Total cash cost <sup>(4)</sup> - \$/oz produced	<b>498</b>	440	58	13%	<b>546</b>	397	149	38%
Total production cost <sup>(4)</sup> - \$/oz produced	<b>598</b>	509	89	17%	<b>649</b>	478	171	36%
Average realized gold price - \$/oz	<b>860</b>	680	180	26%	<b>884</b>	665	219	33%
Average gold spot price - \$/oz	<b>872</b>	680	192	28%	<b>897</b>	666	231	35%

(1) Cost of sales excludes regional office administration.

(2) As of October 30, 2008, the Company had 216,318,188 common shares issued and outstanding.

(3) Net earnings before unusual items is a non-GAAP measure

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

## **Three Month Period Ended September 30, 2008 compared with the Three Month Period Ended September 30, 2007**

### **Gold Production and Revenue**

Revenue in the third quarter of 2008 increased to \$139.4 million from \$98.0 million in the same quarter last year reflecting higher realized gold prices and an increase in ounces sold (162,140 ounces in the third quarter of 2008 compared with 144,205 ounces in the same period of 2007). Gold production for the quarter was 186,145 ounces compared to 136,461 ounces of gold reported in the third quarter of 2007. The higher gold production is primarily attributable to an increase of 56,309 ounces at Kumtor partially offset by lower production at Boroo. Kumtor's increase in gold production was due to the milling of higher grade ore which averaged 3.63 g/t in the third quarter of 2008 compared to 2.11 g/t milled in the same quarter of 2007.

Centerra realized an average gold price of \$860 per ounce for the third quarter of 2008, an increase of 26% from the \$680 per ounce realized in the same quarter in 2007. Since Centerra's gold production is unhedged and gold is sold at the prevailing spot price, the increase in the average realized gold price was due to higher spot gold prices, which averaged \$872 per ounce for the period compared to \$680 per ounce for the same period in 2007.

### **Cost of Sales**

Cost of sales in the third quarter was \$78.7 million, which is higher than the same quarter of 2007 (\$58.7 million) due primarily to higher sales volumes at Kumtor and increased operating costs, partially offset by lower sales volumes at Boroo.

At Kumtor, operating costs increased \$35.1 million for the third quarter of 2008 compared to the same period of 2007, which included \$10.3 million of capitalized pre-stripping costs. The increase in 2008 compared to 2007 is due to a higher mining rate, increased maintenance expenditures attributed to the mobile fleet, higher fuel consumption rates and costs, higher costs for consumables and labour and the capitalization of \$10.3 million of pre-stripping costs related to the SB Zone in the third quarter of 2007. In addition, revenue-based taxes were higher in 2008 due to higher gold production and the higher realized gold price. See "Mine Operations – Kumtor".

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

Cost of sales per ounce sold increased to \$486 compared to \$407 for the same period in 2007. This reflects higher-cost ounces which were in inventory in the second quarter of 2008 flowing through sales in the third quarter and increased operating costs.

The Company's total cash cost per ounce produced was \$498, up from \$440 in the third quarter of 2007. This increase is primarily due to increased operating costs, described above. See "Mine Operations – Kumtor" and "Mine Operations – Boroo".

## **Depreciation, Depletion and Amortization**

Consolidated, depreciation, depletion and amortization for the third quarter of 2008 increased to \$18.0 million from \$11.7 million in the same quarter of 2007, mainly due to Kumtor's expanded truck fleet. On a per unit basis, depreciation, depletion and amortization for the third quarter of 2008 was \$111 per ounce sold compared to \$81 per ounce sold in the same quarter of 2007, primarily reflecting the addition of capital equipment at Kumtor and amortization of pre-stripping at Boroo that was capitalized in 2007.

## **Accretion and Reclamation Expense**

Accretion and reclamation expense in the third quarter of 2008 was unchanged from the third quarter of 2007 at \$0.3 million.

## **Exploration**

Exploration costs in the third quarter of 2008 increased to \$5.6 million from \$3.9 million in the same quarter of 2007 reflecting an increase in exploration spending at Kumtor.

## **Capital Expenditures**

Capital expenditures of \$29.3 million in the third quarter of 2008 included \$14.5 million of sustaining capital and \$14.8 million invested in growth capital primarily related to the SB Zone underground development at Kumtor (\$3.1 million), completion of the heap leach facility at Boroo (\$2.5 million) and pit 3 pre-stripping at Boroo (\$5.0 million).

## **Corporate Administration**

Corporate administration costs for the third quarter 2008 were \$7.3 million compared to \$4.2 million in the same quarter of 2007. The increase is due to a number of items, the largest of which is arbitration related expenses.

## **Income Tax Expense**

Income tax in the amount of \$7.5 million was expensed in the third quarter of 2008 compared to \$9.6 million in the third quarter of 2007. The \$2.1 million decrease in the quarter is primarily the result of a non-recurring upward adjustment that was made in the third quarter of 2007 to Boroo's income tax provision to reflect the impact in that quarter of the amendment to the Boroo Stability Agreement effective in that quarter.

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

Kumtor continues to record and pay taxes in accordance with the terms of its Investment Agreement. Income taxes are recorded at 10%, plus an amount equal to 2% of net income payable to the Issyk Kul Social Fund.

## **Net Earnings Before Unusual Items**

Net earnings before unusual items for the third quarter were \$16.9 million, or \$0.08 per share, compared to \$4.8 million or \$0.02 per share for the same period in 2007, reflecting increased gold sales and higher revenue due to higher realized gold prices. This was partially offset by increased operating expenses.

## **Unusual Items**

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

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

## **Net Earnings After Unusual Items**

Net earnings after unusual items for the third quarter of 2008 were \$16.9 million, or \$0.08 per share, compared to a loss of \$90.4 million, or \$0.42 per share, for the same quarter of 2007, reflecting the unusual items discussed above.

## **Liquidity and Capital Resources**

Cash provided from operations was \$24.4 million for the third quarter of 2008 compared to \$29.3 million for the same quarter of 2007, primarily reflecting higher working capital levels, partially offset by increased gold sales and the higher average price for gold received during this period.

Cash used in investing activities in the third quarter of 2008 was \$30.6 million for capital spending, compared to \$34.0 million in the same quarter of 2007. In the third quarter of 2008, Centerra spent and accrued \$14.5 million on sustaining capital projects and \$14.8 million on growth projects. Expenditures on growth projects at Kumtor was \$7.2 million including \$3.1 million on the SB Zone underground development while sustaining capital was \$11.2 million. At Boroo, sustaining capital was \$3.0 million and growth capital was \$7.6 million including \$5.0 million in Pit 3 pre-stripping and \$2.5 million for the heap leach project.

As at September 30, 2008, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$21.2 million (Kumtor \$17.7 million, Boroo \$3.5 million). These contracts are expected to be settled over the next twelve months.

During the third quarter of 2008, the Company repaid in full a \$10 million loan taken out in 2007. The facility remains available for future use. Cash on hand was \$91.8 million at the end of the third quarter of 2008, compared to \$105.5 million at December 31, 2007.

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

### **Nine Month Period Ended September 30, 2008 Compared with the Nine Month Period Ended September 30, 2007**

Revenue for the first nine months of 2008 increased by \$110.5 million, or 39%, to \$394.6 million compared to \$284.1 million in the same period of 2007 due primarily to higher realized gold prices. Gold production increased to 464,843 ounces in the first nine months of 2008 compared to 422,880 ounces reported in the same period of 2007. The average realized gold price for the first nine months of 2008 was \$884 per ounce compared to \$665 per ounce in the same period of 2007 reflecting higher spot prices for gold.

Cost of sales for the first nine months of 2008 increased by \$63.6 million, or 41%, due to increased sales at Kumtor. As well, operating costs at Kumtor and Boroo also increased.

Depreciation, depletion and amortization for the first nine months of 2008 increased to \$45.5 million from \$33.7 million in the same period of 2007, primarily reflecting the addition of capital equipment at Kumtor and amortization of pre-stripping capitalized in 2007 at Boroo.

Corporate administration costs for the first nine months of 2008 were \$21.2 million compared to \$14.6 million in the same period of 2007. The increase is primarily due to \$5.0 million of non-recurring expenses related to management changes in June 2008, legal and arbitration expenses of \$0.7 million and other employee related costs.

Net earnings before unusual items in the first nine months of 2008 were \$54.4 million, or \$0.25 per share, compared to \$29.4 million, or \$0.14 per share, for the same period in 2007, reflecting higher realized gold prices.

Net earnings after unusual items in the first nine months of 2008 were \$92.1 million, or \$0.43 per share, compared to a loss of \$65.8 million, or \$0.30 per share, in the same period of 2007. The increase reflects higher realized gold prices and unusual items in the first nine months of 2008.

Cash flow provided by operations for the first nine months of 2008 was \$63.0 million compared to \$44.5 million in the same period of 2007 reflecting higher net earnings. Cash used in investing activities totaled \$66.7 million in the nine months of 2008 compared to \$107.2 million in the prior year, reflecting decreased spending at Kumtor. Significant capital was spent in the first half of 2007 to expand the mining fleet at Kumtor.

## **Asset Retirement Obligations**

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

The Company has estimated the net present value of the total asset retirement obligations to be \$22.6 million as at September 30, 2008 (December 31, 2007 - \$20.9 million). These payments are expected to commence over the next 3 to 5 years. The Company used a historical average credit-adjusted risk-free rate of 8% to calculate the present value of the asset retirement obligations.

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

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

## **Share capital**

As of September 30, 2008, Centerra had 216,318,188 shares issued and outstanding. In addition, at the same date, the Company had 1,848,165 share options outstanding under its share option and share appreciation rights plan with exercise prices between Cdn\$4.68 and Cdn\$14.29 per share, and with expiry dates between 2012 and 2016.

## **Gold hedges**

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

## **Market Update**

A significant factor in determining profitability and cash flow from the Company's operations is the price of gold. The spot market gold price based on the London PM fix was approximately \$884 per ounce at the end of the third quarter of 2008. For the three months ended September 30, 2008, the gold price averaged \$872 per ounce compared to \$680 per ounce for the same period in 2007.

The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic and Mongolia, and its corporate head office is in Toronto, Canada. During the third quarter of 2008, the proportion of Centerra's operating costs in each currency was as follows: 37% in U.S. dollars, 29% in Kyrgyz som, 13% in Canadian dollars, 10% in Mongolian tugrik, 9% in Euros and the balance in British pounds and Australian dollars. On average, in the first nine months of 2008, the currencies of the Kyrgyz Republic, Canada and the United Kingdom fell against the U.S. dollar by approximately 1.1%, 2.8%, and 2.0%, respectively,

from their value at December 31, 2007; the Euro and the Australian dollar strengthened against the U.S. dollar by approximately 4.0% and 3.9% respectively, whilst the Mongolian tugrik remained virtually unchanged against the currency. The impact of these movements over the nine months to September 30, 2008 has been to reduce operating costs by an estimated \$0.6 million.

## **Mine Operations**

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

### **Kumtor**

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based gold producer. It has been operating since 1997 and has produced about 6.5 million ounces of gold. During the third quarter of 2008, Kumtor experienced one lost-time accident. There were no reportable environmental incidents during the quarter.

<b>Kumtor Operating Results</b>	<b>Three Months Ended September 30</b>				<b>Nine Months Ended September 30</b>			
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>Change</u></b>	<b><u>% Change</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>Change</u></b>	<b><u>% Change</u></b>
Gold sold – ounces	<b>111,121</b>	82,397	28,724	35%	<b>293,611</b>	229,103	64,508	28%
Revenue - \$ millions	<b>95.7</b>	55.8	39.9	72%	<b>259.8</b>	152.6	107.2	70%
Average realized gold price—\$/oz	<b>861</b>	677	184	27%	<b>885</b>	666	219	33%
Cost of sales - \$ millions <sup>(1)</sup>	<b>64.2</b>	45.9	18.3	40%	<b>176.4</b>	123.7	52.7	43%
Cost of sales - \$/oz sold	<b>577</b>	557	20	4%	<b>601</b>	540	61	11%
Tonnes mined - 000s	<b>27,991</b>	30,902	(2,911)	(9%)	<b>86,548</b>	83,274	3,274	4%
Tonnes ore mined – 000s	<b>1,226</b>	941	285	30%	<b>3,477</b>	3,397	80	2%
Tonnes milled - 000s	<b>1,497</b>	1,441	56	4%	<b>4,017</b>	4,151	(134)	(3%)
Average mill head grade - g/t <sup>(2)</sup>	<b>3.63</b>	2.11	1.52	72%	<b>3.22</b>	2.29	0.93	41%
Recovery - %	<b>79.4</b>	77.9	1.50	2%	<b>77.3</b>	72.9	4.4	6%
Gold produced – ounces	<b>133,813</b>	77,504	56,309	73%	<b>319,707</b>	226,940	92,767	41%
Total cash cost <sup>(3)</sup> - \$/oz	<b>561</b>	562	(1)	0%	<b>633</b>	558	75	13%
Total production cost <sup>(3)</sup> - \$/oz	<b>660</b>	645	15	2%	<b>738</b>	646	92	14%
Capital expenditures - \$millions	<b>18.4</b>	26.1	(7.7)	(30%)	<b>36.8</b>	72.1	(35.3)	(49%)

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

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

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

## **Third Quarter 2008 vs. Third Quarter 2007**

### **Revenue and Gold Production**

Revenue in the third quarter of 2008 increased to \$95.7 million from \$55.8 million in the third quarter of 2007 primarily as a result of the higher realized gold price and higher sales volumes (111,121 ounces in the third quarter of 2008 compared to 82,397 ounces in the same period of 2007). Kumtor produced 133,813 ounces of gold in the third quarter of 2008 compared to 77,504 ounces of gold in the third quarter of 2007. The increase results primarily from higher ore grades and increased recovery. The ore grade averaged 3.63 g/t with a recovery of 79.4% in the third quarter of 2008, compared to 2.11 g/t with a recovery of 77.9% in the same quarter of 2007.

The realized gold price in the third quarter of 2008 was \$861 per ounce compared to \$677 per ounce in the same period in 2007.

### **Cost of Sales**

Cost of sales at Kumtor in the third quarter of 2008 was \$64.2 million compared to \$45.9 million in the same quarter of 2007. This is primarily due to increases in operating costs, higher mined and milled tons and higher sales.

Operating costs at Kumtor increased \$35.1 million for the third quarter 2008 compared to the same quarter of 2007. Costs increased primarily due to higher mine fleet and mill maintenance costs (\$16.8 million vs. \$14.5 million for the same quarter last year), higher fuel, reagent and other consumables costs (\$21.3 million vs. \$12.0 million for the same quarter last year), higher national labour costs (\$12.8 million vs. \$8.9 million), till dewatering costs (\$2.3 million vs. nil) and capitalization of pre-stripping costs related to the SB Zone in the third quarter of 2007 of approximately \$10.3 million. Mine fleet maintenance costs increased due to the additional costs of maintaining the expanded fleet, which includes thirty CAT 785 haul trucks and four Liebherr shovels acquired during 2006 and 2007 and the existing thirty nine CAT 777 trucks, that have undergone replacement and repairs to attain industry standards for mechanical availability and utilization. Major mine and mill consumables costs increased primarily due to higher commodity prices especially for diesel, steel grinding balls, sodium cyanide and electricity. The ultimate impact of these cost changes on the reported results is dependent on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented.

Cost of sales per ounce sold increased to \$577 compared to \$557 for the third quarter of 2007. This reflects an increase in the operating costs as described above, and the recovery of higher-cost ounces which were in inventory in the first and second quarters of 2008 flowing through sales in the third quarter of 2008.

A total cash cost per ounce was virtually unchanged in the third quarter year-over-year at \$561 compared to \$562 last year. The 2008 cash cost amount reflects higher mining costs (\$164 per ounce) resulting from an increase in mining expenses noted above and capitalization of pre-stripping costs related to the SB Zone in 2007, higher milling costs (\$32 per ounce), higher administration costs (\$32 per ounce), higher taxes unrelated to income and other costs (\$7 per ounce), offset by an increase in ounces produced (\$235 per ounce).

## **Exploration**

Exploration expenditures totaled \$3.6 million for the third quarter of 2008, which increased from \$2.3 million in the third quarter 2007. This is primarily as a result of increased drilling activity.

## **Capital Expenditures**

Capital expenditures in the third quarter were \$18.3 million. This included \$11.1 million of sustaining capital spent mainly on the tailings dam build-up, shear key construction, till dewatering program, one bulldozer replacement and the CAT 785 haul trucks major overhaul program. In addition \$7.2 million was invested in growth capital mainly for the SB Zone underground development and purchase of two new CAT 785 haul trucks.

## **First Nine Months of 2008 vs. First Nine Months of 2007**

### **Revenue and Gold Production**

Revenue for the first nine months of 2008 increased to \$259.8 million from \$152.6 million in the same period of 2007 as a result of the higher realized gold price and higher sales volumes (293,611 ounces for the nine months of 2008 compared to 229,103 ounces in the same period of 2007). Kumtor produced 319,707 ounces of gold for the first nine months of 2008 compared to 226,940 ounces of gold in the same period of 2007. The increase is primarily a result of higher ore grades and increased recovery, which is partially offset by a 3% reduction in mill throughput. The ore grade averaged 3.22 g/t with a recovery of 77.3% for the nine months period of 2008, compared to 2.29 g/t with a recovery of 72.9% in the same period of 2007.

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

### **Cost of Sales**

Cost of sales at Kumtor in the first nine months of 2008 was \$176.4 million compared to \$123.7 million in the same period of 2007. This is primarily due to an increase in gold sales over the period plus increases in operating costs.

Operating costs at Kumtor increased \$74.2 million for the first nine months 2008 compared to the same period of 2007. Costs increased primarily due to higher maintenance costs (\$49.7 million vs. \$33.7 million for the same period last year), higher fuel and reagent costs (\$52.0 million vs. \$33.2 million for the same period last year), higher national labour costs (\$32.3 million vs. \$24.8 million), till dewatering (\$3.9 million vs. nil) and capitalization of pre-stripping costs related to the SB Zone in the third quarter of 2007 of approximately \$22.4 million.

Cost of sales per ounce sold increased to \$601 compared to \$540 for the first nine months of 2007. This reflects an increase in the operating costs as described above, associated with ounces produced and sold in 2008.

Total cash costs per ounce increased to \$633 for the first nine months of 2008 from \$558 in the same period of 2007 primarily due to higher mining costs (\$177 per ounce) resulting from an increase in

mining expenses noted above and capitalization of pre-stripping costs related to the SB Zone in 2007, higher milling costs (\$24 per ounce), higher administration costs (\$24 per ounce), higher production taxes and other costs (\$11 per ounce), partially offset by an increase in ounces produced (\$162 per ounce).

### **Exploration**

Exploration expenditures totaled \$10.3 million for the first nine months of 2008, which has increased from \$8.9 million in the first nine months 2007. This was the result of both increased drilling activity and increased fuel, material and supply costs.

### **Capital Expenditures**

Capital expenditures for the first nine months were \$36.8 million, which included \$21.7 million spent on sustaining projects including the tailings dam build-up, shear key construction, till dewatering program, one bulldozer replacement and CAT 785 haul trucks major overhaul program. Growth capital spending totalled \$15.1 million mainly for the SB Zone underground development and the purchase of two new CAT 785 haul trucks.

## Boroo

Located in Mongolia, this open pit mine was the first hard rock gold mine in Mongolia and to date has produced over 1.2 million ounces of gold. During the third quarter of 2008, there was one lost-time accident, two first aid injuries, and no reportable environmental spills at the Boroo mine.

Boroo Operating Results	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	Change	% Change	2008	2007	Change	% Change
Gold sold – ounces	51,019	61,808	(10,789)	(17%)	152,877	198,278	(45,401)	(23%)
Revenue - \$ millions	43.7	42.2	1.5	4%	134.9	131.5	3.4	3%
Average realized gold price–\$/oz	857	684	173	25%	882	663	219	33%
Cost of sales - \$ millions <sup>(1)</sup>	14.6	12.8	1.8	14%	42.3	31.4	10.9	35%
Cost of sales - \$/oz sold	286	207	79	38%	277	158	119	75%
Tonnes mined - 000s	4,132	4,291	(159)	(4)%	13,819	12,678	1,141	9%
Tonnes mined heap leach - 000s	864	951	(87)	(9)%	2,592	2,819	(227)	(8)%
Tonnes ore mined direct mill Feed – 000s	584	552	32	6%	1,791	1,638	153	9%
Tonnes ore milled - 000s	665	631	34	5%	1,876	1,899	(23)	(1)%
Average mill head grade - g/t <sup>(2)</sup>	2.58	3.61	(1.03)	(29)%	2.74	3.76	(1.02)	(27)%
Recovery - % <sup>(4)</sup>	70.5	81.9	(11.4)	(14)%	79.8	85.3	(5.5)	(6)%
Gold produced – ounces	52,332	58,957	(6,625)	(11)%	145,136	195,940	(50,804)	(26)%
Total cash cost <sup>(3)</sup> - \$/oz	338	280	58	21%	353	211	142	67%
Total production cost <sup>(3)</sup> - \$/oz	440	372	68	18%	452	284	168	59%
Capital expenditures - \$millions	10.6	10.7	(0.1)	(1)%	29.2	27.9	1.3	5%

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

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

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

(4) Excludes heap leach recovery.

## Third Quarter 2008 vs. Third Quarter 2007

### Revenue and Gold Production

Although ounces sold decreased in the third quarter of 2008 to 51,019 from 61,808 in the same period of 2007, revenue in the third quarter of 2008 increased to \$43.7 million from \$42.2 million in the third quarter of 2007, due to the higher realized gold price. The realized gold price in the third quarter of 2008 was \$857 per ounce compared to \$684 per ounce in the same period in 2007 due to the higher gold spot prices.

Gold production at Boroo was 52,332 ounces in the third quarter of 2008 which was 6,625 ounces less than the third quarter of 2007 primarily resulting from lower grade ores and lower recovery. During the third quarter of 2008, the mill ore grade averaged 2.58 g/t with a recovery of 70.5% compared to mill ore grade of 3.61 g/t and recovery of 81.9% in the same quarter of 2007. The reduction of head grade reduced overall ounces poured by 17,359. This was partially offset by the start-up of heap leach operations in the third quarter resulting in 12,810 ounces produced. The Company is in discussions with Mongolian government agencies to extend the temporary heap leach permit and to get the final permits and approvals for the heap leach facility.

### **Cost of Sales**

Cost of sales at Boroo for the third quarter of 2008 was \$14.6 million compared to \$12.8 million in the third quarter of 2007.

Cost of sales at Boroo increased by \$1.8 million primarily due to increases in operating costs during the period partially offset by a reduction of ounces sold during the period.

The increase in operating costs was mainly due to the start up of the heap leach operations as well as price increases across commodities and rental costs. During the third quarter, the start-up of the heap leach facility increased overall operating costs by \$1.7 million.

Higher diesel costs accounted for \$2.1 million in increases (\$4.1 million vs. \$2.0 million for the same quarter last year). This was mainly due to an increase in diesel prices of 81% and a 10% increase in volumes resulting from increased heap leach activity. The price of explosive increased 99% (\$1.4 million vs. \$0.9 million for the same quarter last year) and mine rental costs were \$1.3 million vs. \$0.3 million for the same quarter last year. Major mine consumables costs increased primarily due to higher prices and higher consumption of mine consumables resulting from a 6% increase in material movement. Increased rental costs are a result of the requirement to increase stacking at the heap leach pad and substitute trucks for those out for rebuild.

Reagent costs increased to \$1.6 million from \$0.5 million for the same quarter last year. Mill consumables costs included a 35% price increase in cyanide as well as 24% price increase in grinding balls. Total heap leach reagent and other consumable costs increased the overall production costs for the quarter by \$0.4 million.

These cost increases were partially offset by various cost decreases including; maintenance costs (\$1.4 million vs. \$2.1 million for the same period of last year), and contractors and consultants cost decrease (\$0.8 million vs. \$1.4 million for the same period of the last year).

Other cost increases included higher royalties of \$0.1 million for the same quarter last year due to higher average realized sales prices as well as an increase in royalty rate. Royalties paid in respect of the Boroo operation increased as a result of amendments in the third quarter of 2007 to the stability agreement with the Mongolian Government which increased the royalty rate from 2.5% to 5% effective August 3, 2007. The ultimate impact of these cost changes on the reported results is dependent on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented.

Depreciation, depletion and amortization increased by \$0.9 million quarter-over-quarter for 2008 due to the addition of the heap leach facilities which commenced production in the third quarter of 2008.

Cost of sales per ounce sold increased to \$286 from \$207 for the third quarter of 2008. This reflects an increase in the operating costs as described above.

Total cash costs per ounce increased to \$338 in the third quarter of 2008 from \$280 in the third quarter of 2007 as a result of higher mill costs (\$36 per ounce), and a reduction in ounces produced (\$35 per ounce), partially offset by lower administration costs (\$12 per ounce).

### **Exploration**

Exploration expenditures in Mongolia totaled \$0.8 million in the third quarter of 2008 compared with \$0.5 million in 2007. The expenditures relate primarily to a more focused exploration program near the Boroo mine area and other areas with known mineralization.

### **Capital Expenditures**

Capital expenditures in the third quarter of 2008 of \$10.6 million included \$3.0 million of sustaining capital and \$7.6 million invested in growth capital primarily related to completing the construction of the heap leach facility (\$2.5 million) and \$5.0 million in capitalized pre-stripping of Pit 3.

### **First Nine Months of 2008 vs. First Nine Months of 2007**

#### **Revenue and Gold Production**

Year to date revenue in 2008 increased to \$134.9 million from \$131.5 million during 2007 due to higher realized gold prices; \$882 per ounce in 2008 vs. \$663 per ounce in the same period of 2007 partially offset by lower sales volumes, 152,877 ounces in the nine months of 2008 compared to 198,278 ounces in the same period of 2007.

Gold production at Boroo was 145,136 ounces in 2008 which was 50,804 fewer ounces of gold than reported in 2007 primarily resulting from lower ore grades and recoveries. During the first nine months of 2008, the mill ore grade averaged 2.74 g/t with a recovery of 79.8% compared to 3.76 g/t and a recovery of 85.3% in the same period in 2007. Overall the reduction of head grade reduced overall ounces poured by 53,161. This was partially offset by the start-up of heap leach operations in the quarter which poured 12,810 ounces.

#### **Cost of Sales**

Cost of sales at Boroo for 2008 was \$42.3 million compared to \$31.4 million in 2007. The increase was primarily due to an increase in operating costs as well as the start-up of the heap leach facilities.

Cost of sales at Boroo increased \$10.9 million. The reduction of ounces sold during the period of 45,401 resulted in a reduction of \$13.0 million in cost of sales which partially offset production cost increases of \$25.8 million.

The increase in operating costs of \$9.6 million is mainly due to price increases across all consumables as well as increased rental costs, royalties and depreciation expense.

Increases in consumables costs of \$9.5 million from the same period last year relates to diesel (\$9.7 million vs. \$5.3 million for the same period last year), explosives (\$3.7 million vs. \$1.9 million for the same period last year), reagent costs (\$3.5 million vs. \$1.2 million), and other consumables costs (\$5.7 million vs. \$4.6 million). Major mine consumables costs increased due to higher prices as well as higher consumption resulting from increased material movement. Increased mine rental costs of \$3.3 million are a result of the requirement to increase mine production, increase stacking at the heap leach pad as well as replace equipment that was out of country for rebuild. Additionally the collective bargaining agreement, which was signed in February 2008, increased the national employees' salaries by 65% in 2008, resulted in salary costs increases of \$2.2 million vs. the same period last year.

These operating cost increases were partially offset by cost decreases of \$6.1 million from the same period last year including contractors and consultants' costs by \$1.4 million and other operating expenses decrease by \$1.7 million. In addition, the increased operating costs were offset by \$4.1 million due to the capitalization of pre-stripping compared with the same period last year.

Higher royalties of \$2.7 million for the same period last year are due to higher average realized sales prices as well as an increase in royalty rate. Royalties paid in respect of the Boroo operation increased as a result of amendments in the third quarter of 2007 to the Stability Agreement with the Mongolian Government which increased the royalty rate from 2.5% to 5% effective August 3, 2007. The overall rate change resulted in a cost of \$3.3 million. In addition the higher overall realized gold price resulted in an increase in royalties of \$0.6 million. This was partially offset by reduced ounces sold which resulted in a \$1.2 million reduction in royalties.

The cost of sales per ounce sold increased to \$277 compared to \$158 for the same period in 2007. This reflects an increase in the operating costs, as described above.

Total cash costs per ounce increased to \$353 in 2008 from \$211 in 2007 primarily as the result of higher mining costs (\$37 per ounce), higher milling costs (\$22 per ounce), increased royalties (\$16 per ounce) and a reduction in ounces produced (\$74 per ounce) partially offset by a reduction in administration costs (\$7 per ounce).

## **Exploration**

Exploration expenditures in Mongolia totaled \$1.8 million in 2008 compared with \$1.1 million in 2007. The expenditures relate primarily to exploration programs near the Boroo mine area and other areas with known mineralization.

## **Capital Expenditures**

Capital expenditures in 2008 of \$29.2 million included \$8.7 million sustaining capital and \$20.5 million invested in growth capital primarily related to completing the construction of the heap leach facility (\$8.1 million) and \$12.5 million in capitalized pre-stripping of Pit 3.

## Other Financial Information – Related Party Transactions

### **Cameco Corporation**

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

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

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

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

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Management fees paid by KGC to Kyrgyzaltyn	<b>166</b>	124	<b>440</b>	344
Concession payments paid by KGC to Kyrgyz Republic	<b>444</b>	330	<b>1,174</b>	916
Total	<b>610</b>	454	<b>1,614</b>	1,260
Gross gold and silver sales from KGC to Kyrgyzaltyn	<b>96,123</b>	56,109	<b>261,078</b>	153,613
Deduct: refinery and financing charges	<b>(458)</b>	(334)	<b>(1,313)</b>	(929)
Net sales revenue received by KGC from Kyrgyzaltyn	<b>95,665</b>	55,775	<b>259,765</b>	152,684

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to a Gold and Silver Sale Agreement entered into between KOC, Kyrgyzaltyn and the Government of the Kyrgyz Republic. Under these arrangements, Kyrgyzaltyn is required to prepay for all gold delivered to it, based on the London PM fixed price of gold on the London Bullion Market on the same day on which KOC provides notice that a consignment is available for purchase. Pursuant to an amendment to the Gold and Silver Sale Agreement, effective from December 22, 2005, as amended from time to time since then, Kyrgyzaltyn is permitted, until December 31, 2008, to defer payments for gold for up to 12 calendar days. Kyrgyzaltyn is required to pay interest on deferred amounts equal to one-half LIBOR plus 0.125%. The obligations of Kyrgyzaltyn are partially secured by a pledge of a portion of the Centerra shares owned by Kyrgyzaltyn, the value of which fluctuates with the market price, see Note 11. As at September 30, 2008, a receivable of \$16.7 million was outstanding under these arrangements (December 31, 2007 - \$14.1 million).

## **Quarterly Results – Last Eight Quarters**

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

<i>\$ millions, except per share data</i>	2008			2007			2006	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	139	143	113	89	98	104	82	88
Earnings before unusual items	17	14	24	10	5	19	6	2
Net earnings (loss)	17	56	19	(27)	(90)	19	6	2
Earnings per share before unusual items (basic and diluted)	0.08	0.06	0.11	0.03	0.02	0.09	0.03	0.01
Earnings (loss) per share (basic and diluted)	0.08	0.26	0.09	(0.12)	(0.42)	0.09	0.03	0.01

## **Other Corporate Developments**

### **Kyrgyz Republic**

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

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

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

The Vice-Speaker’s lawsuits seek to annul: (i) the Government’s decree approving the December 31, 2003 agreements implementing the restructuring of the project; (ii) the 2003 agreements giving effect to the restructuring, including the Investment Agreement and the Concession Agreement providing for Kumtor’s right to explore and develop the main Kumtor deposit within the Kumtor concession; (iii) the exploration license covering all of the Kumtor deposits; (iv) the mining license covering the Southwest Zone; (v) the mining license covering the Sarytor area; (vi) the Government’s decree approving the 1993 Concession Agreement (superceded by the 2003 Concession Agreement); and (vii) the 1993 Concession Agreement itself. The Vice-Speaker argues that the 2003 agreements and 1993 Concession Agreement required Parliamentary approval to be effective and that as no such approval was obtained, such agreements are void. He also argues that

the licenses are invalid because they were granted without a competition having been held and pursuant to agreements that are themselves invalid for lack of Parliamentary ratification.

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

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

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

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

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

Centerra is continuing to hold discussions with the Government working group responsible for the negotiations in respect of Kumtor. To allow for such discussions to continue and for the parties to concentrate on resolving outstanding issues related to the project, Centerra agreed to suspend the international arbitration proceedings initiated by the Company, which had been previously postponed to September 29, 2008.

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

## **Mongolia**

On June 29, 2008, Mongolia held parliamentary elections. The Mongolian People's Revolutionary Party (MPRP), who held a slight majority in the prior parliament, obtained 45 out of 76 seats and the Mongolian Democratic Party obtained 28 seats. Despite the fact that the MPRP won a clear majority in the elections, a Coalition Government was formed and, as a result of government restructuring a new ministry of mining was established. Centerra expects that the new government will resume negotiations with respect to an investment agreement for the Gatsurt Project. The Mongolian Parliament has established a new working group to consider revisions to its mineral law, including possible changes to the windfall profits tax.

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

## **Critical Accounting Estimates**

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

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

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

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

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

- A new life of mine estimate and mine plan was finalized at Kumtor.
- A new closure study was completed at Boroo which increased the cost estimate of reclamation activity required at the site and adjusted the timing of such activity. See "Asset Retirement Obligations".
- The ten million treasury common shares contingently issuable has been adjusted to the May 30, 2008 share price. Following the non-ratification of the agreement with the Kyrgyz Government, the Company reclassified the amount recorded as contingent shares issuable from shareholders' equity to long-term liabilities. The ultimate amount of this liability will depend on negotiation of a settlement and the terms thereof agreed between all parties. See "Unusual Items".
- The goodwill value of \$148 million was evaluated on September 1, 2008, (the date historically selected by the Company for goodwill valuation purposes) and deemed supportable when compared to the fair value of Centerra's two major operating segments. In light of recent market conditions the Company intends to evaluate its goodwill for impairment in the fourth quarter of 2008.

## **Changes in Accounting Policies**<sup>(1)</sup>

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

### ***Inventories:***

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, Inventories. This standard provides

guidance on the determination of inventory cost and its subsequent recognition as an expense, including any write-downs to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and requires the reversal of write-downs, if applicable, on inventory.

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

### ***Financial Instruments:***

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

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

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

### ***Capital Disclosures:***

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

### ***Financial Statements Presentation:***

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

### ***New Pronouncements:***

On February 1, 2008 the CICA issued section 3064, Goodwill and Intangible assets. This Section establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period which removes the ability for companies to

defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The impact of this new standard is being assessed and cannot be determined at this time.

### ***International Financial Reporting Standards (“IFRS”):***

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles “GAAP” with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for public accountable companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is in the process of completing the scoping phase of its changeover plan, which has a detailed timeline for assessing resources and training, analyzing key differences and selecting accounting policies under IFRS.

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

## **Outlook**

Centerra expects consolidated gold production in 2008 of 740,000 to 790,000 ounces, which is lower than the prior guidance in the second quarter of 2008 of 770,000 to 830,000 ounces. The reduction in gold production guidance is due to lower than expected gold production at Kumtor. The higher grade portion of the SB Zone at Kumtor was reached in September, as planned, but head grades at this early stage of the high grade development are lower than expected. Total cash cost in 2008 is now expected to be \$460 to \$495 per ounce up from prior guidance of \$409 to \$449 per ounce due to the lower ounce production and rising operating costs at both sites. (This includes revenue-based taxes and royalties incurred in the Kyrgyz Republic under its existing (2003) Investment Agreement of approximately 7.5% of revenue for all of 2008.) Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measures”.

Gold production for the full year 2008 at the Kumtor mine is expected to be 550,000 to 580,000 ounces down from the prior second quarter guidance of the 580,000 and 620,000 ounce range. Total cash cost for 2008 is now expected to be \$480 to \$520 per ounce, up from the prior guidance of \$416 to \$456 per ounce reflecting the impact of lower gold production and increasing operating costs.

At Boroo, the Company maintains its prior guidance for annual gold production of 190,000 to 210,000 ounces in 2008. Total cash cost is expected to be \$380 to \$420 per ounce in 2008, which is also unchanged from the prior guidance.

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

<b>Production (100%)</b> <i>Ounces of gold</i>	<b>First Nine Months of 2008 Actual</b>	<b>2008 Forecast</b>	<b>2007 Actual</b>
Kumtor	<b>319,707</b>	550,000 – 580,000	300,862
Boroo	<b>145,136</b>	190,000 – 210,000	254,548
Total	<b>464,843</b>	740,000 – 790,000	555,410

<b>Total Cash Cost <sup>(1)</sup></b> <i>\$ per ounce</i>	<b>First Nine Months of 2008 Actual</b>	<b>2008 Forecast</b>	<b>2007 Actual</b>
Kumtor	<b>633</b>	480 – 520 <sup>(2)</sup>	610
Boroo	<b>353</b>	380 – 420	244
Consolidated	<b>546</b>	460 - 495 <sup>(2)</sup>	442

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

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

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

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

- a gold price of \$800 per ounce,
- exchange rates:
  - \$1USD:\$1.10CAD
  - \$1USD:36 Kyrgyz Som
  - \$1USD:1,150 Mongolian Tugrik
  - \$1USD:0.65 Euro

Centerra's revenues, earnings and cash flows for the fourth quarter of 2008 are sensitive to changes in certain variables and the Company has estimated their impact on revenues, net earnings and cash from operations.

<b>Sensitivities</b>	<b>Change</b>	<b>Impact on</b> <i>(\$ millions)</i>			
		<b>Costs</b>	<b>Revenues</b>	<b>Cash flow</b>	<b>Earnings</b>
Gold Price	<b>\$25/oz</b>	1.4	8.4	7.0	7.0
Diesel Fuel	<b>10%</b>	\$6/oz	-	1.7	1.5
Kyrgyz som	<b>1 som</b>	1.0	-	1.0	0.9
Mongolian tugrik	<b>25 tugrik</b>	0.3	-	0.3	0.2
Canadian dollar	<b>10 cents</b>	1.6	-	1.6	1.6

Other important assumptions that are implicit in Company's production, cost and capital guidance are as follows:

- grades and recoveries at Kumtor are expected to increase through the fourth quarter as planned to achieve the forecast gold production and access to the SB Zone continues as planned,
- no delays in or interruption of scheduled production from our mines, including due to natural phenomena, labour disputes or other development and operation risks,
- prices for fuel oil, reagents and other consumables will remain consistent with Company estimates for the fourth quarter,
- the necessary permits and approvals for the Boroo heap leach are obtained as planned,
- a material reduction in gold price could impact timing and amount of capital expenditures,
- in respect of total cash cost guidance, the existing (2003) Investment Agreement for Kumtor will be effective through 2008, and
- all necessary permits, licences and approvals are received in a timely manner.

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

### **Labour Negotiations**

At Kumtor, the existing collective bargaining agreement will expire on December 31, 2008. A new 30-month collective agreement has been tentatively agreed to by the union negotiating team and will be put before the union membership and voted on in early November 2008. The proposed contract is retroactive to July 1, 2008 and the cost outlook includes the material increase and assumes that its been accepted by the members.

### **Exploration**

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

The 2008 exploration program will continue the aggressive exploration at the Kumtor mine, target generation programs at the Boroo mine and on the Company's land holdings in Mongolia. Target generation programs will continue in Central Asia, Russia and China. The Company forecasts \$25 million of spending on its program for the year. The forecast includes \$14 million for exploration at Kumtor.

Activities are planned as follows:

### **Kumtor**

- Additional drilling programs in the vicinity of the main Kumtor pit to test the northeasterly strike extension of the deposit and down dip extensions of the stockwork zone.
- Exploration work will continue on other target areas such as Northeast prospect, Bordoo and Akbel once the work suspension related to the challenge of the exploration license is lifted.

### **Boroo**

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

### **Mongolia**

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

### **United States (Nevada)**

#### **Tonopah Divide**

- Centerra finalized an exploration and option agreement in the first quarter of 2008 and has the right to earn a 60% interest in the Tonopah Divide project by spending \$2.7 million over five years. Centerra can earn an additional 15% interest by spending a further \$5.0 million over four years. A drill program to test priority targets, defined by geology, geochemistry, and geophysics, commenced in October 2008. A surface mapping and sampling program will continue on the property.

### **REN**

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

### **Russia**

- Centerra finalized an option/joint venture agreement with Central Asia Gold AB covering the Kara Beldyr project in the Tyva Republic, Russia. Centerra has the right to earn a 50% interest in the property by spending a total of \$2.5 million over three years after which Centerra has a one-time option to earn an additional 20% interest in the property by spending an additional \$4 million over a further two-year period. Work has commenced, data are being compiled and drill targets identified.

## **Turkey**

- Centerra has finalized an option/joint venture agreement with KEFI Minerals covering the Artvin project in Turkey. Centerra can earn a 50% interest in the property by spending a total of \$3 million over three years after which it has a one-time option to earn an additional 20% interest in the property by spending an additional \$3 million over two years. Drilling is anticipated to start in the fourth quarter.

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

## **Administration**

Annual corporate and administration expenses without unusual items are expected to amount to approximately \$35 million in 2008.

## **Corporate Income Taxes**

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

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

## **Capital Expenditures**

The capital requirement in 2008 is estimated to be \$97 million, including \$50 million of sustaining capital. Growth capital is forecast at \$47 million, which includes \$22 million for Kumtor (the largest expenditures would be \$16 million for the development of the SB Zone underground decline in 2008, \$4 million for two additional haul trucks, and \$22 million for Boroo (the largest expenditures would be \$13 million for the pre-stripping of Pit 3 and \$9 million to complete the heap leach facility). The development of the SB Zone underground decline at Kumtor, pre-stripping of Pit 3 at Boroo and the heap leach facility construction will be capitalized and amortized based on units of production consistent with the Company’s accounting policies.

The estimated capital requirement of \$97 million has increased from the Company’s prior second quarter guidance for 2008 of \$88 million. Sustaining capital has increased \$5.0 million and growth capital is up \$4.0 million.

## **Non-GAAP Measures**

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

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

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

### Centerra Gold Inc.

#### TOTAL CASH COST & TOTAL PRODUCTION COST

#### RECONCILIATION (unaudited)

(\$ millions, unless otherwise specified)

#### Centerra:

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Cost of sales, as reported	\$ 78.7	\$ 58.7	\$ 213.7	\$ 155.1
Adjust for:				
Refining fees & by-product credits	(0.3)	0.1	(0.7)	0.3
Regional Office administration	3.8	5.0	13.8	15.3
Non-operating costs	0.8	0.6	0.9	0.7
Inventory movement	9.7	(3.1)	21.0	(3.3)
Total cash cost - 100%	\$ 92.7	\$ 60.1	\$ 253.7	\$ 168.1
Depreciation, Depletion, Amortization and Accretion	17.7	11.7	45.5	34.0
Inventory movement - non-cash	-	(0.7)	1.4	0.1
Total production cost - 100%	\$ 110.4	\$ 71.1	\$ 300.6	\$ 202.2
Ounces poured - 100% (000)	186.1	136.4	464.8	422.8
Total cash cost per ounce	\$ 498	\$ 440	\$ 546	\$ 397
Total production cost per ounce	\$ 598	\$ 509	\$ 649	\$ 478

#### Kumtor:

Cost of sales, as reported	\$ 64.2	\$ 45.9	\$ 176.4	\$ 123.7
Adjust for:				
Refining fees & by-product credits	(0.1)	-	(0.8)	0.1
Regional Office administration	2.2	2.5	8.4	9.2
Non-operating costs	1.1	(0.7)	0.9	0.2
Inventory movement - cash	7.6	(4.1)	17.5	(6.5)
Total cash cost - 100%	\$ 75.0	\$ 43.6	\$ 202.4	\$ 126.7
Depreciation, Depletion, Amortization and Accretion	\$ 11.8	\$ 7.3	\$ 31.6	\$ 20.7
Inventory movement - non-cash	\$ 0.6	\$ (0.9)	\$ 1.0	\$ (0.9)
Total production cost - 100%	\$ 87.4	\$ 50.0	\$ 235.0	\$ 146.5
Ounces poured - 100% (000)	133.8	77.5	319.7	226.9
Total cash cost per ounce	\$ 561	\$ 562	\$ 633	\$ 558
Total production cost per ounce	\$ 660	\$ 645	\$ 738	\$ 646

#### Boroo:

Cost of sales, as reported	\$ 14.5	\$ 12.8	\$ 42.3	\$ 31.4
Adjust for:				
Refining fees & by-product credits	(0.2)	0.1	0.1	0.2
Regional Office administration	1.6	2.5	5.4	6.1
Non-operating costs	(0.3)	0.1	-	0.5
Inventory movement	2.1	1.0	3.5	3.2
Total cash cost - 100%	\$ 17.7	\$ 16.5	\$ 51.3	\$ 41.4
Depreciation, Depletion, Amortization and Accretion	5.9	4.4	13.9	13.3
Inventory movement - non-cash	(0.6)	0.2	0.4	1.0
Total production cost - 100%	\$ 23.0	\$ 21.1	\$ 65.6	\$ 55.7
Ounces poured - 100% (000)	52.3	58.9	145.1	195.9
Total cash cost per ounce	\$ 338	\$ 280	\$ 353	\$ 211
Total production cost per ounce	\$ 440	\$ 372	\$ 452	\$ 284

## **Qualified Person**

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

## **Caution Regarding Forward-Looking Information**

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

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

increase the capacity of the existing Kumtor tailing dam, illegal mining, enforcement of legal rights, decommissioning and reclamation cost estimates, future financing and personnel. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See “Risk Factors” in the Company’s 2007 Annual Information Form and Annual Management’s Discussion and Analysis available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

**Centerra Gold Inc.**  
**Consolidated Financial Statements**  
**For the Nine Months and Quarter Ended September 30, 2008**  
**(Unaudited)**  
**(Expressed in United States Dollars)**

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

	September 30, 2008	December 31, 2007
	(Unaudited)	
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 91,770	\$ 105,482
Amounts receivable	23,951	18,021
Inventories (note 3)	168,885	115,062
Prepaid expenses	21,400	21,230
	<u>306,006</u>	<u>259,795</u>
Property, plant and equipment	392,020	373,841
Goodwill	148,540	148,540
Long-term receivables and other	6,857	6,632
Long-term inventories (note 3)	18,856	9,093
Future income tax asset	8,371	16,467
	<u>574,644</u>	<u>554,573</u>
<b>Total assets</b>	<u>\$ 880,650</u>	<u>\$ 814,368</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 37,592	\$ 42,482
Taxes payable	6,822	-
Short term debt	-	10,000
	<u>44,414</u>	<u>52,482</u>
Provision for reclamation (note 4)	22,573	20,868
Contingent common shares issuable (note 5)	89,084	-
<b>Shareholders' equity (note 8)</b>		
Share capital	523,107	523,107
Contingent common shares issuable (note 5)	-	126,794
Contributed surplus	32,359	30,767
Retained earnings	169,113	60,350
	<u>724,579</u>	<u>741,018</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 880,650</u>	<u>\$ 814,368</u>

Commitments and Contingencies (note 10)

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
<b>Revenue from Gold Sales</b>	\$ 139,409	\$ 98,049	\$ 394,647	\$ 284,090
<b>Expenses</b>				
Cost of sales (excluding depreciation, depletion and amortization expenses)	78,736	58,683	218,664	155,143
Regional office administration	3,776	5,036	13,798	15,264
Depreciation, depletion and amortization	17,990	11,678	45,490	33,661
Accretion and reclamation expense (note 4)	376	334	1,129	1,001
Exploration and business development (note 6)	5,594	3,965	15,713	14,854
Other (income) and expenses	1,340	(995)	1,800	(5,135)
Corporate administration (note 7)	7,252	4,245	21,199	14,582
	<b>115,064</b>	<b>82,946</b>	<b>317,793</b>	<b>229,370</b>
<b>Earnings before unusual items, income taxes and non-controlling interest</b>	<b>24,345</b>	<b>15,103</b>	<b>76,854</b>	<b>54,720</b>
Contingent common shares issuable (note 5)	-	90,334	(37,710)	90,334
Other unusual items	-	4,843	-	4,843
<b>Earnings (loss) before income taxes and non-controlling interest</b>	<b>24,345</b>	<b>(80,074)</b>	<b>114,564</b>	<b>(40,457)</b>
Income tax expense (note 9)	7,459	9,587	22,413	22,320
Non-controlling interest	-	732	-	3,058
<b>Net earnings (loss) and comprehensive income (loss)</b>	<b>\$ 16,886</b>	<b>\$ (90,393)</b>	<b>\$ 92,151</b>	<b>\$ (65,835)</b>
<b>Basic and diluted earnings (loss) per common share (note 8)</b>	<b>\$ 0.08</b>	<b>\$ (0.42)</b>	<b>\$ 0.43</b>	<b>\$ (0.30)</b>

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
<b>Operating activities</b>				
Net earnings (loss)	\$ 16,886	\$ (90,393)	\$ 92,151	(65,835)
Items not involving cash:				
Depreciation, depletion and amortization	17,990	11,678	45,490	33,661
Accretion and reclamation expense	376	334	1,129	1,001
Loss (gain) on disposal of plant and equipment	2,438	(137)	3,021	198
Stock based compensation expense	279	276	1,592	523
Deferred charges recognized	-	-	-	557
Forgiven loan	-	1,843	-	1,843
Contingent common shares issuable (note 5)	-	90,334	(37,710)	90,334
Future income tax expense	879	1,398	4,297	271
Long-term inventory	(1,416)	-	634	-
Non-controlling interest	-	732	-	3,058
Other operating items	334	(95)	(495)	(364)
	<u>37,766</u>	<u>15,970</u>	<u>110,109</u>	<u>65,247</u>
Increase in working capital	(13,370)	13,292	(47,101)	(20,753)
<b>Cash provided by operations</b>	<b>24,396</b>	<b>29,262</b>	<b>63,008</b>	<b>44,494</b>
<b>Investing activities</b>				
Additions to property, plant and equipment	(31,252)	(33,986)	(67,363)	(107,186)
Proceeds from sales of assets	643	-	643	-
<b>Cash used in investing</b>	<b>(30,609)</b>	<b>(33,986)</b>	<b>(66,720)</b>	<b>(107,186)</b>
<b>Financing activities</b>				
Proceeds from short term debt	-	-	-	10,000
Issuance of common shares for cash	-	379	-	432
Repayment of short term debt	(10,000)	-	(10,000)	-
<b>Cash (used) provided by financing</b>	<b>(10,000)</b>	<b>379</b>	<b>(10,000)</b>	<b>10,432</b>
Decrease in cash during the period	(16,213)	(4,345)	(13,712)	(52,260)
Cash and cash equivalents at beginning of the period	107,983	138,244	105,482	186,159
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 91,770</b>	<b>\$ 133,899</b>	<b>\$ 91,770</b>	<b>\$ 133,899</b>
<b>Supplemental disclosure with respect to cash flows</b>				
<b>Cash and cash equivalents consist of :</b>				
Cash	\$ 41,300	\$ 73,443	\$ 41,300	\$ 73,443
Short-term investments	50,470	60,456	50,470	60,456
	<u>\$ 91,770</u>	<u>\$ 133,899</u>	<u>\$ 91,770</u>	<u>\$ 133,899</u>

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

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

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

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

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

As at September 30, 2008, Centerra held 100% interest in the following significant investments; the Kumtor mine, the Boroo mine, and the Gatsuurt property.

**2. Significant Accounting Policies:**

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

**Adoption of New Accounting Standards and Developments**

**a. Inventories:**

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

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

**2. Significant Accounting Policies (continued):**

**b. Financial Instruments – Disclosures**

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

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

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

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

**c. Capital Disclosures**

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

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

**2. Significant Accounting Policies (continued):**

**d. Financial Statements Presentation**

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

**e. New Pronouncements**

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

**f. International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for public accountable companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is in the process of completing the scoping phase of its changeover plan, which has a detailed timeline for assessing resources and training, analyzing key differences and selecting accounting policies under IFRS

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

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**3. Inventories**

(Thousands of US\$)	September 30, 2008	December 31, 2007
Stockpiles (a)	\$ 49,299	\$ 26,769
Gold in-circuit	8,518	6,962
Heap leach in circuit	7,151	-
Gold doré	22,944	11,118
	<b>87,912</b>	44,849
Supplies	<b>99,829</b>	79,306
	<b>187,741</b>	124,155
Less: Long-term inventory (heap leach) (a)	<b>(18,856)</b>	(9,093)
Total Inventories-current portion	<b>\$ 168,885</b>	\$ 115,062

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

**4. Asset Retirement Obligations**

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

The Company has estimated the total undiscounted future decommissioning and reclamation costs to be \$28.3 million as at September 30, 2008 (December 31, 2007 - \$27.0 million). These payments are expected to be beginning over the next 3 to 5 years. The Company used an average credit adjusted risk free rate of 8% to calculate the present value of the asset retirement obligations.

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

**4. Asset Retirement Obligations (continued)**

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

(Thousands of US\$)	Three Months Ended		Nine Months Ended	
	Sept 30/08	Sept 30/07	Sept 30/08	Sept 30/07
Balance, beginning of period	\$ 22,303	\$ 20,289	\$20,868	\$ 16,532
Liabilities incurred / (settled)	(106)	-	(290)	(147)
Revisions in estimated timing of cash flows	-	-	866	3,237
Accretion expense	376	334	1,129	1,001
Balance, end of period	\$22,573	\$ 20,623	\$22,573	\$ 20,623

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

**5. Contingent common shares issuable**

(Thousands of US\$)	Three Months Ended		Nine Months Ended	
	Sept 30/08	Sept 30/07	Sept 30/08	Sept 30/07
a) Provision, beginning of period	\$ 89,084	\$ 90,334	\$ 126,794	\$ 90,334
Change in value during the period	-	-	(37,710)	-
Provision, end of the period	\$ 89,084	\$ 90,334	\$ 89,084	\$ 90,334

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

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

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**5. Contingent common shares issuable (continued)**

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

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

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

**6. Exploration and Business Development**

(Thousands of US\$)	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept 30/08</b>	<b>Sept 30/07</b>	<b>Sept 30/08</b>	<b>Sept 30/07</b>
Exploration costs	<b>\$ 5,586</b>	\$ 3,949	<b>\$ 15,651</b>	\$ 13,501
Business development and feasibility costs	<b>8</b>	16	<b>62</b>	1,353
	<b>\$ 5,594</b>	\$ 3,965	<b>\$ 15,713</b>	\$ 14,854

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

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**7. Corporate Administration**

On June 17, 2008, Centerra announced a re-organization of its senior management team. As a result, corporate administration costs for the nine months ended September 30, 2008 include a \$5 million expense as severance payments to the former CEO and CFO, including the forgiveness of a relocation loan to the former CEO in the amount of Cdn \$0.25 million. Partially off-setting this is a reduction in the stock-based compensation obligation resulting from a decrease in the share price.

**8. Shareholders' Equity**

**a. Share Capital**

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

**b. Earnings Per Share**

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

(Thousands of shares)	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept 30/08</b>	<b>Sept 30/07</b>	<b>Sept 30/08</b>	<b>Sept 30/07</b>
Basic weighted average number of common shares outstanding	<b>216,318</b>	216,300	<b>216,318</b>	216,271
Effect of stock options	-	-	<b>1,159</b>	-
Diluted weighted average number of common shares outstanding	<b>216,318</b>	216,300	<b>217,477</b>	216,271
<b>Basic and diluted earnings (loss) per common share</b>	<b>\$ 0.08</b>	\$ (0.42)	<b>\$ 0.43</b>	\$ (0.30)

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

**8. Shareholders' Equity (continued)**

**c. Stock-Based Compensation**

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

(Millions of US\$ except as indicated)	Number outstanding Sept 30/08	Expense		Expense		Liability	
		Three Months Ended		Nine Months Ended		Sept 30/08   Dec 31/07	
		Sept 30/08	Sept 30/07	Sept 30/08	Sept 30/07		
(i) Centerra stock options	1,848,165	0.2	(0.2)	0.3	(0.7)	-	1.2
(ii) Centerra performance share units	635,611	-	(0.1)	(1.8)	(0.2)	-	4.0
(ii) Centerra annual performance share units	102,479	0.1	0.2	0.6	1.1	0.3	1.2
(iv) Deferred share units	227,066	(0.2)	(0.1)	(1.3)	(0.2)	0.8	2.5
(v) Cameco stock options	55,200	(1.2)	(0.2)	(1.1)	0.6	0.8	2.3
		(1.1)	(0.4)	(3.3)	0.6	1.9	11.2

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

	Number outstanding Dec 31/07	Issued	Exercised	Forfeited	Number outstanding Sept 30/08
(i) Centerra stock options	962,028	886,137	-	-	1,848,165
(ii) Centerra performance share units	595,080	268,175	(212,056)	(15,588)	635,611
(iii) Centerra annual performance share units	122,911	133,716	(136,825)	(17,323)	102,479
(iv) Deferred share units	197,351	41,706	(11,991)	-	227,066
(v) Cameco stock options	73,200	-	(17,400)	(600)	55,200

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

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

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**9. Income Tax Expense**

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

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

**10. Commitments and Contingencies**

**Commitments**

As at September 30, 2008, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$21.2 million (Kumtor \$17.7 million, Boroo \$3.5 million): these are expected to be settled over the next twelve months

**Contingencies**

**Kyrgyz Republic**

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

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

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

## **10. Commitments and Contingencies (continued)**

### **Contingencies (continued)**

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

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

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

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

## **10. Commitments and Contingencies (continued)**

### **Contingencies (continued)**

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

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

Centerra is continuing to hold discussions with the Government working group responsible for the negotiations in respect of Kumtor. To allow for such discussions to continue and for the parties to concentrate on resolving outstanding issues related to the project, Centerra agreed to suspend the international arbitration proceedings initiated by the Company, which had been previously postponed to September 29, 2008.

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

## **10. Commitments and Contingencies (continued)**

### **Contingencies (continued)**

#### **Mongolia**

On June 29, 2008, Mongolia held parliamentary elections. The Mongolian People's Revolutionary Party (MPRP), who held a slight majority in the prior parliament, obtained 45 out of 76 seats and the Mongolian Democratic Party obtained 28 seats. Despite the fact that the MPRP won a clear majority in the elections, a Coalition Government was formed and, as a result of government restructuring a new ministry of mining was established. Centerra expects that the new government will resume negotiations with respect to an investment agreement for the Gatsuert Project. The Mongolian Parliament has established a new working group to consider revisions to its mineral law, including possible changes to the windfall profits tax.

## **11. Related Party Transactions**

Ms Marina Stephens, a lawyer and the spouse of Centerra's former President and Chief Executive Officer, Mr Homeniuk provided certain designated legal and business advisory services related to the Company's international operations under the terms of a consulting contract, which came to an end on June 16, 2008. As a result, no payment was made to Ms Stephens during the third quarter of 2008 (Cdn \$133,100 third quarter of 2007) and payments of Cdn \$287,800 was made during the nine month period ended September 30, 2008 (Cdn \$413,155 nine month period ended September 30, 2007).

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

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

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

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

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

**Kyrgyzaltyn and the Government of the Kyrgyz Republic (continued)**

(Thousands of US\$)	Three Months Ended		Nine Months Ended	
	Sept 30/08	Sept 30/07	Sept 30/08	Sept 30/07
Management fees to Kyrgyzaltyn	\$ 166	\$ 124	\$ 440	\$ 344
Concession payments to the Kyrgyz Republic	444	330	1,174	916
	\$ 610	\$ 454	\$ 1,614	\$ 1,260
Gross gold and silver sales to Kyrgyzaltyn	\$ 96,123	\$ 56,109	\$ 261,078	\$ 153,613
Deduct: refinery and financing charges	(458)	(334)	(1,313)	(929)
Net sales revenue received from Kyrgyzaltyn	\$ 95,665	\$ 55,775	\$ 259,765	\$ 152,684

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

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

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn. As at September 30, 2008, \$16.7 million was outstanding under these arrangements (December 31, 2007 - \$14.1 million).

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

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

**12. Fair Value of Financial Instruments**

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

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

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

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

The carrying values of these financial instruments are as follows:

	Sept 30, 2008		December 31, 2007	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
(Thousands of US\$)				
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 91,770	\$ 91,770	\$ 105,482	\$ 105,482
Accounts receivable	23,951	23,951	18,021	18,021
Reclamation trust fund	4,914	4,914	4,853	4,853
	<b>\$ 120,635</b>	<b>\$ 120,635</b>	<b>\$ 128,356</b>	<b>\$ 128,356</b>

	Sept 30, 2008		December 31, 2007	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
(Thousands of US\$)				
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities and taxes	\$ 37,592	\$ 37,592	\$ 42,482	\$ 42,482
Short-term debt	-	-	10,000	10,000
Contingent common shares issuable	89,084	89,084	-	-
	<b>\$ 126,676</b>	<b>\$ 126,676</b>	<b>\$ 52,482</b>	<b>\$ 52,482</b>

### **13. Financial Risk Exposure and Risk Management**

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

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

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

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

#### **i) Currency Risk**

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

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

As required, the Company either enters into short-term forward contracts to purchase Canadian dollars or make purchases at the prevailing spot price to fund corporate activities. During the three months and nine months ended September 30, 2008, \$1.0 million and \$4.0 million of such forward contracts were executed (Nil- Three months and nine months ended September 30, 2007). There were no outstanding forward contracts at September 30, 2008 (Nil – September 30, 2007).

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

**13. Financial Risk Exposure and Risk Management (continued)**

**i) Currency Risk (continued)**

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

(Thousands of US\$)	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	Australian Dollar	European Euro
<b><u>Financial Assets</u></b>					
Cash and cash equivalents	\$ 688	\$ 444	\$ 313	\$ -	\$ 8
Accounts receivables	115	4,566	168	-	-
	\$ 803	\$ 5,010	\$ 481	\$ -	\$ 8
<b><u>Financial Liabilities</u></b>					
Accounts payable and accrued liabilities	\$ 7,511	\$ 4,750	\$ 4,673	\$ 22	\$ 2,078

**ii) Interest Rate Risk**

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

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents include highly liquid investments that earn interest at market rates. In addition, the interest on a fully-drawn revolving credit facility of \$10 million included a variable rate component pegged to the London Interbank Offer Rate, or LIBOR. This revolving credit facility was repaid during the third quarter 2008.

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

Fluctuations in market interest rates have not had a significant impact on the Company's results of operations due to the short-term to maturity of the investments held and a low interest rate environment has resulted in lower interest paid during the nine-month period ending September 30, 2008, on the repaid \$10 million credit facility.

### **13. Financial Risk Exposure and Risk Management (continued)**

#### **iii) Concentration of Credit Risk**

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

The Company's exposure to credit risk, in respect of gold sales, is influenced mainly by the individual characteristics of each customer. The Company's revenues are directly attributable to sales transactions with two customers. To partially mitigate the risk at Kumtor, the Company has an agreement in place whereby Kyrgyzaltyn, the customer and a shareholder of Centerra, has pledged 2,850,000 of Centerra shares as security against a gold shipment, in the event of default on payment (Note 11). Boroo sells its product under a refining agreement. The value of individual gold shipments is covered by third-party insurance as well as contingent insurance in the event a loss of product in transit occurs before Kumtor or Boroo can receive payment therefore.

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

At the balance sheet date, approximately 39% of the Company's liquid assets were held with Citigroup bank. Given recent financial market turmoil, this is a high risk exposure which the Company is mitigating by decreasing its exposure to Citigroup in favour of other highly-rated financial institutions. Subsequent to the third quarter, the Company has reduced its exposure to Citigroup to 20% and continues to diversify counterparty risk.

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

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

### **13. Financial Risk Exposure and Risk Management (continued)**

#### **iv) Liquidity Risk**

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

#### **v) Commodity Price Risk**

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

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

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

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

### **14. Capital Management**

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

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

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

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**14. Capital Management (continued)**

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

**15. Comparative Information**

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

**16. Segmented Information**

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

**Geographic Segmentation of Revenue**

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

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

**16. Segmented Information (continued)**  
**Three months ended September 30, 2008**

(\$ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 95.7	\$ 43.7	\$ -	\$ 139.4
Expenses				
Cost of sales	64.2	14.5	-	78.7
Regional office administration	2.2	1.6	-	3.8
Depreciation, depletion and amortization	12.4	5.3	0.3	18.0
Accretion and reclamation expense	0.2	0.2	-	0.4
Exploration and business development	3.6	0.8	1.2	5.6
Interest and other	-	-	1.3	1.3
Corporate administration	0.6	0.4	6.3	7.3
<b>Earnings (loss) before unusual items, income taxes and Non-controlling interest</b>	<b>12.5</b>	<b>20.9</b>	<b>(9.1)</b>	<b>24.3</b>
Contingent common shares issuable				-
Other unusual items				-
<b>Earnings before income taxes and Non-controlling interest</b>				<b>24.3</b>
Income tax expense				7.4
<b>Net earnings and comprehensive income</b>				<b>\$ 16.9</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 18.4</b>	<b>\$ 10.6</b>	<b>\$ 0.3</b>	<b>\$ 29.3</b>

**Three months ended September 30, 2007**

(\$ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 55.8	\$ 42.2	\$ -	\$ 98.0
Expenses				
Cost of sales	45.9	12.8	-	58.7
Regional office administration	2.5	2.5	-	5.0
Depreciation, depletion and amortization	7.1	4.3	0.2	11.6
Accretion and reclamation expense	0.3	0.1	-	0.4
Exploration and business development	2.4	0.5	1.1	4.0
Interest and other	0.6	(1.5)	(0.1)	(1.0)
Corporate administration	0.7	0.2	3.3	4.2
<b>Earnings (loss) before unusual items, income taxes and Non-controlling interest</b>	<b>(3.7)</b>	<b>23.3</b>	<b>(4.5)</b>	<b>15.1</b>
Contingent common shares issuable				90.3
Other unusual items				4.9
<b>Earnings before income taxes and Non-controlling interest</b>				<b>(80.1)</b>
Income tax expense				9.6
Non-controlling interest				0.7
<b>Net earnings(loss) and comprehensive income(loss)</b>				<b>\$ (90.4)</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 26.1</b>	<b>\$ 11.1</b>	<b>\$ 0.1</b>	<b>\$ 37.3</b>

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

**16. Segmented Information (continued)**  
**Nine months ended September 30, 2008**

(\$ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 259.8	\$ 134.9	\$ -	\$ 394.7
Expenses				
Cost of sales	176.4	42.3	-	218.7
Regional office administration	8.4	5.4	-	13.8
Depreciation, depletion and amortization	31.9	13.0	0.6	45.5
Accretion and reclamation expense	0.7	0.4	-	1.1
Exploration and business development	10.6	1.8	3.3	15.7
Interest and other	4.8	(2.1)	(0.9)	1.8
Corporate administration	1.9	1.5	17.8	21.2
<b>Earnings (loss) before unusual items, income taxes and Non-controlling interest</b>	<b>25.1</b>	<b>72.6</b>	<b>(20.8)</b>	<b>76.9</b>
Contingent common shares issuable				(37.7)
Other unusual items				-
<b>Earnings before income taxes and Non-controlling interest</b>				<b>114.6</b>
Income tax expense				22.4
<b>Net earnings and comprehensive income</b>				<b>\$ 92.2</b>
<b>Capital expenditures for the period</b>	<b>\$ 36.8</b>	<b>\$ 29.7</b>	<b>\$ 0.7</b>	<b>\$ 67.2</b>

**Nine months ended September 30, 2007**

(\$ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 152.6	\$ 131.5	\$ -	\$ 284.1
Expenses				
Cost of sales	123.7	31.4	-	155.1
Regional office administration	9.2	6.1	-	15.3
Depreciation, depletion and amortization	20.0	13.0	0.7	33.7
Accretion and reclamation expense	0.7	0.3	-	1.0
Exploration and business development	9.1	1.3	4.5	14.9
Interest and other	1.5	(4.5)	(2.2)	(5.2)
Corporate administration	2.0	1.2	11.4	14.6
<b>Earnings (loss) before unusual items, income taxes and Non-controlling interest</b>	<b>(13.6)</b>	<b>82.7</b>	<b>(14.4)</b>	<b>54.7</b>
Contingent common shares issuable				90.3
Other unusual items				4.9
<b>Earnings before income taxes and Non-controlling interest</b>				<b>(40.5)</b>
Income tax expense				22.3
Non-controlling interest				3.0
<b>Net earnings(loss) and comprehensive income(loss)</b>				<b>\$ (65.8)</b>
<b>Capital expenditures for the period</b>	<b>\$ 72.1</b>	<b>\$ 28.9</b>	<b>\$ 0.1</b>	<b>\$ 101.1</b>