

centerra**GOLD**



## NEWS RELEASE

### **Centerra Gold Reports Third Quarter Results, Net Earnings of \$20 million or \$0.09 per Share**

*(This news release contains forward-looking information that is subject to the risk factors and assumptions set out on page 11 and in our Cautionary Note Regarding Forward-looking Information on page 16. All figures are in United States dollars).*

**Toronto, Canada, October 30, 2009:** Centerra Gold Inc. (TSX: CG) today reported third quarter net earnings of \$20.2 million or \$0.09 per common share based on revenues of \$158.8 million compared to net earnings of \$16.9 million or \$0.08 per common share on revenues of \$139.4 million in the same quarter of 2008.

Consolidated gold production for the third quarter of 2009 totalled 165,883 ounces at a total cash cost of \$424 per ounce produced compared to 186,145 ounces at a total cash cost of \$446 per ounce produced in the corresponding quarter of 2008. Revenue-based taxes have been removed from total cash costs for both periods to reflect the establishment of Kumtor's new tax regime. Cash provided by operations, net of working capital changes, was \$63.4 million in the third quarter of 2009 compared to \$24.4 million in the third quarter of 2008. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures" in the Company's Management's Discussion and Analysis issued in conjunction with this news release.)

#### **Third Quarter Highlights**

- The Company generated \$63.4 million in cash from operations in the quarter (\$42 million after all capital programs)
- Drilling has extended Kumtor's SB Zone 350 metres to the southwest of previous exploration drilling. This drilling will add to current reserves and extend the resource model
- Highest grade mineralization intersected to date in drilling completed by Centerra at Kumtor. The best intercept was in hole D1352, which returned an uncut intercept with grades of 84.0 g/t Au over 26.4 metres, including 327.4 g/t Au over 6.2 metres, or with the higher grade gold values cut to 60 g/t Au, an intercept of 19.4 g/t Au over 26.4 metres, including 52.2 g/t Au over 6.2 metres

- Operating licenses for mining and milling at the Boroo mine (excluding the heap leach operations) were reinstated on July 27, 2009
- 2009 production guidance for Kumtor was lowered to reflect delayed access to the high-grade component of the SB Zone
- A draft Investment Agreement for the Gatsuurt Project was given to the Mongolian Government, while discussions continue.

### **Commentary**

Steve Lang, President and CEO of Centerra stated, “At Kumtor the exploration drilling continues to extend the SB Zone along strike and down dip. We have successfully extended it 350 metres to the southwest and, in the quarter, we intersected some of the highest grade mineralization to date in drilling completed by Centerra at Kumtor. The best uncut intercept was 84.0 g/t Au over 26.4 metres, which included an uncut intercept of 327.4 g/t Au over 6.2 metres.”

“Drilling to date in Stockwork Zone in the Central Pit area of Kumtor has outlined a high-grade underground mineralized zone over a strike length of more than 400 metres and down dip for up to 300 metres below the bottom of the planned open pit. This zone is still open along strike and down plunge to the northeast.”

He continued, “Mining and milling activities at the Boroo mine have been operational since the mine’s operating licenses were reinstated back at the end of July. We are continuing to work with the Mongolian authorities to obtain the final heap leach operating permit and are hopeful we will receive it in the near-term. During the quarter, we revised our production guidance at Kumtor to reflect the delayed access to the high-grade component of the SB Zone, reflecting the mine’s increased focus on mining of ice and removal of waste due to the accelerated waste and ice movement. While this delays some of the ounces from being processed this year, we are encouraged by the successful exploration activity taking place at Kumtor.”

### **Financial and Operating Summary**

Revenues for the third quarter of 2009 were \$158.8 million compared to \$139.4 million during the same period in 2008. Third quarter 2009 revenue reflects a 2% increase in ounces sold and a 12% increase in realized gold price (\$959 per ounce in the third quarter of 2009 versus \$860 per ounce in the third quarter of 2008) in the period.

The Company produced a total of 165,883 ounces of gold in the third quarter of 2009, compared to 186,145 ounces of gold produced in the third quarter of 2008. Gold production was lower than the comparative period due to 38% lower production at Boroo as a result of the license suspension and no heap leach production.

Centerra’s total cash cost per ounce produced was \$424 in the third quarter of 2009, down from \$446 in the third quarter of 2008. The decrease in unit cash costs was primarily due to lower operating costs partially offset by lower gold production at Boroo, see “Operations Update”. (Total cash cost

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

Cash provided by operations was \$63.4 million for the third quarter of 2009 compared to \$24.4 million for the prior year third quarter. The increase reflects the increased earnings as a result of higher gold prices and lower operating costs as well as the positive impact of reduced working capital levels.

Capital expenditures spent and accrued in the third quarter of 2009 amounted to \$21.0 million of which \$6.1 million was spent on sustaining capital projects and \$14.9 million was invested in growth capital. The SB Zone underground decline development at Kumtor accounted for \$11.1 million of the growth capital, while spending on the construction of the road to the Gatsuurt project was \$2.2 million. Centerra’s cash position at the end of September 2009 was \$162.7 million, compared to cash and short-term investments of \$167.4 million at December 31, 2008.

Exploration expenditures for the third quarter were \$6.8 million dollars compared to \$5.6 million in the third quarter of 2008 reflecting an increase in spending on new joint venture projects.

## **Other Corporate Developments**

### **Kyrgyz Republic**

In June 2009, the Company and the Kyrgyz Government signed agreements resolving all outstanding issues with respect to the Kumtor mine.

### **Mongolia**

As disclosed on June 12, 2009, the main operating licenses at the Company’s Boroo mine were suspended by the Minerals Resources Authority of Mongolia (“MRAM”) following extensive inspections of the Boroo mine operation conducted by the General Department of Specialized Inspection (“SSIA”). In its report, the SSIA expressed its view that a number of deficiencies existed at the Boroo mine. After discussions by Centerra and its subsidiaries with both the MRAM and the SSIA, the suspension of the operating licenses was lifted on July 27, 2009. Despite the lifting of the suspension, several issues arising from the inspections continue to be discussed by Centerra and the Mongolian regulatory authorities.

The SSIA indicated its concern regarding the status of certain mineral reserves, including state alluvial reserves, covered by the Boroo mine licenses that are recorded in the Mongolian state reserves registry but for which there are no or incomplete records or reports of mining activity. The Company and the SSIA have conducted detailed surveys to determine the status of such reserves including whether such reserves have been mined by Boroo or a predecessor license holder or have been rendered un-mineable by the Company’s operations, for example by placement of overburden on top of such reserves. The Company believes that it has properly reported all of its mining activities since it began operations in 2004. However, alluvial deposits on the Boroo licenses were subject to extensive mining activity prior to Centerra’s acquisition of the licenses. On October 23, the Company received a claim for compensation from the SSIA. The Company disputes the claim. While it believes that the issues raised by the claim will be resolved through negotiation with the

authorities without a material impact on the Company, there can be no assurances that this will be the case.

In addition, the SSIA inspections raised a concern about the production and sale of gold from the Boroo heap leach facility. The Company had operated its Boroo heap leach facility under a temporary permit issued by the proper authorities from June 2008 until the expiry of the temporary permit in April 2009 and paid all relevant royalties and taxes with respect to gold produced from the heap leach facility during that period. The Company believes that it had all necessary permits to carry out its heap leach activities and that any regulatory concerns are unfounded. Centerra is continuing its effort to obtain a final permit for the operation of its heap leach facility at the Boroo mine. The Company understands that this matter has been referred to the Mongolian Ministry of Finance for review but has received no official notice of any concern.

While the Company is optimistic that it will be able to resolve alleged deficiencies arising from the SSIA inspections in a satisfactory manner, there can be no assurances of this.

Under the stability agreement between the Company and the Government of Mongolia, signed July 6, 1998, as amended (the “Boroo Stability Agreement”), relating to the Boroo mine, the Company is permitted to offset any value added taxes (“VAT”) that it pays on inputs against other taxes payable in respect of its Boroo mine operation. Earlier this year, the Mongolian Ministry of Finance expressed its view that despite the terms of the Boroo Stability Agreement, Centerra would not in the future be permitted to offset its VAT overpayment against corporate income tax. In response, Centerra has notified the Ministry of Finance that it expects the Mongolian Government to abide by the terms of the Boroo Stability Agreement.

In July 2009, the Mongolian Parliament enacted legislation that would prohibit mineral prospecting, exploration and mining in water basins and forest areas in the territory of Mongolia and provides for the revocation of licenses affecting such areas. Regulations under the new legislation, which will specify the affected licenses, have not been prepared or published. The Company also understands that prior to the law becoming effective the Mongolian government will undertake physical surveys and consult with local officials to determine which, if any, existing licenses will be subject to the new law. The legislation provides a specific exemption for “mineral deposits of strategic importance”, and accordingly, the main Boroo mining license will be not be subject to the law. The Company’s Gatsuurt licenses and its other extensive exploration license holdings in Mongolia are not so exempt. However, the Company is reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the law having a limited impact on the Company’s Mongolian activities.

### **Gatsuurt Investment Agreement Negotiation**

Centerra continued negotiations with the Government of Mongolia with respect to an investment agreement for the Gatsuurt project which would, among other things, stabilize the tax and legal regime applicable to the development of the Gatsuurt project. In August 2009, the Government of Mongolia repealed its windfall profit tax of 68% in respect of gold sales at a price in excess of \$850 an ounce, with the repeal to take effect on January 1, 2011.

## Operations Update

### Kumtor

At the Kumtor mine, gold production was 133,459 ounces in the third quarter of 2009 compared to 133,813 ounces of gold in the third quarter of 2008. The operation experienced slightly lower ore grades and decreased recovery, mostly offset by increased tonnage through the mill. The ore grade averaged 3.52 g/t with a recovery of 73.3% in the third quarter of 2009, compared to 3.63 g/t with a recovery of 79.4% in the same quarter of 2008. Recovery was impacted by lower grade ores that were slightly more refractory than anticipated and by maintenance requirements and operational difficulties in the grinding and flotation circuits.

During the third quarter of 2009, continued movement of waste and ice from the Southeast high wall into the Kumtor open pit required an increased focus on mining of ice and removal of waste which reduced the production of ore by delaying access to the high-grade component of the SB Zone. Management is working to further stabilize this advanced creep and has expedited a plan to manage accelerated ice and waste movement.

Total cash cost per ounce, a non-GAAP measure of production efficiency, decreased 13% to \$427 in the third quarter of 2009 from \$488 in the third quarter of 2008. The decrease in cash cost over the third quarter of 2008 was due to the lower operating costs. For the third quarter of 2009, mining costs were \$30.4 million, \$9.0 million or 23% lower than the same quarter in 2008 primarily due to lower expenditures on fuel (\$5.4 million), milling costs were \$14.0 million, \$0.2 million or 2% lower than 2008 primarily due to reduced spending on electricity (\$0.5 million), partially offset by the increased cost of reagents, and site administration costs were \$9.2 million, \$0.8 million or 8% lower the same quarter in 2008.

Exploration costs for the third quarter 2009 were \$3.3 million, \$0.3 million lower than the same quarter in 2008 mainly due to lower spending on fuel (\$0.2 million).

Capital expenditures in the third quarter of 2009 were \$18.2 million compared to \$18.4 million in the same quarter of 2008. In 2009, this consisted of \$5.5 million of sustaining capital, predominantly spent on the heavy duty equipment overhaul program (\$2.6 million), and the shear key and tailings dam buildup (\$2.3 million). Growth capital investment totaled \$12.7 million spent mainly on the SB zone underground development including expenditures for construction of the phase I decline (\$5.9 million) and the purchase of mining equipment for phase II (\$5.2 million).

The initial underground access drift to the SB Zone at Kumtor progressed during the third quarter of 2009. The development has completed a total of 665 metres of development. Additionally, the second access portal to the underground was initiated. Additional mobile mining equipment and the required infrastructure were purchased and the construction started. J.S. Redpath Ltd. has been contracted to manage the development and has mobilized. The second access will allow early access to the Stockwork Zone and provide a platform for exploration and delineation drilling activities to be undertaken to help define this inferred resource. The two drifts are scheduled to join up in the second quarter of 2011 in the SB Zone.

## **Boroo**

At the Boroo mine, gold production in the third quarter of 2009 was 32,424 ounces compared to 52,332 ounces in 2008, 19,908 ounces lower due to the operational shutdown caused by the suspension of Boroo's main operating licenses, which were reinstated July 27, 2009, and the cessation of heap leach operations due to the expiry of the temporary operating permit. As disclosed on July 27, 2009, the suspension was lifted for the mining and milling operations. See "Other Corporate Developments – Mongolia". The Company estimates that it would have produced an additional 13,000 ounces from the mill and 8,000 ounces from the heap leach had it been in full production. Lower average mill head grades processed in the third quarter 2009 (2.45 g/t vs. 2.58 g/t in 2008) caused an additional reduction of 1,735 ounces. These reductions were partially offset by higher plant recovery (76% vs. 70.4% in 2008) due to a feed ratio that contained a lower share of refractory ore.

Total cash costs per ounce produced, a non-GAAP measure of production efficiency, increased to \$411 in the third quarter of 2009 from \$338 in the third quarter of 2008. The increase results primarily from the impact of the production shutdown. Excluding the mine standby costs of \$0.7 million incurred during the shutdown period, the third quarter 2009 total cash cost per ounce produced would have been \$388. The increase results from the impact of the fixed cost of operations on fewer ounces produced. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Capital expenditures at Boroo in the third quarter of 2009 amounted to \$0.6 million which was spent on sustaining capital, compared to \$10.6 million in the third quarter of 2008, which included \$3.0 million of sustaining capital. The reduction is due to no major capital projects at Boroo during the third quarter of 2009 compared to the more significant expenditures in the third quarter of 2008 for pre-stripping costs in pit 3 (\$5.0 million) and for the completion of the heap leach facility (\$2.5 million).

At the Gatsuurt Project, growth capital expenditures in the third quarter of 2009 totaled \$2.2 million for the construction of the road from Boroo to Gatsuurt.

Exploration expenditures in Mongolia remained unchanged at \$0.9 million in the third quarters of both 2009 and 2008.

## **Exploration Update**

### **Kyrgyz Republic**

#### **Kumtor Drilling**

In the third quarter of 2009 the exploration drilling program continued in the Kumtor Central Pit. The drilling program continued to test the southwest extension of the SB Zone within and outside of the current planned open pit. Drilling also focused on continuing the 40 to 80 metre spaced holes to confirm the grade and extent of potential high-grade underground mineable mineralization in the Stockwork Zone below the current planned open pit. In addition, wide-spaced drill testing for strike

and down dip extensions to the main mineralized horizons in the Saddle Zone and the relatively untested area to the northeast of the pit high-wall continued.

Six drill holes were completed in the third quarter of 2009 to test the southwest extension of the SB Zone within and beyond the current planned open pit. Most of the holes intersected significant widths and grades of mineralization including:

D1349	16.80 g/t Au over 9.0 metres, including 20.65 g/t Au over 7.0 metres and 3.27 g/t Au over 29.7 metres, including 16.30 g/t Au over 3.5 metres
D1352	<b><u>Cut to 60 g/t Au<sup>1</sup>:</u></b> 19.42 g/t Au over 26.4 metres, including 52.18 g/t Au over 6.2 metres and 14.44 g/t Au over 11.8 metres and 20.10 g/t Au over 3.6 metres <b><u>Uncut</u></b> 84.04 g/t Au over 26.4 metres, including 327.35 g/t Au over 6.2 metres and 14.44 g/t Au over 11.8 metres and 26.69 g/t Au over 3.6 metres
D1356	7.72 g/t Au over 35.0 metres, including 13.33 g/t Au over 7.8 metres and 17.23 g/t Au over 7.1 metres
D1359	5.58 g/t Au over 7.8 metres
D1364	2.52 g/t Au over 17.2 metres and 2.31 g/t Au over 21.9 metres
D1365	3.61 g/t Au over 26.0 metres including 8.40 g/t Au over 3.0 metres

(1.) It is standard industry practice to reduce high assays to lower values so that they do not have a disproportionate influence on resource estimates. High assays were cut at 60 g/t Au.

The best intercept is in hole D1352, which returned an uncut intercept with grades of 84.0 g/t Au over 26.4 metres, including 327.4 g/t Au over 6.2 metres, or with the higher grade gold values cut to 60 g/t Au, an intercept of 19.4 g/t Au over 26.4 metres, including 52.2 g/t Au over 6.2 metres. This is the highest grade mineralization intersected in drilling completed by Centerra at Kumtor. It is standard industry practice to reduce high assays to lower values so that they do not have a disproportionate influence on resource estimates. High assays were cut at 60 grams per tonne gold.

This drilling, together with that completed in the second quarter of 2009, has extended the SB Zone 350 metres to the southwest of the drilling completed in 2006. The 2006 drilling defines the limits of the current resource model used for reserve estimation. These holes will extend the resource model and three of the new intercepts lie within the current planned pit design and will add to current reserves.

One additional hole was completed to test the down dip continuity and depth extensions of high grade mineralization intersected in the Stockwork Zone in the Central Pit area. Results continue to

be encouraging with hole D1339 returning an intercept of 4.2 g/t Au over 33 metres, including 11.8 g/t Au over 3.5 metres. These results, along with those from previous drilling in the Stockwork Zone, have outlined a high-grade mineralized zone over a strike length of more than 400 metres and down dip for up to 300 metres from the bottom of the planned KS9 pit design. The results are confirming the excellent potential for a high-grade underground deposit that is open both along strike and down plunge to the northeast.

One drill hole was completed in the third quarter in the Saddle Zone area of the Central pit, between the SB and Stockwork Zones. The hole, D1350A, intersected a significant width of lower grade mineralization of 3.2 g/t Au over 43.7 metres.

One drill hole was completed in the third quarter to test the area to the northeast of the high-wall of the Central pit. Hole D1347 was drilled to test the down dip extension of the high grade mineralization intersected in the second quarter of 2009 in hole D1301A, which returned assays of 9.1 g/t Au over 11.0 metres, including 10.8 g/t over 8.5 metres. Hole D1347 returned disappointing results of 2.2 g/t Au over 1.7 metres. Further drilling is planned in the fourth quarter of 2009 to test for higher grade mineralization down plunge of D1301A, where the structure is more likely to intersect the more favorable conglomerate host rock.

### **Underground Decline Exploration**

Exploration drilling to test the Kumtor structure in the footwall of the decline commenced in June and continued in the third quarter of 2009. One drill was active underground and three drill holes were completed, all of which intersected the Kumtor structure and mineralization, with hole UD1370 returning the best intercept of 7.6 g/t Au over 4.8 metres, including 12.2 g/t Au over 2.8 metres.

### **Regional Exploration**

Regional exploration work resumed in June and continued in the third quarter of 2009. Drilling was carried out in the Northeast, Southwest and Sarytor areas.

#### **Northeast Area**

Two drills were active in the third quarter of 2009 at the Northeast prospect. The drill holes were designed to follow-up on the mineralization intersected in holes completed in late 2007 and 2008 on the lower Northeast prospect which had indicated the potential for a near surface zone of mineralization similar in grade to the Sarytor deposit. Eleven holes were completed in the third quarter of 2009 but only two holes returned any significant mineralization. Drill hole DN1355 returned intercepts of 2.5 g/t Au over 3.3metres, and 3.2 g/t Au over 2.0metres, and 3.0 g/t Au over 6.0 metres and drill hole DN1363 intercepted 2.0 g/t Au over 12.3 metres. Drilling will continue to test the strike and down dip extensions of the mineralization intersected in 2007 - 2008.

#### **Petrov Prospect**

Four drill holes were completed in the Petrov area to test coincident geophysical and geochemical anomalies. All drill holes intersected structures with minor alteration but no significant gold values.

## **Sarytor Area**

Two drills were active at the Sarytor deposit in the third quarter. Drill hole SR-09-187B was drilled to test the down dip extension of the Sarytor deposit and was stopped in mineralization due to technical difficulties with an intercept of 8.5 g/t Au over 1.8 metres. Two drill holes were completed to test for extensions of the oxide mineralization in the mélange zone with drill hole SR-09-188 returning an intercept of 9.6 g/t Au over 1.2 metres.

## **Southwest Area**

One drill was active in this area in the third quarter. Two holes were completed to test footwall structures west of the Southwest Pit with no significant results. Fourth quarter drilling will focus on testing high grade mineralization identified in Soviet era sampling of adits below the open pit.

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)

## **Mongolia**

Exploration work continued in the third quarter of 2009 on the Company's extensive land holdings. Work included mapping, soil sampling, geophysical surveys and trenching programs on key prospects along the Yeroogol Trend - Khuder, Khar Mod, and Gatsuurt.

### **Khuder**

Ongoing sampling of new trenches and road cuts continues to return anomalous gold values in gently dipping structures with results from the Ridge and Valley thrust zones. Both the Ridge and Valley gold bearing thrusts are oriented northeast and dip northwest from 10 to 50 degrees and have been traced for over 2,500 metres.

Geophysical surveys and most of the planned trenching have been completed. Drilling is planned to test the two primary targets, the Valley and Ridge gold bearing thrusts, in the fourth quarter of 2009.

### **Khar Mod**

Exploration was focused on the area, where previously completed reconnaissance soil sampling identified several gold anomalies. Follow-up detailed soil sampling identified zones with a combined width of over 150 metres and which are open in northeast and southwest directions.

### **Gatsuurt**

An expanded IP survey was completed in the third quarter which identified several targets in the Biluut, South Slope and Bulgiin areas. Trenching is continuing to evaluate other geochemical and geophysical anomalies at Biluut, Balj and the Bulgin valley.

## **Russia**

### **Illichy Gold JV**

The Company entered into a new joint venture agreement on September 1, 2009 with Amur Gold covering the Illichy Gold project located in eastern Russia in the Amur Oblast. Field work including trenching and IP surveys was started in late September.

## **Turkey**

### **Stratex – JV Öksüt Project**

An option agreement was signed with Stratex International plc in August 2009 covering their Öksüt property in the Central Anatolia Platform about 250 kilometres Southeast of Ankara.

The property covers a series of structural and lithological-controlled high-sulphidation silicified zones hosted by shallowly dipping andesitic volcanics. Silicified zones and associated alteration extend over an area of at least 8 square kilometres.

Regional soil and rock geochemical sampling has revealed other large targets that warrant drill testing. Ground geophysical surveys consisting of magnetic and IP are underway. Additional trenching and diamond drilling are planned during the fourth quarter.

## **Outlook for 2009**

### ***Production***

For the full year of 2009, Centerra expects consolidated gold production of 620,000 to 630,000 ounces, which is unchanged from the previous guidance disclosed in the Company's news release of September 24, 2009.

Gold production for the full year 2009 at the Kumtor mine in the Kyrgyz Republic is forecast to be approximately 500,000 ounces, which is unchanged from the updated guidance reported in the September 24, 2009 news release. Production from the nearby Sarytor deposit has not been included this year in Kumtor's current mine plan. The production from Sarytor has been deferred until 2012. During the fourth quarter, Kumtor's gold production is estimated to be in the range of 225,000 to 235,000 ounces and assumes access and release of higher grade ores from the SB Zone in the quarter, particularly in November and December. In addition to the produced ounces, the Kumtor pit will deliver ore to a surface stockpile in the fourth quarter. The Company is expediting a plan to manage accelerated ice and waste movement in the vicinity of the central pit southeast high wall.

Due to the unplanned shutdown to replace the SAG mill girth gear in the first quarter of 2009, the planned 2-week shutdown of the Kumtor mill to replace the ball mill ring gear and the SAG mill liner, originally scheduled for the third quarter of 2009, has been delayed to the second quarter of 2010.

At the Boroo mine in Mongolia, gold production is forecast to be 120,000 to 130,000 ounces, which is unchanged from prior guidance of September 24, 2009. The Company is working with the Mongolian authorities to have the final operating permit for the heap leach facility issued.

Resumption of heap leach operations at Boroo would add approximately 3,000 ounces per month to the Company's gold production guidance.

### **Cash cost per ounce**

The prior 2009 outlook for consolidated cash costs per ounce of \$410 to \$450 has been revised to \$465 to \$485 per ounce to reflect the reduced gold production at Kumtor. As disclosed previously, the majority of taxes at Kumtor have been replaced with a revenue-based tax which is excluded from the total cash costs. Accordingly, the outlook for total cash costs per ounce produced excludes the revenue-based tax.

Total cash cost for 2009 for Kumtor is expected to be in the range of \$460 to \$480 per ounce produced which is higher than the previous guidance of \$390 to \$430 per ounce disclosed in the second quarter of 2009. The revised cash cost guidance for Kumtor reflects the lower production resulting from the delayed access to the higher grade ores of the SB Zone.

Total cash cost for 2009 for Boroo is expected to be in the range of \$495 to \$535 per ounce produced which is unchanged from the previous guidance. The cash cost at Boroo will be lower if heap leach operations are resumed. (Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures" in the Company's Management's Discussion and Analysis issued in conjunction with this news release).

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

	<b>2009 Production Forecast</b> (ounces of gold)	<b>2009 Total Cash Cost<sup>(1)</sup></b> (\$ per ounce)
Kumtor	500,000	460 - 480
Boroo	120,000 – 130,000	495 – 535
Consolidated	620,000 – 630,000	465 - 485

(1) Total cash cost is a non-GAAP measure. See "Non-GAAP Measures" in the Company's Management's Discussion and Analysis issued in conjunction with this news release).

### **Major Assumptions and Sensitivities**

The following material assumptions have been updated from the prior disclosed guidance in light of current market conditions. In particular, material assumptions or factors used to forecast production and costs include the following:

- a gold price of \$975 per ounce,
- exchange rates:
  - \$1USD:\$1.12CAD
  - \$1USD:43.5 Kyrgyz Som
  - \$1USD:1,410 Mongolian Tugrik
  - \$1USD:0.70 Euro
- diesel price assumption:
  - \$0.51/litre at Kumtor
  - \$0.72/litre at Boroo

Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was approximately \$69 per barrel.

Centerra's revenues, earnings and cash flows for 2009 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 before income tax
Gold Price	\$25/oz	1.0	6.6	5.6	5.8
Diesel Fuel	10%	\$4/oz	-	1.1	1.1
Kyrgyz som	1 som	0.3	-	0.3	0.3
Mongolian tugrik	25 tugrik	0.1	-	0.1	0.1
Canadian dollar	10 cents	0.8	-	0.8	0.8

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

- grades and recoveries at Kumtor increase as expected through the fourth quarter to achieve the forecast gold production,
- Kumtor is able to mitigate the continued movement of waste and ice into the open pit (see discussion below),
- no further delays in or interruption of scheduled production from our mines, including due to natural phenomena, labour or regulatory disputes or other developmental and operational risks,
- the dewatering and depressurization programs at Kumtor continue to produce the expected results and the water management system works as planned,
- Boroo ore does not become more refractory in nature affecting mill recoveries,
- no further labour disruption at the Boroo mine site,
- no further suspension of Boroo's main mine and mill operating licenses,
- prices for fuel oil, reagents and other consumables will remain consistent with Company estimates, and
- all necessary permits, licences and approvals are received in a timely manner.

Production and cost forecasts for 2009 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".

### **Further Creep of Waste and Ice Material at Kumtor**

During the third quarter of 2009, continued movement of waste and ice from the South East wall into the Kumtor open pit required the mining of ice and removal of waste which reduced the production of ore and delayed access to the high-grade component of the SB Zone. Management is working to further stabilize this advanced creep and has expedited a plan to manage accelerated ice and waste movement. While work is planned over the balance of the 2009 year to sustain the cutback of the ice creep into the pit, there is no guarantee that these efforts will avert further negative impact on the Company's expected production, costs and earnings.

### **Kumtor Mill Shutdown**

In March 2008, an unplanned shutdown of the ball mill at Kumtor was required to repair the ring gear which had failed late February 2008. The repair was completed in late March 2008 and the ball mill returned to full operation. The successful repair of the ring gear is considered a temporary repair which will require full replacement. This replacement has been postponed until the second quarter of 2010 to enable uninterrupted processing of higher-grade material. The Company's expectation is that the temporary repair will last until then.

Due to an unplanned shutdown to replace the SAG mill girth gear at Kumtor in the first quarter of 2009, the maintenance and change-out of the SAG mill liner which was scheduled for the third quarter of 2009 has been postponed until the second quarter of 2010. However should the current liner and/or the ring gear not last until the end of the year, an unplanned shutdown would be required which would have an adverse affect on the production, costs and earnings of the Company.

### **Boroo License Suspension and Production Shutdown**

As disclosed on June 12, 2009, the Company received a notice from the Minerals Resources Authority of Mongolia (MRAM) suspending the Boroo Mine's main operating licenses for a period up to three months. The Company disclosed in its July 27, 2009 news release that the suspension had been lifted for mining and milling operations.

The mine stopped adding cyanide to the heap leach pad at the end of April 2009 due to the expiry of Boroo's temporary heap leach permit. The Company had been awaiting the authorization of the final heap leach operating permit when the mine's main operating licenses were suspended. See "Other Corporate Developments – Mongolia".

### **Exploration and Business Development**

Exploration expenditures are expected to total \$25 million and the business development program is forecast at \$1.4 million for 2009 to support merger and acquisition initiatives of the Company for the year.

The 2009 exploration program will continue the aggressive exploration at the Kumtor mine, target generation programs at the Boroo mine and around the Gatsuurt project and on our extensive land holdings in Mongolia. Project generation programs will continue in Asia, Russia and China. Centerra will continue to fund and earn an interest in joint venture properties and projects in Russia,

Turkey and the United States. The Company forecasts \$25 million of spending on its program for the year. The forecast includes \$12 million for exploration at Kumtor.

## Capital Expenditures

The capital requirement in 2009 is estimated to be \$87.8 million, including \$42.2 million of sustaining capital and \$45.6 million of growth capital. This represents a decrease of \$19.2 million from prior guidance primarily due to the timing of expenditures in growth capital at Kumtor and Gatsuurt.

Growth capital includes:

Projects	2009 Growth Capital Expenditures Forecast (millions of dollars)
Kumtor	\$37.6
Boroo	\$0
Gatsuurt	\$8.0
Consolidated Total	\$45.6

At Kumtor the growth capital expenditures are: \$21.1 million assigned to the development of the two development drifts (Phase I and II to access and drill the SB and Stockwork Zone resources), \$11.3 million for the initial funds for the Phase II mining fleet and long lead items, and various other projects of \$5.2 million. The Company decreased the growth capital guidance at Kumtor by \$9.7 million which includes an increase in other growth capital expenditures of \$1.4 million and a reduction of \$11.0 million in the development costs for Phase II due to timing of the expenditures for the project.

The \$8.0 million growth capital for Gatsuurt includes road construction and site infrastructure development, which is lower than the prior estimate of \$14.0 million due to timing differences of the expenditures for the project. Additional capital expenditures for phase 2 of the development includes \$21.0 million to initiate the basic and detail engineering and procurement requirements for the project. The third phase of the development, which includes the mobilization of the construction management and the construction of the process facilities, will only be invested if the Company is successful in obtaining an acceptable investment agreement for Gatsuurt with the Government of Mongolia. The 55 kilometre road to the Gatsuurt mine site has been designed and the 14-month construction period began in the second quarter of 2009. The road construction project is on track for a mid-2010 completion.

## Administration

Annual corporate and administration expenses without unusual items are expected to amount to approximately \$31 million in 2009 which is \$1 million higher than the prior guidance in second quarter 2009 mainly due to higher stock-based compensation.

## **Corporate Taxes**

### **Kumtor**

Effective April 30, 2009 (being the date the Kyrgyz Parliament ratified the Agreement on New Terms), Kumtor became subject to a new tax regime pursuant to which income taxes and other taxes were replaced by taxes computed by reference to Kumtor's revenue. The Agreement on New Terms was superseded by the Restated Investment Agreement signed as of June 11, 2009. Under the new tax regime, a tax of 13% of gross revenue is payable monthly in addition to, effective January 1, 2009, a payment equal to 1% of gross revenue to the Issyk-Kul Oblast Development Fund. The new tax regime replaced taxes payable pursuant to the prior investment agreement, which included income taxes at 10% of taxable income, a mineral resource tax at 5% of revenue, an emergency fund tax at 1.5% of revenue, a road tax at 0.8% of revenue, withholding taxes imposed on payments to non-residents with rates ranging from 10%-30% depending on the nature of the payment, an Issyk-Kul Social Fund tax with a rate of 2% - 4% of income, all customs duties, and certain other taxes.

### **Boroo**

The corporate income tax rate for Boroo Gold Company for 2009 and subsequent years is 25% for taxable income over 3 billion tugrik (approximately \$2.1 million at the quarter end foreign exchange rate) with a tax rate of 10% for taxable income up to that amount.

## **Risk Factors**

For a discussion of the factors that could cause actual results to differ materially, please refer to "Risk Factors" in Centerra's 2008 Annual Management's Discussion and Analysis and to Centerra's 2008 Annual Information Form ("AIF") 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" below.

## **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 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 2009”, 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 creep of ice and waste material into the Kumtor open pit, the resolution of the remaining outstanding issues at the Boroo mine relating to the suspension of the Boroo licenses in June 2009 as described above under the heading “Other Corporate Developments – Mongolia”, the receipt of a final permit to operate the heap leach operation at the Boroo mine, fluctuations in the gold price, 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, costs associated with movement of ice and waste at the Kumtor mine, 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 AIF and Annual Management’s Discussion and Analysis available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

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 29, 2009. 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 2009 third quarter conference call on Friday, October 30, 2009 at 11:00 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) 760-5095 or International callers dial (212) 231-2900. 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 6, 2009 by calling (416) 626-4100 or (800) 558-5253 and using passcode 21438390.

### **For more information:**

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

### **MDA and Financial Statements and Notes follow**

# Centerra Gold Inc.

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

### For the period ended September 30, 2009

The following discussion has been prepared as of October 29, 2009, 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, 2009 in comparison with those as at September 30, 2008. 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, 2009. 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, 2008, the related MD&A included in the 2008 Annual Report, and the 2008 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 2008 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).

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## Consolidated Financial Results

Centerra's consolidated financial results for the three and nine month periods ended September 30, 2009 reflect 100% interests in the Kumtor and Boroo mines, and the Gatsuert project.

### Highlights

	Three Months Ended September 30			Nine Months Ended September 30		
	2009	2008	% Change	2009	2008	% Change
<b>Financial and Operating Summary</b>						
Revenue - \$ millions	158.8	139.4	14%	361.6	394.6	(8%)
Cost of sales - \$ millions <sup>(1)</sup>	70.7	78.7	(10%)	221.8	218.7	1%
Earnings (loss) before unusual items - \$ millions <sup>(2)</sup>	20.2	16.9	20%	(30.3)	54.4	(156%)
Unusual items - \$ millions	0.0	0.0	0%	49.3	(37.7)	(231%)
Net earnings (loss) - \$ millions	20.2	16.9	20%	(79.6)	92.2	(186%)
Earnings (loss) per common share - \$ basic and diluted	0.09	0.08	15%	(0.36)	0.43	(184%)
Cash provided by operations - \$ millions	63.4	24.4	160%	57.0	63.0	(10%)
Weighted average common shares outstanding - basic (thousands)	234,857	216,318	9%	222,027	216,318	3%
Weighted average common shares outstanding - diluted (thousands)	234,980	216,318	9%	222,027	217,477	2%
Gold sold – ounces	165,606	162,140	2%	389,506	446,488	(13%)
Gold produced – ounces	165,883	186,145	(11%)	379,544	464,843	(18%)
Cost of sales - \$/oz sold	427	486	(12%)	569	490	16%
Total cash cost - \$/oz produced <sup>(3) (4) (5)</sup>	424	446	(5%)	602	489	23%
Total production cost - \$/oz produced <sup>(3) (5)</sup>	563	546	3%	781	592	32%
Average realized gold price - \$/oz	959	860	12%	928	884	5%
Average gold spot price - \$/oz	960	872	10%	931	897	4%

- (1) Cost of sales for 2009 and its comparative year excludes regional office administration.
- (2) Net earnings before unusual items is a non-GAAP measure and is discussed under "Non-GAAP Measures".
- (3) Total cash cost and total production cost are non-GAAP measures and are discussed under "Non-GAAP Measures".
- (4) 2009 includes the costs incurred during the strike and shutdown at Boroo of \$0.7 million and \$4.1 million for the quarter and nine months, respectively: excluding these costs, the third quarter and nine months cash cost per ounce produced would be \$419 and \$591, respectively.
- (5) As a result of Kumtor's Restated Investment Agreement, total cash cost and total production cost per ounce measures for both 2009 and 2008 exclude operating and revenue-based taxes.

### Three Month Period Ended September 30, 2009 compared with the Three Month Period Ended September 30, 2008

#### Gold Production and Revenue

Revenue in the third quarter of 2009 increased to \$158.8 million from \$139.4 million in the same quarter last year reflecting higher realized gold prices and higher ounces sold. Gold production for the quarter was 165,883 ounces compared to 186,145 ounces reported in the third quarter of 2008. The overall reduction in gold production results primarily from fewer mined ounces at Boroo where mining and milling operations were suspended during the month of July 2009 due to the suspension

by the Mongolian government of the main operating licenses. In addition, the heap leach operation did not operate for the entire third quarter 2009 pending issuance of a final operating permit and awaits resolution with the government authorities. See “Mine Operations – Kumtor” and “Mine Operations – Boroo”.

Centerra realized an average gold price of \$959 per ounce for the third quarter of 2009, an increase from the \$860 per ounce realized in the same quarter in 2008. Since Centerra’s gold production is not hedged and gold is sold at the prevailing spot price, the average realized gold price in the quarter reflects the continued strength of the spot gold price, which averaged \$960 per ounce for the third quarter of 2009 (\$872 per ounce for the same period in 2008).

### **Cost of Sales**

Cost of sales in the third quarter of 2009 was \$70.7 million, compared to \$78.7 million in the same quarter of 2008 resulting from quarter over quarter reductions at both Kumtor and Boroo

Cost of sales per ounce sold decreased to \$427 compared to \$486 for the same period in 2008. This reflects the removal of production taxes at Kumtor and reduced operating costs at both sites, partially offset by lower production rates at Boroo.

The Company’s total cash cost per ounce produced was \$424, down from \$446 in the third quarter of 2008. This decrease is primarily due to lower operating costs, which was partially offset by fewer ounces produced at Boroo. Excluding the mine standby costs of \$0.7 million incurred during suspension of the operating licenses at Boroo, total cash cost per ounce produced in the third quarter 2009 would be \$419. Total cash cost per ounce produced is a non-GAAP measure and is discussed under “Non-GAAP Measures”. See “Mine Operations – Kumtor” and “Mine Operations – Boroo”.

### **Mine Standby Costs**

During the third quarter of 2009, Boroo’s operations were temporarily shutdown due to the suspension of its main operating licenses by the Mongolian authorities. The operating licenses for the mine and mill were reinstated on July 27, 2009. Boroo continued to incur fixed costs of approximately \$0.7 million during the operational shutdown.

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

Consolidated depreciation, depletion and amortization for the third quarter of 2009 increased to \$26.9 million from \$18.0 million in the same quarter of 2008, mainly due to the depreciation of costs associated with the new heavy duty equipment overhaul program on Kumtor’s expanded fleet and amortization of pre-stripping costs associated with pit 3 at Boroo (none of which were applicable in the comparative period in 2008). On a per unit basis, depreciation, depletion and amortization for the third quarter of 2009 was \$163 per ounce sold compared to \$111 per ounce sold in the same quarter of 2008.

### **Accretion and Reclamation Expense**

Accretion and reclamation expense of \$0.4 million remained unchanged in the third quarter of 2009 and 2008.

## **Exploration**

Exploration costs in the third quarter of 2009 increased to \$6.8 million from \$5.6 million in the same quarter of 2008 mainly reflecting increased drilling activity at the Company's joint ventures.

## **Capital Expenditures**

Capital expenditures spent and accrued of \$21.0 million in the third quarter of 2009 included \$6.1 million of sustaining capital and \$14.9 million invested in growth capital related mainly to the SB Zone underground development at Kumtor (\$11.1 million) and spending on construction of the road to the Gatsuurt project (\$2.2 million).

## **Corporate Administration**

Corporate administration costs for the third quarter of 2009 were \$8.1 million compared to \$7.3 million in the same quarter of 2008. The increase is primarily due to the impact on share-based compensation of a 38% increase in the share price in the third quarter 2009 (the share price decreased by 18% in the same period of 2008).

## **Revenue-based Tax - Kumtor**

Revenue-based taxes are payable to the Kyrgyz Government under the Restated Investment Agreement at a rate of 13% of gross revenue, with an additional contribution of 1% of gross revenue to the Issyk-Kul Oblast Development Fund. Revenue-based tax totaled \$18.1 million for the third quarter of 2009.

## **Income Tax Expense**

The Company recorded an income tax expense of \$2.4 million during the three month period ended September 30, 2009 (\$7.5 million three month period ended September 30, 2008).

### ***Kumtor***

Effective April 30, 2009 Kumtor became subject to a new tax regime pursuant to which income taxes and other taxes were replaced by taxes computed by reference to Kumtor's revenue. As a result of the Restated Investment Agreement, income taxes were not applicable to Kumtor in the third quarter of 2009 (income tax expense of \$0.7 million was recorded in the third quarter 2008).

### ***Boroo***

The corporate income tax rate for Boroo for 2009 and subsequent years is 25% of taxable income in excess of 3 billion Tugriks (about \$2.1 million at the exchange rate at the balance sheet date), and 10% for income up to that amount.

During the three month period ended September 30, 2009, Boroo recorded an income tax expense of \$2.4 million (\$6.8 million for the three month ended September 30, 2008). The reduction in the income tax provision in the quarter is primarily due to a reduction in Boroo's earnings in the quarter.

## Net Earnings

Net earnings for the third quarter of 2009 was \$20.2 million, or \$0.09 per share, compared to earnings of \$16.9 million or \$0.08 per share for the same period in 2008, reflecting higher realized prices and lower operating costs partially offset by reduced gold production.

## Liquidity and Capital Resources

Cash provided by operations was \$63.4 million for the third quarter of 2009 compared to \$24.4 million for the same quarter of 2008, primarily reflecting increased earnings as a result of higher gold prices and lower operating costs as well as the positive impact of reduced working capital levels.

Cash used in investing activities in the third quarter of 2009 was \$21.2 million reflecting primarily \$6.1 million spent on sustaining capital projects and \$14.9 million invested on growth projects. Expenditures on growth projects were mainly for Kumtor's SB Zone underground development while sustaining capital was \$5.5 million at Kumtor and \$0.6 million at Boroo.

As at September 30, 2009, the Company has entered into contracts to purchase capital equipment and operational supplies totalling \$14.6 million (Kumtor \$14.3 million, Boroo \$0.3 million). These contracts are expected to be settled over the next twelve months.

Cash and cash equivalents and short-term investments were \$162.7 million at the end of the third quarter of 2009, compared to cash and cash equivalents and short-term investments of \$167.4 million at December 31, 2008. The Company believes it has sufficient cash to carry out its operational business plan for 2009.

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

## **Nine-Month Period Ended September 30, 2009 Compared with the Nine-Month Period Ended September 30, 2008**

Revenue for the first nine months of 2009 decreased by \$33 million, or 8%, to \$361.6 million compared to \$394.6 million in the same period of 2008 due primarily to lower production levels in the first six months of 2009. Gold production of 379,544 ounces in the nine months of 2009 was lower than the 464,843 ounces reported in the same period of 2008 mainly as a result of the reduction in tonnes of ore mined at Kumtor and the production stoppages (strike and license suspension) in the second and third quarters of 2009 at the Boroo mine. Lower grades and recoveries were experienced at both operations. The average realized gold price for the first nine months of 2009 was \$928 per ounce compared to \$884 per ounce in the same period of 2008 reflecting higher spot prices for gold. See "Mine Operations – Kumtor" and "Mine Operations – Boroo".

Net loss before unusual items in the first nine months of 2009 was \$30.3 million, or \$0.14 per share, compared to net earnings of \$54.4 million, or \$0.25 per share, for the same period in 2008.

The total amount of unusual items expensed in regards to the signing and settlement of the Restated Investment Agreement with the Kyrgyz government was \$49.3 million which was recorded in the second quarter 2009 (see disclosures in the second quarter 2009 MD&A).

Net loss after unusual items in the first nine months of 2009 was \$79.6 million, or \$0.36 per share, compared to net earnings of \$92.2 million, or \$0.43 per share, in the same period of 2008. The decrease reflects lower sales and production and the unusual items described above.

The Company's total cash cost per ounce produced for the nine months ended September 30, 2009 was \$602, up from \$489 in the same period in 2008. This increase is primarily due to the reduced production levels in 2009. Excluding the costs incurred during the shutdown at Boroo, total cash cost per ounce produced for the first nine months of 2009 would be \$591.

Cash flow provided by operations for the first nine months of 2009 was \$57.0 million compared to \$63.0 million in the same period of 2008 reflecting \$22.4 million of tax settlement payments made by Kumtor in June 2009 under the Restated Investment Agreement and lower net earnings. Cash used in investing activities totaled \$45.8 million in the nine months of 2009 compared to \$66.7 million spent on capital projects in the prior year: the 2009 amount includes \$63.7 million spent on capital projects partially offset by a reduction in short-term investments of \$17.8 million. The spending on capital projects relates mainly to the underground project 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 \$31.7 million as at September 30, 2009 (December 31, 2008 - \$32.8 million). These payments are expected to be made over the 2009 to 2016 period. The Company used weighted average credit-adjusted rates of 6.99% at Kumtor and 8% at Boroo to calculate the present value of the asset retirement obligations.

### **Share capital and share options**

As of October 29, 2009, Centerra had 234,857,228 shares issued and outstanding. In addition, at the same date, the Company had 1,816,155 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 2013 and 2017.

The shares currently outstanding include the issuance on June 11, 2009 of 18,232,615 common shares of Centerra as contemplated by the Revised Investment Agreement for the Kumtor project. These shares were issued from treasury on June 11, 2009, at the closing share price of \$6.62 (Cdn. \$7.30) to Kyrgyzaltyn. As a result, the Company recorded an addition to share capital of \$120.7 million.

## Gold hedges

The Company had no gold hedges in place in the third quarter of 2009 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 \$996 per ounce on September 30, 2009. For the third quarter of 2009, the gold price averaged \$960 per ounce compared to \$872 per ounce for the same period in 2008.

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 nine-month period ending September 30, 2009, approximately \$214.5 million of operating and capital costs were incurred by Centerra in currencies other than U.S. dollars out of a total of \$386 million costs incurred. For the nine-month period, the percentage of Centerra's non-U.S. dollar costs, by currency was, on average, as follows: 53% in Kyrgyz soms, 18% in Euro, 17% in Mongolian tugriks, 11% in Canadian dollars, and 1% in other currencies. On average, from the December 31, 2008 currency rate, the Kyrgyz Som depreciated against the U.S. Dollar by approximately 8.0% and the Euro and the Tugrik depreciated by 2.4% and 13.2%, respectively. The Canadian dollar appreciated by 4.0%. The estimated impact of these movements over the nine month period to September 30, 2009 has been to reduce costs by approximately \$13.5 million, after accounting for Som, Tugrik and Canadian Dollars held at the beginning of the year.

## Mine Operations

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

	Three Months Ended September 30			Nine Months Ended September 30		
	2009	2008	% Change	2009	2008	% Change
<b>Kumtor Operating Results</b>						
Gold sold – ounces	<b>134,803</b>	111,121	21%	<b>279,293</b>	293,611	(5%)
Revenue - \$ millions	<b>129.0</b>	95.7	35%	<b>260.6</b>	259.8	0%
Average realized gold price – \$/oz	<b>957</b>	861	11%	<b>933</b>	885	5%
Cost of sales - \$ millions <sup>(1)</sup>	<b>59.7</b>	64.2	(7%)	<b>179.1</b>	176.4	2%
Cost of sales - \$/oz sold	<b>443</b>	577	(23%)	<b>641</b>	601	7%
Tonnes mined - 000s	<b>30,941</b>	27,991	11%	<b>89,549</b>	86,548	3%
Tonnes ore mined – 000s	<b>1,516</b>	1,226	24%	<b>2,706</b>	3,477	(22%)
Tonnes milled - 000s	<b>1,546</b>	1,497	3%	<b>4,366</b>	4,017	9%
Average mill head grade - g/t <sup>(2)</sup>	<b>3.52</b>	3.63	(3%)	<b>2.71</b>	3.22	(16%)
Recovery - %	<b>73.3</b>	79.4	(8%)	<b>70.4</b>	77.3	(9%)
Gold produced – ounces	<b>133,459</b>	133,813	(0%)	<b>277,947</b>	319,707	(13%)
Total cash cost - \$/oz <sup>(3)(4)</sup>	<b>427</b>	488	(13%)	<b>651</b>	551	18%
Total production cost - \$/oz <sup>(3)(4)</sup>	<b>547</b>	588	(7%)	<b>813</b>	655	24%
Capital expenditures - \$ millions	<b>18.2</b>	18.4	(1%)	<b>57.3</b>	36.8	56%
<b>Boroo Operating Results</b>						
Gold sold – ounces	<b>30,803</b>	51,019	(40%)	<b>110,213</b>	152,877	(28%)
Revenue - \$ millions	<b>29.8</b>	43.7	(32%)	<b>101.0</b>	134.9	(25%)
Average realized gold price - \$/oz	<b>967</b>	857	13%	<b>916</b>	882	4%
Cost of sales - \$ millions <sup>(1)</sup>	<b>10.9</b>	14.5	(25%)	<b>42.8</b>	42.3	1%
Cost of sales - \$/oz sold	<b>354.0</b>	286.0	24%	<b>388.0</b>	277.0	40%
Tonnes mined excluding heap leach- 000s	<b>2,166</b>	4,132	(48%)	<b>6,461</b>	13,819	(53%)
Tonnes mined heap leach – 000s	<b>589</b>	864	(32%)	<b>2,311</b>	2,592	(11%)
Tonnes ore mined direct mill feed -000's	<b>597</b>	584	2%	<b>1,663</b>	1,791	(7%)
Tonnes ore milled - 000s	<b>431</b>	665	(35%)	<b>1,450</b>	1,876	(23%)
Average mill head grade - g/t <sup>(2)</sup>	<b>2.45</b>	2.58	(5%)	<b>2.41</b>	2.74	(12%)
Recovery - %	<b>76.0</b>	70.4	8%	<b>69.7</b>	79.8	(13%)
Gold produced – ounces	<b>32,424</b>	52,332	(38%)	<b>101,597</b>	145,136	(30%)
Total cash cost - \$/oz <sup>(3)(5)</sup>	<b>411</b>	338	21%	<b>466</b>	353	32%
Total production cost - \$/oz <sup>(3)</sup>	<b>625</b>	440	42%	<b>692</b>	452	53%
Capital expenditures - \$ millions	<b>0.6</b>	10.6	(95%)	<b>0.9</b>	29.2	(97%)

(1) Cost of sales for 2009 and its comparative year 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) As a result of Kumtor’s Restated Investment Agreement, total cash cost and total production cost per ounce measures for both 2009 and 2008 are shown excluding operating and revenue-based taxes.

(5) 2009 includes the costs incurred during the strike and shutdown of \$4.1 million (nine months). Excluding these costs the third quarter and nine months cash cost per ounce produced at Boroo would be \$388 and \$426, respectively.

## **Kumtor**

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based producer. It has been operating since 1997 and has produced about 7.0 million ounces of gold. During the third quarter 2009, Kumtor experienced no lost-time accidents and four class I environmental incidents (all minor).

As reported in the September 24, 2009 news release, the accelerated waste and ice movement experienced in the first half of 2009 continues. As a result the operation increased its focus on mining ice and the removal of waste in the vicinity of the central pit. This resulted in deferred access to the high-grade component of the SB Zone in the central pit to the fourth quarter of 2009.

### **Third Quarter 2009 Compared with Third Quarter 2008**

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

Revenue in the third quarter of 2009 increased to \$129.0 million from \$95.7 million in the third quarter of 2008 primarily as a result of the higher realized gold price and higher sales volumes (134,803 ounces in the third quarter of 2009 compared to 111,121 ounces in the same period of 2008). Kumtor produced 133,459 ounces of gold in the third quarter of 2009 compared to 133,813 ounces of gold in the third quarter of 2008. The operation experienced slightly lower ore grades and decreased recovery, mostly offset by increased tonnage through the mill. The ore grade averaged 3.52 g/t with a recovery of 73.3% in the third quarter of 2009, compared to 3.63 g/t with a recovery of 79.4% in the same quarter of 2008. Recovery was impacted by the lower grade ores that were slightly more refractory than anticipated and by maintenance requirements and operational difficulties in the grinding and flotation circuits.

The average realized gold price in the third quarter of 2009 was \$957 per ounce compared to \$861 per ounce in the same period in 2008.

#### **Cost of Sales**

Despite the increase in ounces sold at Kumtor, cost of sales decreased in the third quarter of 2009 to \$59.7 million (\$64.2 million in same period of 2008). This results from the following: reduced operating costs of \$8.0 million and production taxes not incurred in the third quarter of 2009 as a result of the Restated Investment Agreement, whereas \$9.7 million was recorded in the third quarter of 2008.

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented. On a unit cost basis, cost of sales per ounce sold decreased to \$443 compared to \$577 for the third quarter of 2008.

After removing the impact of production taxes from 2008, operating cash costs at Kumtor decreased \$8.0 million for the third quarter 2009 compared to the same quarter of 2008. This variance can be summarized as follows:

Mining costs for the third quarter 2009 were \$30.4 million, \$9.0 million or 23% lower than the same quarter in 2008. This reduction is primarily due to lower expenditures on fuel (\$5.4 million), dewatering materials and supplies (\$1.8 million), labour costs (\$1.4 million), reduced spending on geotechnical drilling and blasting monitors (\$0.8 million), and a reduction in maintenance materials, supplies and various other savings (\$0.5 million). This was partially offset by increased spending on explosives and blasting supplies (\$0.7 million).

Milling costs for the third quarter 2009 were \$14.0 million, \$0.2 million or 2% lower than the same quarter in 2008. This was primarily due to reduced spending on electricity (\$0.5 million), labour costs (\$0.4 million), and grinding media (\$0.1 million), partially offset by the increased cost of reagents.

Site Administration costs for the third quarter 2009 were \$9.2 million, \$0.8 million or 8% lower than the same quarter in 2008 primarily due to lower spending on labour and fuel.

Total cash cost per ounce produced in the third quarter 2009 was \$427 compared to \$488 per ounce for the same period in 2008 due to lower operating costs in 2009. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

### **Kumtor Regional Administration**

Bishkek administration costs for the third quarter 2009 were \$3.2 million, \$1.0 million or 46% higher than the same quarter in 2008.

### **Depreciation and Amortization**

Depreciation and amortization costs increased by \$8.3 million over the same period in 2008 mainly due to additional capitalization recorded late in 2008. The capital additions resulted from the heavy duty equipment overhaul program revised in the third quarter 2008 and tailings dam capitalization recorded in the fourth quarter of 2008.

### **Exploration**

Exploration costs for the third quarter 2009 were \$3.3 million, \$0.3 million lower than the same quarter in 2008 mainly due to lower spending on fuel (\$0.2 million).

### **Capital Expenditures**

Capital expenditures in the third quarter of 2009 were \$18.2 million compared to \$18.4 million in the same quarter of 2008. In 2009, this consisted of \$5.5 million of sustaining capital, predominantly spent on the heavy duty equipment overhaul program (\$2.6 million), and the shear key and tailings dam buildup (\$2.3 million). Growth capital investment totaled \$12.7 million spent mainly on the SB zone underground development including expenditures for construction of the phase I decline (\$5.9 million) and the purchase of mining equipment for phase II (\$5.2 million).

## **First Nine Months of 2009 Compared with First Nine Months of 2008**

### **Revenue and Gold Production**

Revenue for the first nine months of 2009 was \$260.6 million, virtually equal to the \$259.8 million in the same period of 2008. Higher realized gold prices in the more recent period were mostly offset by lower sales volumes (279,293 ounces for the nine months of 2009 compared to 293,611 ounces in the same period of 2008). Kumtor produced 277,947 ounces of gold for the first nine months of 2009 compared to 319,707 ounces of gold in the same period of 2008. The decrease results primarily from lower ore grades and decreased recovery due to the blending of the more metallurgically complex Southwest ore. The ore grade averaged 2.71 g/t with a recovery of 70.4% for the nine months period of 2009, compared to 3.22 g/t with a recovery of 77.3% in the same period of 2008.

The higher average realized gold price per ounce for both the three and nine month periods in 2009 was due to higher gold spot prices.

### **Cost of Sales**

Cost of sales at Kumtor in the first nine months of 2009 was \$179.1 million compared to \$176.4 million in the same period of 2008. Kumtor experienced lower ore production in the more recent period, leading to higher unit costs for ounces sold, partially offset by reduced sales volumes in the year. The cost of sales for Kumtor for 2009 includes \$8.7 million in production taxes up to April 30, 2009 when these taxes were eliminated by the Revised Investment Agreement. For comparison, the cost of sales for 2008 includes production taxes of \$26.2 million for the full nine months. Net of production taxes, cost of sales for the nine months ending September 30, 2009 was \$170.4 million and \$150.2 million in the comparative period of 2008. Lower sales volume accounted for \$7.3 million in reduced cost of sales, however, the higher unit costs of the ounces as a result of lower production accounted for \$27.5 million in increased cost of sales.

Operating cash costs at Kumtor increased \$4.6 million for the first nine months of 2009 compared to the same period in 2008 and this variance can be explained as follows:

Mining costs for the first nine months of 2009 were \$102.6 million or \$2.7 million lower than the same period in 2008. This arose primarily due to lower fuel costs (\$8.6 million) and maintenance costs (\$2.6 million), partially offset by increased spending on drill and blasting supplies (\$4.1 million), lubricants (\$1.6 million), equipment services (\$1.3 million), dewatering supplies (1.1 million), labour costs (\$0.2 million), site services and business travel (\$0.3 million).

Milling costs for the first nine months of 2009 were \$39.8 million, \$3.8 million or 10% higher than the same period in 2008. The increase is primarily attributable to increased prices and increased consumption of reagents and consumables (\$4.1 million) due to the higher mill throughput.

Site Administration costs for the first nine months of 2009 were \$28.5 million, \$1.5 million or 6% higher than the same period in 2008, primarily due to increased spending on equipment services (\$1.2 million), labour costs (\$0.7 million), insurance (\$0.6 million), and rent (\$0.3 million), partially offset by lower spending on fuel (\$0.6 million), food and supplies (\$0.4 million), and licenses, permits and other expense items (\$0.3 million).

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented. On a unit cost basis, cost of sales per ounce sold increased to \$641 compared to \$601 for the nine months of 2008.

Total cash cost per ounce produced in the first nine months of 2009 was \$651 compared to \$551 per ounce for the same period in 2008. The increase results primarily from the lower production in 2009. Total cash cost per ounce produced is a non-GAAP measure and is discussed under “Non-GAAP Measures”.

### **Kumtor Regional Administration**

Bishkek Administration costs for the first nine months of 2009 were \$10.2 million, \$1.8 million or 22% higher than the same period in 2008.

### **Depreciation and Amortization**

Depreciation and amortization costs totaled \$53.3 million, an increase of \$21.4 million over the same period of 2008 due to a change made in the heavy duty mobile equipment overhaul program in the third quarter of 2008 resulting in accelerated depreciation for the mobile equipment, and a large increase in additions to capital in the second half of 2008 and the beginning of 2009. This was partially offset by a decrease in mine ore ounces and gold poured ounces leading to a reduction in the depreciation of assets depreciated on a units of production basis.

### **Exploration**

Exploration costs for the first nine months of 2009 were \$8.9 million, \$1.4 million lower than the same period in 2008, primarily due to reduced spending on labour (\$0.8 million), fuel (\$0.5 million), consumables (\$0.3 million) and equipment rentals (\$0.3 million). This was partially offset by increased spending on maintenance materials and supplies (\$0.3 million), and contractors labour (\$0.1 million).

### **Capital Expenditures**

Capital Expenditure in the first nine months of 2009 was \$57.3 million compared to \$36.8 million in the same period 2008. This consisted of \$33.1 million of sustaining capital, predominantly spent on the heavy duty equipment overhaul program (\$17.3 million), the purchase of a new 9350 Liebherr shovel (\$4.8 million), the purchase of equipment for the pit and the till dewatering projects (\$1.4 million), the continued spending on the tailings dam (\$4.5 million) and the purchase of a spare ball / regrind bull gear (\$2.1 million). Growth capital investment totaled \$24.2 million spent mainly on the SB zone underground development including expenditures for construction of the decline and supporting structures for phase I (\$14.4 million), the purchase of equipment for phase II (\$6.9 million), as well as the purchase of a new Liebherr 80 tonne crane (\$1.2 million).

## **Boroo**

The Boroo open pit mine, located in Mongolia, was the first hard rock gold mine in Mongolia. To date it has produced approximately 1.3 million ounces of gold. During the third quarter of 2009, there were no lost-time accidents, five first aid injuries and no reportable environmental spills.

Heap leach operations at Boroo remain on hold. The Company is working with Mongolian authorities to have the final operating permit for the heap leach facility issued.

### **Third Quarter 2009 Compared with Third Quarter 2008**

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

Revenue in the third quarter 2009 decreased to \$29.8 million from \$43.7 million in the third quarter 2008. The decrease is primarily due to lower ounces sold in 2009, 30,803 ounces compared to 51,019 ounces sold in the third quarter 2008. The lower ounces sold were as a result of 38% lower gold production in the third quarter 2009 compared to 2008 partially offset by higher gold prices.

Gold production in the third quarter 2009 was 32,424 ounces compared to 52,332 ounces in 2008, 19,908 ounces lower due to the operational shutdown caused by the suspension of Boroo's main operating licenses, which were reinstated July 27, 2009, and the cessation of heap leach operations due to the expiry of the temporary operating permit. As disclosed on July 27, 2009, the suspension was lifted for the mining and milling operations. See "Other Corporate Developments – Mongolia". The Company estimates that it would have produced an additional 13,000 ounces from the mill and 8,000 ounces from the heap leach had it been in full production. Lower average mill head grades processed in the third quarter 2009 (2.45 g/t vs. 2.58 g/t in 2008) caused an additional reduction of 1,735 ounces. These reductions were partially offset by higher plant recovery (76% vs. 70.4% in 2008) due to feed ratio that contained a lower share of refractory ore.

The Company continues to work with the Mongolian authorities to obtain the final heap leach operating permit. Although the suspension of Boroo's main operating licenses was lifted on July 27, 2009, the Company is continuing its discussions with the regulatory authorities regarding their concerns. See "Other Corporate Developments- Mongolia".

The realized gold price in the third quarter 2009 was \$967 per ounce compared to \$857 per ounce in the same period in 2008.

#### **Cost of Sales**

Cost of sales in the third quarter of 2009 was \$11.0 million compared to \$14.5 million in the comparative quarter of 2008.

Operating cash costs decreased by \$4.5 million in the third quarter 2009 compared to the same period in 2008. This variance can be explained as follows:

Mining costs for the third quarter were \$3.9 million, \$2.4 million or 38% lower than the comparative period in 2008. The decrease was mainly due to the license suspension, which limited the mining

activity and lowered the variable mining costs (\$1.2 million cost reduction). In addition, there were cost savings in diesel, equipment rental and blasting materials, and reduced overall costs for consumables. This is mainly due to a decrease in the production rate from 60,000 to 40,000 tonnes per day for the 2008 and 2009 periods respectively.

Milling costs for the third quarter 2009 were \$3.3 million, \$0.5 million or 14% lower than the same quarter in 2008 primarily as a result of the license suspension.

Heap leaching activity accumulated \$1.0 million of costs in the third quarter 2009 for crushing and stacking and for overheads which was \$0.8 million or 45% lower than same period in 2008 mainly due to the cessation of the leaching process.

Site administration costs at \$1.9 million for the third quarter 2009 decreased by \$0.6 million or 26% compared to the same period in 2008.

Royalties and other operating costs decreased by \$0.1 million in the third quarter 2009 compared to the same period in 2008, reflecting the reduced sales levels in 2009.

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented. On a unit cost basis, cost of sales per ounce sold for the third quarter of 2009 increased to \$354 compared to \$286 for the same period in 2008. The increase year over year is due to higher capitalization of costs in 2008 for pre-stripping activities in pit 3 (\$5 million capitalized in third quarter 2008) and lower volumes as a result of the reduced production rate in 2009.

Total cash cost per ounce produced in the third quarter 2009 was \$411 compared to \$338 per ounce for the same period in 2008. Excluding the mine standby costs of \$0.7 million incurred during the shutdown period, the third quarter 2009 total cash cost per ounce produced would be \$388. The increase results from the impact of the fixed cost of operations on fewer ounces produced. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

### **Mine Standby Costs**

Boroo accumulated \$0.7 million of standby costs during the third quarter of 2009 due to the suspension of its main operating licenses by the Mongolian authorities.

### **Boroo Regional Administration**

Regional administration costs at Boroo for the third quarter 2009 were 1.7 million, \$0.1 million or 7% higher than the same quarter in 2008.

### **Depreciation and Amortization**

Depreciation and amortization in the third quarter 2009 totaled \$6.1 million, an increase of \$0.8 million compared to the same period in 2008. This was primarily due to the increased capitalization in 2008 for the pit 3 pre-strip resulting in higher depreciation and amortization in the third quarter in 2009. The depreciation cost in 2009 on pit 3 pre-stripping capitalization (which was not applicable

for the third quarter of 2008) was partially offset by the depreciation cost for the other property, plant and equipment which was lower due to the suspension of Boroo's main operating licenses and heap leach processing in the quarter.

### **Exploration**

Exploration expenditures in Mongolia remained unchanged at \$0.9 million in the third quarters of both 2009 and 2008.

### **Capital Expenditures**

Capital expenditures in the third quarter of 2009 amounted to \$0.6 million which was spent on sustaining capital, compared to \$10.6 million in 2008, which included \$3.0 million of sustaining capital. The reduction is mainly due to more significant expenditures in the third quarter of 2008 for pre-stripping costs in pit 3 (\$5.0 million) and for the completion of the heap leach facility (\$2.5 million). No major capital projects were undertaken during the third quarter of 2009.

## **First Nine months of 2009 Compared with First Nine Months of 2008**

### **Revenue and Gold Production**

In the first nine months of 2009 revenue decreased to \$101.0 million from \$134.9 million in 2008 due to 28% lower sales volumes (110,213 ounces in 2009 compared to 152,877 ounces in 2008), partially offset by a higher average realized gold price in 2009 (\$916 per ounce vs. \$882 in 2008). The lower ounces sold resulted from lower production of gold in 2009 compared to 2008 mainly due to the operational shutdown resulting from the labour disruption and suspension of Boroo's mining licenses. See "Other Corporate Developments – Mongolia".

Gold production at Boroo was 101,597 ounces in 2009, a reduction of 43,539 ounces of gold produced as compared to the first nine months of 2008. For this period, the Company estimates that roughly 26,000 ounces were not produced as a result of the operational shutdown (labour strike and main operating licenses suspension), lower mill recovery (69.7% vs. 79.8% in 2008) as up to 40% refractory ore in the mill feed caused roughly 14,000 lower ounces to be produced, and a lower average mill head grade (2.41 g/t vs. 2.74 g/t in 2008) caused an additional shortfall of approximately 13,000 ounces. These shortfalls were partially offset by the additional 10,175 ounces produced by the heap leach process in the first nine months of 2009 compared to the same period in 2008 where heap leach only became operational as of July.

### **Cost of Sales**

Cost of sales at Boroo for the first nine months of 2009 was \$42.7 million compared to \$42.3 million in 2008.

Operating cash costs at Boroo decreased in 2009 to \$41.8 million compared to \$45.8 million in the first nine months of 2008. The decrease of \$4.0 million can be explained as follows:

Mining costs to September 2009 were \$13.3 million, \$4.1 million or 23% lower than the comparative nine months of 2008. The reduction was mainly due to the reduced mining activity resulting from the labour strike and main operating licenses suspension. Cost savings included diesel, equipment rental and blasting material costs due to the reduction in the production rate from 60,000 to 40,000 tonnes per day. The unit cost of diesel decreased from \$1.11 per litre to \$0.69 per litre in the first nine months of 2009 as compared to the same period in 2008.

Milling costs for the first nine months of 2009 were \$12.7 million, \$0.3 million or 3% lower compared to the same period in 2008.

Heap leaching costs for the first nine months of 2009 totaled \$4.8 million for crushing, processing and for overheads, \$3.0 million higher compared to the same period in 2008. The major reason for the increase is that heap leaching activities commenced as of July 2008.

Site administration costs to September 2009 decreased to \$5.7 million compared to \$6.9 million in the same period of 2008.

Royalties and other operating costs decreased by \$1.3 million in the first nine months of 2009 compared to the same period in 2008, reflecting the reduced sales levels in 2009.

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented. On a unit cost basis, cost of sales per ounce sold for the first nine months of 2009 increased to \$388 compared to \$277 for the same period in 2008. The major reason for the increase is due to the higher capitalization of costs in 2008 for the pre-stripping of pit 3 and the lower production volumes in 2009.

Total cash cost per ounce produced in the first nine months of 2009 was \$466 compared to \$353 per ounce for the same period in 2008. Excluding the costs associated with the strike and the shutdown (\$4.1 million), the cash cost per ounce for the first nine months of 2009 would be \$426. This increase mainly reflects the reduced production levels as a result of lower grades and recoveries in 2009 compared to the prior year (2.41 g/t vs. 2.74 g/t and 69.7 % vs. 79.8%) and the higher capitalization of pre-stripping costs in 2008. Total cash cost per ounce produced is a non-GAAP measure and is discussed under “Non-GAAP Measures”.

### **Mine Standby Costs**

Standby costs at the Boroo mine during the first nine months of 2009 totalled \$4.1 million as a result of the operation’s suspension due to a labour dispute and a temporary suspension of the main mining license by the Mongolian authorities. Although the main operating license was re-instated on July 27, 2009, the heap leach operation continues to be suspended pending issuance of final permits.

### **Boroo Regional Administration**

Regional administration costs at Boroo for the first nine months of 2009 were \$5.5 million, \$0.1 million or 2% higher than the same period in 2008.

## Depreciation and Amortization

Depreciation and amortization costs in the first nine months of 2009 totaled \$20.6 million, an increase of \$7.6 million compared to the previous year. This was primarily due to the increased capitalization in 2008 for the pit 3 pre-strip and for the heap leach facility resulting in higher depreciation and amortization in 2009.

## Exploration

Exploration expenditures in Mongolia totaled \$1.7 million in the first nine months of 2009 compared to \$1.8 million in 2008.

## Capital Expenditures

Capital expenditures in the first nine months of 2009 were \$0.9 million compared to \$29.2 million in 2008. The 2008 expenditures included spending on sustaining capital of \$8.7 million and \$20.5 million invested in growth capital primarily related to the construction of the heap leach facility (\$8.0 million) and the capitalization of pre-stripping cost in pit 3 (\$12.5 million).

## Other Financial Information – Related Party Transactions

### Cameco Corporation

Centerra is 48.5% owned by Cameco Corporation (“Cameco”), currently Cameco retains 52.7% voting rights.

### Kyrgyzaltyn and the Government of the Kyrgyz Republic

Effective June 11, 2009, revenues from the Kumtor mine are subject to a management fee of \$1.00 per ounce (inclusive of taxes) based on sales volumes (previously \$1.50 per ounce), payable to Kyrgyzaltyn, which holds approximately 22.2% of the outstanding common shares of Centerra.

The table below summarizes the management fees and concession payments paid and accrued by Kumtor Gold Company (“KGC”), a subsidiary of the Company, to Kyrgyzaltyn or the Government of the Kyrgyz Republic, and the amounts paid and accrued 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	
	2009	2008	2009	2008
Management fees paid by KGC to Kyrgyzaltyn	135	166	343	440
Concession payments paid by KGC to Kyrgyz Republic	-	444	(116)*	1,174
Total	135	610	227	1,614
Gross gold and silver sales from KGC to Kyrgyzaltyn	129,642	96,123	261,940	261,078
Deduct: refinery and financing charges	(603)	(458)	(1,333)	(1,313)
Net sales revenue received by KGC from Kyrgyzaltyn	129,039	95,665	260,607	259,765

\* Credit balance relates to a reversal of the concession tax accrued in 2008 for the last shipment in 2008, as per the Restated Investment Agreement.

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 Restated Gold and Silver Sales Agreement entered into between KOC, Kyrgyzaltyn and the Government of the Kyrgyz Republic. Under this agreement Kyrgyzaltyn is required to pay for gold within 12 calendar days after delivery at a price that is fixed based on the London PM fixed price of gold on the London Bullion Market. The obligations of Kyrgyzaltyn are partially secured by a pledge of a portion of the Centerra shares owned by Kyrgyzaltyn, the value of which fluctuates with the market price.

As at September 30, 2009, a receivable of \$16.7 million was outstanding under these arrangements (December 31, 2008 - \$24.1 million).

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

Over the last eight quarters, Centerra’s results reflect the positive impact of rising gold prices, increased gold production at Kumtor in 2007 and 2008, offset by rising cash costs and reduced production at Kumtor for the first nine months of 2009 due to the unplanned mining of ice and the removal of waste in the vicinity of the central pit. Unusual items of \$49.3 million were recorded in the second quarter of 2009 as a result of the ratification of the revised taxation arrangements with the Kyrgyz Republic. The results for the first and second quarters of 2008 and the fourth quarter of 2007 reflect the impact from unusual items of \$4.5 million, and \$42.2 million of gains in the respective 2008 quarters and \$36.4 million of charges in the 2007 quarter as the impact on the ultimate shares to be issued to the Kyrgyz Government was adjusted for the market price of Centerra shares.

<i>\$ millions, except per share data</i>	2009			2008				2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	159	104	98	241	139	143	113	89
Earnings (loss) before unusual items	20	(30)	(20)	43	17	14	24	10
Net earnings (loss)	20	(80)	(20)	43	17	56	19	(27)
Earnings (loss) per share before unusual items (basic and diluted)	0.09	(0.14)	(0.09)	0.20	0.08	0.06	0.11	0.03
Earnings (loss) per share (basic and diluted)	0.09	(0.36)	(0.09)	0.20	0.08	0.26	0.09	(0.12)

## **Other Corporate Developments**

### **Kyrgyz Republic**

In June 2009, the Company and the Kyrgyz government signed agreements resolving all outstanding issues with respect to the Kumtor mine.

### **Mongolia**

As disclosed on June 12, 2009, the main operating licenses at the Company’s Boroo mine were suspended by the Minerals Resources Authority of Mongolia (“MRAM”) following extensive inspections of the Boroo mine operation conducted by the General Department of Specialized Inspection (“SSIA”). In its report, the SSIA expressed its view that a number of deficiencies existed at the Boroo mine. After discussions by Centerra and its subsidiaries with both the MRAM and the

SSIA, the suspension of the operating licenses was lifted on July 27, 2009. Despite the lifting of the suspension, several issues arising from the inspections continue to be discussed by Centerra and the Mongolian regulatory authorities.

The SSIA indicated its concern regarding the status of certain mineral reserves, including state alluvial reserves, covered by the Boroo mine licenses that are recorded in the Mongolian state reserves registry but for which there are no or incomplete records or reports of mining activity. The Company and the SSIA have conducted detailed surveys to determine the status of such reserves including whether such reserves have been mined by Boroo or a predecessor license holder or have been rendered un-mineable by the Company's operations, for example by placement of overburden on top of such reserves. The Company believes that it has properly reported all of its mining activities since it began operations in 2004. However, alluvial deposits on the Boroo licenses were subject to extensive mining activity prior to Centerra's acquisition of the licenses. On October 23, 2009, the Company received a claim for compensation from the SSIA. The Company disputes the claim. While it believes that the issues raised by the claim will be resolved through negotiation with the authorities without a material impact on the Company, there can be no assurances that this will be the case.

In addition, the SSIA inspections raised a concern about the production and sale of gold from the Boroo heap leach facility. The Company had operated its Boroo heap leach facility under a temporary permit issued by the proper authorities from June 2008 until the expiry of the temporary permit in April 2009 and paid all relevant royalties and taxes with respect to gold produced from the heap leach facility during that period. The Company believes that it had all necessary permits to carry out its heap leach activities and that any regulatory concerns are unfounded. Centerra is continuing its effort to obtain a final permit for the operation of its heap leach facility at the Boroo mine. The Company understands that this matter has been referred to the Mongolian Ministry of Finance for review but has received no official notice of any concern.

While the Company is optimistic that it will be able to resolve alleged deficiencies arising from the SSIA inspections in a satisfactory manner, there can be no assurances of this.

Under the stability agreement between the Company and the Government of Mongolia, signed July 6, 1998, as amended (the "Boroo Stability Agreement"), relating to the Boroo mine, the Company is permitted to offset any value added taxes ("VAT") that it pays on inputs against other taxes payable in respect of its Boroo mine operation. Earlier this year, the Mongolian Ministry of Finance expressed its view that despite the terms of the Boroo Stability Agreement, Centerra would not in the future be permitted to offset its VAT overpayment against corporate income tax. In response, Centerra has notified the Ministry of Finance that it expects the Mongolian Government to abide by the terms of the Boroo Stability Agreement.

In July 2009, the Mongolian Parliament enacted legislation that would prohibit mineral prospecting, exploration and mining in water basins and forest areas in the territory of Mongolia and provides for the revocation of licenses affecting such areas. Regulations under the new legislation, which will specify the affected licenses, have not been prepared or published. The Company also understands that prior to the law becoming effective the Mongolian government will undertake physical surveys and consult with local officials to determine which, if any, existing licenses will be subject to the new law. The legislation provides a specific exemption for "mineral deposits of strategic

importance”, and accordingly, the main Boroo mining licenses will not be subject to the law. The Company’s Gatsuurt licenses and its other extensive exploration license holdings in Mongolia are not so exempt. However, the Company is reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the law having a limited impact on the Company’s Mongolian activities.

### **Gatsuurt Investment Agreement Negotiation**

Centerra continued negotiations with the Government of Mongolia with respect to an investment agreement for the Gatsuurt project which would, among other things, stabilize the tax and legal regime applicable to the development of the Gatsuurt project. In August 2009, the Government of Mongolia repealed its windfall profit tax of 68% in respect of gold sales at a price in excess of \$850 an ounce, with the repeal to take effect on January 1, 2011.

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 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. In reference to the Company’s significant accounting policies as described in note 3 to the December 31, 2008 Consolidated Financial Statements management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements.

Inventories of broken ore, heap leach ore, in-circuit gold and gold doré are valued at the lower of average production cost and net realizable value, while consumable supplies and spares are valued at the lower of weighted-average cost and replacement cost. Determination of realizable value or replacement costs requires estimates to be made for costs to complete and sell inventory. Management periodically makes estimates regarding whether an allowance is necessary for slow moving or obsolete consumable supplies and spares inventories.

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

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

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

If it is determined that carrying values of property, plant and equipment cannot be recovered, then the asset is written down to fair value. Similarly, Centerra tests goodwill at least 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.

The Company uses the asset and liability method of accounting for future income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities, calculated using the currently enacted or substantively enacted tax rates anticipated to apply in the period that the temporary differences are expected to reverse. Future income tax inflows and outflows are subject to estimation in terms of both timing and amount of future taxable earnings. Should these estimates change the carrying value of income tax assets or liabilities may change.

Grants under our stock-based compensation plans are accounted for in accordance with the fair-value-based method of accounting. For stock-based compensation plans that will settle through the issuance of equity such as stock options, the fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model, while for the cash-settled stock-based compensation, fair value is determined based on the market value of the Company's common shares at the reporting date. In addition, option valuation models require the input of certain assumptions including expected share price volatility.

## **Changes in Accounting Policies**

Centerra's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2009 were prepared following accounting policies consistent with Centerra's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2008, except for the following changes in accounting policies.

Effective January 1, 2009, the Company adopted the new recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook section 3064, Goodwill and Intangible assets. This standard establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

Effective January 1, 2009, the company adopted the new recommendations of CICA issued abstract EIC 173, *Credit risk and the fair value of financial assets and liabilities*. This abstract requires companies to take the counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

On March 27, 2009, the Emerging Issues Committee of the CICA approved abstract EIC-174, *Mining Exploration Costs*, which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

### ***New Pronouncements***

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling interests*.

Section 1582 replaces section 1581 and establishes standards for the accounting of a business combination. It provides the Canadian equivalent to IFRS 3 - *Business Combinations*. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace section 1600, *Consolidated Financial Statements*. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - *Consolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company does not anticipate that the adoption of these standards will impact its financial results.

### **Status of Centerra's Transition to International Financial Reporting Standards ("IFRS")**

As at September 30, 2009, the Company has progressed its IFRS project beyond the initial scoping, evaluation and development study phases and is now into the implementation phase. During the third quarter of 2009, the Company completed a preliminary in-depth review of its accounting policies and the impact of adopting IFRS, as well as the associated impact of the IFRS transition on business activities. As a result, IFRS-compliant accounting policies were developed for the Company, subject to future changes or revisions that may be needed as a result of updates to the IFRS standards as determined by the International Accounting Standard Board ("IASB") and the Accounting Standards Board (Canada) ("ASB"). These IFRS-compliant accounting policies were presented and discussed with management and the Audit Committee of the Board for their review.

These policies may be amended as needed following the review of the quantified differences or as a result of further changes from IASB revisions.

During the third quarter, the Company performed an initial assessment and evaluation of internal control design and effectiveness for all accounting policy changes identified. From the assessment and evaluation performed, the Company does not anticipate any significant impact on internal controls. However, the Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as systems changes that may be necessary to gather and process the information.

With the completion of the evaluation and development phases, the Company will begin quantifying differences over the fourth quarter 2009 and first quarter 2010. As these quantitative impacts are finalized, the Company intends to disclose such impacts in its future MD&A's.

The Company continues to monitor standards development as issued by the IASB and the ASB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of the Company's adoption of IFRS.

The project team assigned to the conversion to IFRS standards is working through a detailed IFRS transition plan, and certain project activities and milestones could change. Centerra is monitoring the impact of the IFRS conversion on various functional activities of the Company. IFRS disclosure in the MD&A will be updated throughout the project.

Given the progress of the project and outcomes identified, the Company could modify choices made between the time of communicating these key milestones and the changeover date. Further, changes in regulation or economic conditions at the date of the changeover or throughout the project could result in changes to the transition plan being different from those communicated.

## **Outlook for 2009**

### ***Production***

For the full year of 2009, Centerra expects consolidated gold production of 620,000 to 630,000 ounces, which is unchanged from the previous guidance disclosed in the Company's news release of September 24, 2009.

Gold production for the full year 2009 at the Kumtor mine in the Kyrgyz Republic is forecast to be approximately 500,000 ounces, which is unchanged from the updated guidance reported in the September 24, 2009 news release. Production from the nearby Sarytor deposit has not been included this year in Kumtor's current mine plan. The production from Sarytor has been deferred until 2012. During the fourth quarter, Kumtor's gold production is estimated to be in the range of 225,000 to 235,000 ounces and assumes access and release of higher grade ores from the SB Zone in the quarter, particularly in November and December. In addition to the produced ounces, the Kumtor pit will deliver ore to a surface stockpile in the fourth quarter. The Company is expediting a plan to manage the accelerated ice and waste movement in the vicinity of the central pit southeast high wall.

Due to the unplanned shutdown to replace the SAG mill girth gear in the first quarter of 2009, the planned 2-week shutdown of the Kumtor mill to replace the ball mill ring gear and the SAG mill liner, originally scheduled for the third quarter of 2009, has been delayed to the second quarter of 2010.

At the Boroo mine in Mongolia, gold production is forecast to be 120,000 to 130,000 ounces, which is unchanged from prior guidance of September 24, 2009. The Company is working with the Mongolian authorities to have the final operating permit for the heap leach facility issued. Resumption of heap leach operations at Boroo would add approximately 3,000 ounces per month to the Company's gold production guidance.

### ***Cash cost per ounce***

The prior 2009 outlook for consolidated cash costs per ounce of \$410 to \$450 has been revised to \$465 to \$485 per ounce to reflect the reduced gold production at Kumtor. As disclosed previously, the majority of taxes at Kumtor have been replaced with a revenue-based tax which is excluded from the total cash costs. Accordingly, the outlook for total cash costs per ounce produced excludes the revenue-based tax.

Total cash cost for 2009 for Kumtor is expected to be in the range of \$460 to \$480 per ounce produced which is higher than the previous guidance of \$390 to \$430 per ounce disclosed in the second quarter of 2009. The revised cash cost guidance for Kumtor reflects the lower production resulting from the delayed access to the higher grade ores of the SB Zone.

Total cash cost for 2009 for Boroo is expected to be in the range of \$495 to \$535 per ounce produced which is unchanged from the previous guidance. The cash cost at Boroo will be lower if heap leach operations are resumed. Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP Measures".

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

	<b>2009 Production Forecast</b> (ounces of gold)	<b>2009 Total Cash Cost<sup>(1)</sup></b> (\$ per ounce)
Kumtor	500,000	460 - 480
Boroo	120,000 – 130,000	495 – 535
Consolidated	620,000 – 630,000	465 - 485

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

### Major Assumptions and Sensitivities

The following material assumptions have been updated from the prior disclosed guidance in light of current market conditions. In particular, material assumptions or factors used to forecast production and costs include the following:

- a gold price of \$975 per ounce,
- exchange rates:
  - \$1USD:\$1.12CAD
  - \$1USD:43.5 Kyrgyz Som
  - \$1USD:1,410 Mongolian Tugrik
  - \$1USD:0.70 Euro
- diesel price assumption:
  - \$0.51/litre at Kumtor
  - \$0.72/litre at Boroo

Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was approximately \$69 per barrel.

Centerra's revenues, earnings and cash flows for 2009 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 before income tax
Gold Price	\$25/oz	1.0	6.6	5.6	5.8
Diesel Fuel	10%	\$4/oz	-	1.1	1.1
Kyrgyz som	1 som	0.3	-	0.3	0.3
Mongolian tugrik	25 tugrik	0.1	-	0.1	0.1
Canadian dollar	10 cents	0.8	-	0.8	0.8

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

- grades and recoveries at Kumtor increase as expected through the fourth quarter to achieve the forecast gold production,
- Kumtor is able to mitigate the continued movement of waste and ice into the open pit (see discussion below),
- no further delays in or interruption of scheduled production from our mines, including due to natural phenomena, labour or regulatory disputes or other developmental and operational risks,
- the dewatering and depressurization programs at Kumtor continue to produce the expected results and the water management system works as planned,
- Boroo ore does not become more refractory in nature affecting mill recoveries,
- no further labour disruption at the Boroo mine site,
- no further suspension of Boroo's main mine and mill operating licenses,
- prices for fuel oil, reagents and other consumables will remain consistent with Company estimates, and
- all necessary permits, licences and approvals are received in a timely manner.

Production and cost forecasts for 2009 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".

## **Further Creep of Waste and Ice Material at Kumtor**

During the third quarter of 2009, continued movement of waste and ice from the South East wall into the Kumtor open pit required the mining of ice and removal of waste which reduced the production of ore and delayed access to the high-grade component of the SB Zone. Management is working to further stabilize this advanced creep and has expedited a plan to manage accelerated ice and waste movement. While work is planned over the balance of the 2009 year to sustain the cutback of the ice creep into the pit, there is no guarantee that these efforts will avert further negative impact on the Company's expected production, costs and earnings.

## **Kumtor Mill Shutdown**

In March 2008, an unplanned shutdown of the ball mill at Kumtor was required to repair the ring gear which had failed late February 2008. The repair was completed in late March 2008 and the ball mill returned to full operation. The successful repair of the ring gear is considered a temporary repair which will require full replacement. This replacement has been postponed until the second quarter of 2010 to enable uninterrupted processing of higher-grade material. The Company's expectation is that the temporary repair will last until then.

Due to an unplanned shutdown to replace the SAG mill girth gear at Kumtor in the first quarter of 2009, the maintenance and change-out of the SAG mill liner which was scheduled for the third quarter of 2009 has been postponed until the second quarter of 2010. However should the current liner and/or the ring gear not last until the end of the year, an unplanned shutdown would be required which would have an adverse affect on the production, costs and earnings of the Company.

## **Boroo License Suspension and Production Shutdown**

As disclosed on June 12, 2009, the Company received a notice from the Minerals Resources Authority of Mongolia (MRAM) suspending the Boroo Mine's main operating licenses for a period up to three months. The Company disclosed in its July 27, 2009 news release that the suspension had been lifted for mining and milling operations.

The mine stopped adding cyanide to the heap leach pad at the end of April 2009 due to the expiry of Boroo's temporary heap leach permit. The Company had been awaiting the authorization of the final heap leach operating permit when the mine's main operating licenses were suspended. See "Other Corporate Developments – Mongolia".

## **Exploration and Business Development**

Exploration expenditures are expected to total \$25 million and the business development program is forecast at \$1.4 million for 2009 to support merger and acquisition initiatives of the Company for the year.

The 2009 exploration program will continue the aggressive exploration at the Kumtor mine, target generation programs at the Boroo mine and around the Gatsuurt project and on our extensive land holdings in Mongolia. Project generation programs will continue in Asia, Russia and China.

Centerra will continue to fund and earn an interest in joint venture properties and projects in Russia, Turkey and the United States. The Company forecasts \$25 million of spending on its program for the year. The forecast includes \$12 million for exploration at Kumtor.

## Capital Expenditures

The capital requirement in 2009 is estimated to be \$87.8 million, including \$42.2 million of sustaining capital and \$45.6 million of growth capital. This represents a decrease of \$19.2 million from prior guidance primarily due to the timing of expenditures in growth capital at Kumtor and Gatsuurt.

Growth capital includes:

Projects	2009 Growth Capital Expenditures Forecast
	(millions of dollars)
Kumtor	\$37.6
Boroo	\$0
Gatsuurt	\$8.0
Consolidated Total	\$45.6

At Kumtor the growth capital expenditures are: \$21.1 million assigned to the development of the two development drifts (Phase I and II to access and drill the SB and Stockwork Zone resources), \$11.3 million for the initial funds for the Phase II mining fleet and long lead items, and various other projects of \$5.2 million. The Company decreased the growth capital guidance at Kumtor by \$9.7 million which includes an increase in other growth capital expenditures of \$1.4 million and a reduction of \$11.0 million in the development costs for Phase II due to timing of the expenditures for the project.

The \$8.0 million growth capital for Gatsuurt includes road construction and site infrastructure development, which is lower than the prior estimate of \$14.0 million due to timing differences of the expenditures for the project. Additional capital expenditures for phase 2 of the development includes \$21.0 million to initiate the basic and detail engineering and procurement requirements for the project. The third phase of the development, which includes the mobilization of the construction management and the construction of the process facilities, will only be invested if the Company is successful in obtaining an acceptable investment agreement for Gatsuurt with the Government of Mongolia. The 55 kilometre road to the Gatsuurt mine site has been designed and the 14-month construction period began in the second quarter of 2009. The road construction project is on track for a mid-2010 completion.

## **Administration**

Annual corporate and administration expenses without unusual items are expected to amount to approximately \$31 million in 2009 which is \$1 million higher than the prior guidance in second quarter 2009 mainly due to higher stock-based compensation.

## **Corporate Taxes**

### ***Kumtor***

Effective April 30, 2009 (being the date the Kyrgyz Parliament ratified the Agreement on New Terms), Kumtor became subject to a new tax regime pursuant to which income taxes and other taxes were replaced by taxes computed by reference to Kumtor's revenue. The Agreement on New Terms was superseded by the Restated Investment Agreement signed as of June 11, 2009. Under the new tax regime, a tax of 13% of gross revenue is payable monthly in addition to, effective January 1, 2009, a payment equal to 1% of gross revenue to the Issyk-Kul Oblast Development Fund. The new tax regime replaced taxes payable pursuant to the prior investment agreement which included income taxes at 10% of taxable income, a mineral resource tax at 5% of revenue, an emergency fund tax at 1.5% of revenue, a road tax at 0.8% of revenue, withholding taxes imposed on payments to non-residents with rates ranging from 10%-30% depending on the nature of the payment, an Issyk-Kul Social Fund tax with a rate of 2% - 4% of income, all customs duties, and certain other taxes.

### ***Boroo***

The corporate income tax rate for Boroo Gold Company for 2009 and subsequent years is 25% for taxable income over 3 billion tugrik (approximately \$2.1 million at the quarter end foreign exchange rate) with a tax rate of 10% for taxable income up to that amount.

For further discussion of the factors that could cause actual results to differ materially, please refer to "Risk Factors" in Centerra's 2008 Annual Management's Discussion and Analysis and to Centerra's 2008 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".

## Non-GAAP Measures

This news release presents information about total cash cost of production of an ounce of gold and total production cost per ounce of gold for the operating properties of Centerra. Except as otherwise noted, total cash cost per ounce is calculated by dividing total cash costs 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 include mine operating costs such as mining, processing, administration, royalties and production taxes (except at Kumtor where revenue-based taxes and production taxes are excluded), but exclude amortization, reclamation costs, financing costs, 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.

Net earnings before unusual items is a non-GAAP measure. It has been included because certain investors use this information to assess how the Company would perform when items not considered to be usual in nature are excluded. This may enable investors to better understand year-over-year changes in income.

**Centerra Gold Inc.**
**TOTAL CASH COST & TOTAL PRODUCTION COST**
**RECONCILIATION (unaudited)**

(\$ millions, unless otherwise specified)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
<b><u>Centerra:</u></b>				
Cost of sales, as reported	\$ 70.7	\$ 78.7	\$ 221.8	\$ 218.7
Adjust for: Refining fees & by-product credits	0.1	(0.3)	0.5	(0.7)
Regional Office administration	4.9	3.8	15.7	13.8
Mining Standby Costs	0.7	-	4.1	-
Operating taxes excluded <sup>(1)</sup>	-	(9.7)	(8.7)	(26.2)
Non-operating costs	5.1	0.8	(0.7)	0.9
Inventory movement	(11.3)	9.7	(4.3)	21.0
Total cash cost - 100%	\$ 70.2	\$ 83.0	\$ 228.4	\$ 227.5
Depreciation, Depletion, Amortization and Accretion	27.0	17.7	74.7	45.5
Inventory movement - non-cash	(3.9)	-	(6.8)	1.4
Total production cost - 100%	\$ 93.3	\$ 100.7	\$ 296.3	\$ 274.4
Ounces poured - 100% (000)	165.9	186.1	379.5	464.8
Total cash cost per ounce	\$ 424	\$ 446	\$ 602	\$ 489
Total production cost per ounce	\$ 563	\$ 546	\$ 781	\$ 592
<b><u>Kumtor:</u></b>				
Cost of sales, as reported	\$ 59.7	\$ 64.2	\$ 179.1	\$ 176.4
Adjust for: Refining fees & by-product credits	0.1	(0.1)	0.3	(0.8)
Regional Office administration	3.2	2.2	10.2	8.4
Mining Standby Costs	-	-	-	-
Operating taxes excluded <sup>(1)</sup>	-	(9.7)	(8.7)	(26.2)
Non-operating costs	5.2	1.1	(0.4)	0.9
Inventory movement	(11.3)	7.6	0.6	17.5
Total cash cost - 100%	\$ 56.9	\$ 65.3	\$ 181.1	\$ 176.2
Depreciation, Depletion, Amortization and Accretion	20.7	11.8	53.3	31.6
Inventory movement - non-cash	(4.6)	0.6	(8.3)	1.0
Total production cost - 100%	\$ 73.0	\$ 77.7	\$ 226.1	\$ 208.8
Ounces poured - 100% (000)	133.5	133.8	277.9	319.7
Total cash cost per ounce	\$ 427	\$ 488	\$ 651	\$ 551
Total production cost per ounce	\$ 547	\$ 588	\$ 813	\$ 655
<b><u>Boroo:</u></b>				
Cost of sales, as reported	\$ 11.0	\$ 14.5	\$ 42.7	\$ 42.3
Adjust for: Refining fees & by-product credits	-	(0.2)	0.2	0.1
Regional Office administration	1.7	1.6	5.5	5.4
Mining Standby Costs	0.7	-	4.1	-
Operating taxes excluded <sup>(1)</sup>	-	-	-	-
Non-operating costs	(0.1)	(0.3)	(0.3)	-
Inventory movement	-	2.1	(4.9)	3.5
Total cash cost - 100%	\$ 13.3	\$ 17.7	\$ 47.3	\$ 51.3
Depreciation, Depletion, Amortization and Accretion	6.3	5.9	21.4	13.9
Inventory movement - non-cash	0.7	(0.6)	1.5	0.4
Total production cost - 100%	\$ 20.3	\$ 23.0	\$ 70.2	\$ 65.6
Ounces poured - 100% (000)	32.4	52.3	101.6	145.1
Total cash cost per ounce	\$ 411	\$ 338	\$ 466	\$ 353
Total production cost per ounce	\$ 625	\$ 440	\$ 692	\$ 452

(1) Kumtor's operating taxes under the previous regime are removed in both years since these were replaced with a revenue-based tax combining income and operating taxes from the previous regime.

## **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 creep of ice and waste material into the Kumtor open pit, the resolution of the remaining outstanding issues at the Boroo mine relating to the suspension of the Boroo licenses in June 2009 as described above under the heading “Other Corporate Developments – Mongolia”, the receipt of a final permit to operate the heap leach operation at the Boroo mine, fluctuations in the gold price, 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, costs associated with movement of ice and waste at the Kumtor mine, 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 2008 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 29, 2009. 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, 2009**  
**(Unaudited)**  
**(Expressed in United States Dollars)**

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

	September 30, 2009	December 31, 2008
	(Unaudited)	
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 162,677	\$ 149,583
Short-term investments	-	17,781
Amounts receivable	23,801	30,247
Income taxes recoverable	-	3,323
Inventories (note 3)	140,660	170,157
Prepaid expenses	15,068	18,012
	<u>342,206</u>	<u>389,103</u>
Property, plant and equipment	386,245	394,933
Goodwill	129,705	129,705
Long-term receivables and other	6,972	5,917
Long-term inventories (note 3)	22,855	18,009
Future income tax asset	4,049	3,160
	<u>549,826</u>	<u>551,724</u>
<b>Total assets</b>	<u>\$ 892,032</u>	<u>\$ 940,827</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 31,835	\$ 35,611
Taxes payable	10,780	14,493
Current portion of future income tax liability	5,749	-
Current portion of provision for reclamation (note 5)	4,463	3,458
	<u>52,827</u>	<u>53,562</u>
Provision for reclamation (note 5)	27,196	29,322
Future income tax liability	-	1,121
	<u>27,196</u>	<u>30,443</u>
Contingent common shares issuable (note 6)	-	89,084
<b>Shareholders' equity (note 7)</b>		
Share capital	646,081	523,107
Contributed surplus	33,843	32,904
Retained earnings	132,085	211,727
	<u>812,009</u>	<u>767,738</u>
<b>Total liabilities and shareholders' equity</b>	<u>\$ 892,032</u>	<u>\$ 940,827</u>

Commitments and contingencies (notes 6 and 9)

The accompanying notes form an integral part of these unaudited interim 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, 2009	September 30, 2008	September 30, 2009	September 30, 2008
<b>Revenue from Gold Sales</b>	<b>\$ 158,822</b>	<b>\$ 139,409</b>	<b>\$ 361,596</b>	<b>\$ 394,647</b>
<b>Expenses</b>				
Cost of sales <sup>(1)</sup>	70,650	78,736	221,823	218,664
Mine standby costs (note 4)	738	-	4,081	-
Regional office administration	4,886	3,776	15,748	13,798
Depreciation, depletion and amortization	26,980	17,990	74,474	45,490
Accretion and reclamation expense (note 5)	437	376	1,725	1,129
Revenue based taxes (note 8(a))	18,065	-	23,345	-
Exploration and business development	6,966	5,594	16,992	15,713
Other (income) and expenses	(632)	1,340	(744)	1,800
Corporate administration	8,089	7,252	20,789	21,199
	<b>136,179</b>	<b>115,064</b>	<b>378,233</b>	<b>317,793</b>
<b>Earnings (loss) before unusual items and income taxes</b>	<b>22,643</b>	<b>24,345</b>	<b>(16,637)</b>	<b>76,854</b>
Unusual items-Kyrgyz settlement (note 6)	-	-	(49,333)	37,710
<b>Earnings (loss) before income taxes</b>	<b>22,643</b>	<b>24,345</b>	<b>(65,970)</b>	<b>114,564</b>
Income tax expense (note 8 (b))	2,413	7,459	13,672	22,413
<b>Net earnings (loss) and comprehensive income (loss)</b>	<b>\$ 20,230</b>	<b>\$ 16,886</b>	<b>\$ (79,642)</b>	<b>\$ 92,151</b>
<b>Basic and diluted earnings (loss) per common share (note 7)</b>	<b>\$ 0.09</b>	<b>\$ 0.08</b>	<b>\$ (0.36)</b>	<b>\$ 0.43</b>
<sup>(1)</sup> Excludes depreciation, depletion and amortization expenses	26,798	17,705	73,772	44,751

The accompanying notes form an integral part of these unaudited interim 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,	September 30,	September 30,	September 30,
	2009	2008	2009	2008
<b>Operating activities</b>				
Net earnings (loss)	\$ 20,230	\$ 16,886	\$ (79,642)	\$ 92,151
Items not involving cash:				
Depreciation, depletion and amortization	26,980	17,990	74,474	45,490
Accretion and reclamation expense	437	376	1,725	1,129
Loss on disposal of plant and equipment	179	2,438	716	3,021
Stock based compensation expense	455	279	1,269	1,592
Unusual items-Kyrgyz settlement (note 6)	-	-	31,616	(37,710)
Future income tax expense	365	879	3,738	4,297
Long-term inventory	(1,377)	(1,416)	(4,846)	634
Other operating items	(845)	334	(2,000)	(495)
	<u>46,424</u>	<u>37,766</u>	<u>27,050</u>	<u>110,109</u>
Decrease (increase) in working capital	16,992	(13,370)	29,932	(47,101)
<b>Cash provided by operations</b>	<u>63,416</u>	<u>24,396</u>	<u>56,982</u>	<u>63,008</u>
<b>Investing activities</b>				
Additions to property, plant and equipment	(21,250)	(31,252)	(63,676)	(67,363)
Short-term investments	-	-	17,781	-
Proceeds from disposition of property, plant and equipment	62	643	64	643
<b>Cash used in investing</b>	<u>(21,188)</u>	<u>(30,609)</u>	<u>(45,831)</u>	<u>(66,720)</u>
<b>Financing activities</b>				
Issuance of common shares for cash	-	-	1,944	-
Repayment of short term debt	-	(10,000)	-	(10,000)
<b>Cash provided by (used in) financing</b>	<u>-</u>	<u>(10,000)</u>	<u>1,944</u>	<u>(10,000)</u>
Increase (Decrease) in cash and cash equivalents during the period	42,228	(16,213)	13,094	(13,712)
Cash and cash equivalents at beginning of the period	120,449	107,983	149,583	105,482
<b>Cash and cash equivalents at end of the period</b>	<u>\$ 162,677</u>	<u>\$ 91,770</u>	<u>\$ 162,677</u>	<u>\$ 91,770</u>
<b>Supplemental disclosure with respect to cash flows</b>				
<b>Cash and cash equivalents consist of :</b>				
Cash	\$ 44,528	\$ 41,300	\$ 44,528	\$ 41,300
Cash equivalents	118,149	50,470	118,149	50,470
	<u>\$ 162,677</u>	<u>\$ 91,770</u>	<u>\$ 162,677</u>	<u>\$ 91,770</u>

The accompanying notes form an integral part of these unaudited interim 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	Total
<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 6)	-	-	4,468	-	-	4,468
Stock-based compensation expense	-	-	-	187	-	187
Inventory adjustments, on adoption of accounting standard, net of tax (note 3)	-	-	-	-	16,612	16,612
Net earnings 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 6)	-	-	(42,178)	-	-	(42,178)
Contingent common shares issuable reclassified (note 6)	-	-	(89,084)	-	-	(89,084)
Stock-based compensation expense	-	-	-	1,126	-	1,126
Net earnings for the period	-	-	-	-	55,994	55,994
<b>Balance at June 30, 2008</b>	216,318,188	\$ 523,107	\$ -	\$ 32,080	\$ 152,228	\$ 707,415
Stock-based compensation expense	-	-	-	279	-	279
Net earnings for the period	-	-	-	-	16,886	16,886
<b>Balance at September 30, 2008</b>	216,318,188	\$ 523,107	\$ -	\$ 32,359	\$ 169,114	\$ 724,580
Stock-based compensation expense	-	-	-	545	-	545
Net earnings for the period	-	-	-	-	42,613	42,613
<b>Balance at December 31, 2008</b>	216,318,188	\$ 523,107	\$ -	\$ 32,904	\$ 211,727	\$ 767,738
Stock-based compensation expense	-	-	-	359	-	359
Net loss for the period	-	-	-	-	(20,286)	(20,286)
<b>Balance at March 31, 2009</b>	216,318,188	\$ 523,107	\$ -	\$ 33,263	\$ 191,441	\$ 747,811
Common shares issued for New Term Agreement (note 6)	18,232,615	120,700	-	-	-	120,700
Common shares issued on exercise of stock options	306,425	2,274	-	(330)	-	1,944
Stock-based compensation expense	-	-	-	455	-	455
Net loss for the period	-	-	-	-	(79,586)	(79,586)
<b>Balance at June 30, 2009</b>	234,857,228	\$ 646,081	\$ -	\$ 33,388	\$ 111,855	\$ 791,324
Stock-based compensation expense	-	-	-	455	-	455
Net profit for the period	-	-	-	-	20,230	20,230
<b>Balance at September 30, 2009</b>	234,857,228	\$ 646,081	\$ -	\$ 33,843	\$ 132,085	\$ 812,009

The accompanying notes form an integral part of these unaudited interim 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, 2008.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The operating cash flow and profitability of the Company are affected by various factors, including the amount of gold produced and sold, the market price of gold, operating costs, interest rates, environmental costs and the level of exploration activity and other discretionary costs and activities. The Company is also exposed to fluctuations in currency exchange rates, interest rates, political risk and varying levels of taxation. The Company seeks to manage the risks associated with its business; however, many of the factors affecting these risks are beyond the Company's control.

As at September 30, 2009 and December 31, 2008, Centerra held a 100% interest in each of the following significant investments: the Kumtor mine, the Boroo mine, and the Gatsurt 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, 2008, except for the following changes in accounting policies:

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

**Adoption of New Accounting Standards and Developments**

**a. Goodwill and Intangible assets**

Effective January 1, 2009, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (“CICA”) Handbook section 3064, *Goodwill and Intangible assets*. This standard establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have an impact on the Company’s consolidated financial statements.

**b. Credit Risk**

Effective January 1, 2009, the Company adopted the new recommendations of CICA issued EIC 173, *Credit risk and the fair value of financial assets and liabilities*. This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. The adoption of this standard did not have an impact on the Company’s consolidated financial statements.

**c. Mining Exploration Costs**

On March 27, 2009, the Emerging Issues Committee of the CICA approved abstract EIC-174 *Mining Exploration Costs*, which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. Application of this new standard did not have an impact on the Company’s consolidated financial statements.

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

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

**d. New Pronouncements**

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling interests*.

Section 1582 replaces section 1581 and establishes standards for the accounting of a business combination. It provides the Canadian equivalent to International Financial Reporting Standards (“IFRS”) 3, *Business Combinations*. Section 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Section 1602 establishes standards for accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - *Consolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company does not anticipate that the adoption of these standards will impact its financial results.

**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, 2009	December 31, 2008
Stockpiles (a)	\$ 48,384	\$ 49,698
Gold in-circuit	3,322	6,394
Heap leach in circuit	4,051	5,913
Gold doré	10,326	15,239
	<b>66,083</b>	77,244
Supplies	97,432	110,922
	<b>163,515</b>	188,166
Less: Long-term inventory (heap leach)	(22,855)	(18,009)
	<b>\$ 140,660</b>	\$ 170,157

(a) Upon adoption of CICA Handbook Section 3031, *Inventories* 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.

**4. Mine Standby Costs**

During the second quarter and third quarters, the Company's mining operations at Boroo were temporarily suspended due to labour disputes initiated by unionized workers, followed by the suspension of the main operating licenses initiated by the Minerals Resources Authority of Mongolia (note 9). The Company incurred and expensed the amount of \$0.7 million and \$4.1 million for labour, maintenance and mine support costs directly as a result of the labour disputes and suspension of the main operating licenses at Boroo for the three months and nine months period ended September 30, 2009.

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

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**5. Asset Retirement Obligations**

The total future asset retirement obligations were estimated by management based on estimated costs to reclaim mine sites and facilities and 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 \$43.1 million as at September 30, 2009 (December 31, 2008 - \$46.4 million). These payments are expected to occur over the 2009 to 2016 period. The Company used weighted average credit adjusted risk free rates of 6.99% at Kumtor and 8% at Boroo to calculate the present value of the asset retirement obligations.

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

(Thousands of US\$)	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>Sept 30/09</b>	<b>Sept 30/08</b>	<b>Sept 30/09</b>	<b>Sept 30/08</b>
Balance, beginning of period	<b>\$ 31,499</b>	\$ 22,303	<b>\$ 32,780</b>	\$ 20,868
Liabilities settled	<b>(277)</b>	(106)	<b>(872)</b>	(290)
Revisions in cost	-	-	<b>(1,974)</b>	866
Accretion expense	<b>437</b>	376	<b>1,725</b>	1,129
Balance, end of period	<b>31,659</b>	22,573	<b>31,659</b>	22,573
Less: current portion	<b>(4,463)</b>	(2,378)	<b>(4,463)</b>	(2,378)
	<b>\$ 27,196</b>	\$ 20,195	<b>\$ 27,196</b>	\$ 20,195

During the first quarter ended March 31, 2009, the Company revised its previous closure cost update performed in December 2008 for the Boroo mine site. As a result a decrease to the present value of the closure cost estimate of \$2.0 million at Boroo was recorded during the nine months ended September 30, 2009 (increase of \$0.9 million – nine months ended September 30, 2008).

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

**6. Unusual Items – Kyrgyz Settlement**

(Thousands of US\$)	Three Months Ended		Nine Months Ended	
	Sept 30/09	Sept 30/08	Sept 30/09	Sept 30/08
a) Contingent common shares issuable	\$ -	\$ -	\$ 31,616	\$ (37,710)
b) Legal claims settlement	-	-	1,750	-
c) Tax settlement	-	-	15,024	-
d) Legal and related costs	-	-	943	-
	\$ -	\$ -	\$ 49,333	\$ (37,710)

*a. Contingent Common Shares Issuable:*

On April 24, 2009, the Company announced that an agreement (the “Agreement on New Terms”) had been reached between Centerra, Cameco Corporation (“Cameco”), the Kyrgyz Republic (the “Government”), Kyrgyzaltyn JSC (“Kyrgyzaltyn”), Kumtor Operating Company (“KOC”) and Kumtor Gold Company (“KGC”) that provides for the Government’s full commitment to and support for Centerra’s continuing long-term development of the Kumtor project. As a result of the agreement which was approved by the Kyrgyz Parliament on April 30, 2009 the parties executed restated project agreements to incorporate the provisions of the Agreement on New Terms, including the settlement of all outstanding claims as well as replacing the tax regime applicable to the Kumtor project with a revenue-based tax regime. Pursuant to the Agreement on New Terms, Centerra agreed to issue 18,232,615 common shares from its treasury to Kyrgyzaltyn, a company wholly owned by the Government. Cameco agreed to transfer to the Government between 14.1 million and 25.3 million common shares of Centerra, which are to be released to the Government upon the satisfaction of certain conditions.

On June 11, 2009, the transactions contemplated by the Agreement on New Terms were completed and resulted in, among other documents, a Restated Investment Agreement being entered into which superseded the Agreement of New Terms to the extent that the two agreements covered the same subject matters (the “Investment Agreement”). Pursuant to the Agreement on New Terms and as part of the closing, the Company issued from treasury on June 11, 2009, 18,232,615 common shares of Centerra at the closing share price of \$6.62 (Cdn. \$7.30) to Kyrgyzaltyn, a related party.

As a result, the Company recorded an addition to share capital of \$120.7 million. The previously recorded liability, contingent common shares issuable of \$89.1 million was drawn down and an additional expense of \$31.6 million was recorded in the second quarter of 2009.

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

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**6. Unusual Items – Kyrgyz Settlement(continued)**

*b. Legal Claims Settlement*

Pursuant to this Agreement on New Terms, the Company also paid and expensed \$1.75 million in full satisfaction of all liabilities or claims of any governmental authority against Centerra or any of its affiliates in respect of any matter arising before the closing of the transactions contemplated by the Agreement on New Terms.

*c. Tax Settlement*

Pursuant to the Investment Agreement, as described in note 6 (a) above, the Company and the Government have agreed to replace the former tax regime applicable to the Kumtor project with a simplified, tax regime with effect from January 1, 2008. Under the new tax regime, gross revenue will be taxed at a rate of 13%, plus, effective January 1, 2009, a payment of 1% of gross revenue will be made to the Issyk-Kul Oblast Development Fund. The new tax regime replaces income taxes (10% of taxable income), a mineral resource tax (5% of revenue), an emergency fund tax (1.5% of revenue), a road tax (0.8% of revenue), withholding taxes (10%-30% depending on the nature of the payment), an Issyk-Kul Social Fund tax (2%-4% of income), all customs duties, and certain other taxes.

The settlement with the Government was enacted on April 30, 2009 with the ratification of the Kyrgyz parliament. As a result, presentation in these statements of the old tax regime, income and other taxes, continued until the end of April 30, 2009, with the revenue based taxes as required under the new tax regime (see note 8 (a), Revenue-based taxes) presented starting from May 1, 2009 onwards.

The net tax settlement expense pursuant to the Investment Agreement as at April 30, 2009 totaled \$15.0 million. This net amount includes a paid settlement for the retroactive impact of the Investment Agreement to the 2008 year of \$20.7 million, a credit of \$6.4 million for taxes paid to be applied in 2009 and a tax expense of \$0.7 million representing the difference between the requirements under the new tax regime as compared to the old tax regime for the period of January to April 2009.

In addition, the Company is required to make an annual payment of 4% of gross revenue reduced by an amount equal to the sum of all capital and exploration expenditures made by the Company in the Kyrgyz Republic. Any excess of the amount of capital and exploration expenditures made in the year over the tax amount otherwise payable will be carried forward for offset against amounts otherwise due in future years.

As at September 30, 2009 the excess spent by the Company on capital and exploration over the required 4% of gross revenue is \$59.1 million. This excess amount will be carried forward and applied against future commitments under this tax.

**6. Unusual Items – Kyrgyz Settlement (continued)**

*d. Legal and related expenses*

The Company paid and accrued \$0.9 million in legal and related expenses related to the negotiation of the Agreement on New Terms and the restated project documents with Kyrgyz government described in note 6 (a).

**7. 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 (Loss) Per Share**

The basic net earnings (loss) per share is computed by dividing the net earnings (loss) applicable to common shares by the weighted average number of common shares outstanding during the year.

The diluted net earnings (loss) per share is computed by dividing the net earnings (loss) applicable to common shares by the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents such as stock options and contingent common shares issuable (classified as equity). The diluted net earnings (loss) per share is calculated using the treasury method, where the exercise of options is assumed to be at the beginning of the period the proceeds from the exercise of options, and the amount of compensation expense measured but not yet recognized in income are assumed to be used to purchase common shares of the Company at the average market price during the period; and the incremental number of common shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted earnings per share computation.

Stock options to purchase common shares are not included in the computation of diluted net earnings (loss) per share in years when net losses are recorded given that they are anti-dilutive.

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

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

**b. Earnings (Loss) Per Share (continued)**

(Thousands of shares)	Three Months Ended	
	Sept 30/09	Sept 30/08
Basic weighted average number of common shares outstanding	234,857	216,318
Effect of stock options	123	-
Diluted weighted average number of common shares outstanding	234,980	216,318

  

(Thousands of shares)	Nine Months Ended	
	Sept 30/09	Sept 30/08
Basic weighted average number of common shares outstanding	222,027	216,318
Effect of stock options	-	1,159
Diluted weighted average number of common shares outstanding	222,027	217,477

For the nine months ended September 30, 2009 all potentially dilutive stock options have been excluded from the dilutive calculation as they would have all been anti dilutive because of the loss for the period.

**c. Stock-Based Compensation**

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

(Millions of US\$ except as indicated)	Number outstanding Sept 30/09	Expense/(Income)		Expense/(Income)		Liability	
		Three months ended		Nine months ended			
		Sept 30/09	Sept 30/08	Sept 30/09	Sept 30/08		
(i) Centerra stock options	1,816,155	\$ 0.5	\$ 0.2	\$ 1.3	\$ 0.3	\$ -	\$ -
(ii) Centerra -PSU <sup>(1)</sup>	1,174,464	1.3	-	2.3	(1.8)	2.3	-
(iii) Centerra annual-PSU <sup>(2)</sup>	423,484	1.0	0.1	2.9	0.6	2.7	0.3
(iv) Deferred share units	352,685	0.9	(0.2)	1.3	(1.3)	2.4	1.1
(v) Cameco stock options	50,400	-	(1.2)	0.4	(1.1)	1.0	0.6
		\$ 3.7	\$ (1.1)	\$ 8.2	\$ (3.3)	\$ 8.4	\$ 2.0

<sup>1)</sup> Centerra performance share units.

<sup>2)</sup> Centerra Annual performance share units

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

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

**c. Stock-Based Compensation (continued)**

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

	Number outstanding Dec 31/08	Issued	Exercised	Forfeited	Number outstanding Sept 30/09	Number Vested Sept 30/09
(i) Centerra stock options	1,848,165	816,802	(393,791)	(455,021)	1,816,155	415,546
(ii) Centerra -PSU	718,877	624,869	-	(169,282)	1,174,464	-
(iii) Centerra annual- PSU	116,183	469,304	(112,443)	(49,560)	423,484	316,743
(iv) Deferred share units	298,077	79,821	(25,213)	-	352,685	352,685
(v) Cameco stock options	55,200	-	(1,200)	(3,600)	50,400	50,400

On February 17, 2009, Centerra granted 816,802 stock options at a strike price of Cdn \$4.81 per share. The fair value of the stock options was determined using the Black-Scholes valuation model, assuming an expected life of 5-years, 83.47% volatility and a risk-free rate of return of 1.74%. The resulting value per option granted was Cdn \$3.61. The estimated fair value of the options is expensed over their three year vesting period.

**8. Taxes**

**a.) Revenue Based Taxes**

Revenue based taxes are payable to the Kyrgyz government under the Investment Agreement (note 6) which received the approval of the Kyrgyz Parliament on April 30, 2009.

Under this Investment Agreement, taxes are imposed at a rate of 13% of gross revenue. In addition, effective January 1, 2009 a contribution of 1% of gross revenue is made to the Issyk-Kul Oblast Development Fund. This new Kyrgyz tax regime eliminates income taxes and certain other operating taxes that were paid by Kumtor under the previous tax regime (see note 6 (c)).

Separate presentation in the income statement of these new revenue-based taxes is effective from May 1, 2009. During the three months and nine months ended September 30, 2009, the revenue-based taxes expensed by Kumtor were \$18.1 million and \$23.3 million respectively.

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**8. Taxes (continued)**

**b.) Corporate Income taxes**

The Company recorded income tax expense of \$2.4 million and \$13.7 million during the three months and nine months ended September 30, 2009 (\$7.5 million and \$22.4 million three months and nine months ended September 30, 2008).

**Kumtor**

As discussed in note 6 with respect to the Investment Agreement, effective April 30, 2009 Kumtor became subject to a new tax regime (note 8(a)) pursuant to which income taxes and other taxes, were replaced by taxes computed by reference to Kumtor's revenue. Included in income tax expense is a provision of Nil and a recovery of \$2.9 million for the three months and nine months ended September 30, 2009 (income tax expense of \$0.7 million and \$2.4 million for the three months and nine months period ended September 30, 2008) computed on Kumtor earnings from January 1, 2009 to April 30, 2009 at an income tax rate of 12%, including 2% for the Issyk-Kul Social Fund.

**Boroo**

The corporate income tax rate for Boroo for 2009 and subsequent years is 25% of taxable income in excess of 3 billion Tugriks (about \$2.1 million at the exchange rate at the balance sheet date), and 10% for income up to that amount.

During the three month and nine month periods ended September 30, 2009, Boroo recorded \$2.4 million and \$16.5 million (\$6.8 million and \$20.0 million for the three months and nine months ended September 30, 2008) as income tax expense.

**9. Commitments and Contingencies**

**Commitments**

As at September 30, 2009, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$14.6 million (Kumtor \$14.3 million, Boroo \$0.3 million). These are expected to be settled over the next twelve months.

**Contingencies**

**Mongolia**

As disclosed on June 12, 2009, the main operating licenses at the Company's Boroo mine were suspended by the Minerals Resources Authority of Mongolia ("MRAM") following extensive inspections of the Boroo mine operation conducted by the General Department of Specialized Inspection ("SSIA"). In its report, the SSIA expressed its view that a number of deficiencies existed at the Boroo mine. After discussions by Centerra and its subsidiaries with both the MRAM and the SSIA, the suspension of the operating licenses was lifted on July 27, 2009. Despite the lifting of the suspension, several issues arising from the inspections continue to be discussed by Centerra and the Mongolian regulatory authorities.

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

The SSIA indicated its concern regarding the status of certain mineral reserves, including state alluvial reserves, covered by the Boroo mine licenses that are recorded in the Mongolian state reserves registry but for which there are no or incomplete records or reports of mining activity. The Company and the SSIA have conducted detailed surveys to determine the status of such reserves including whether such reserves have been mined by Boroo or a predecessor license holder or have been rendered un-mineable by the Company's operations, for example by placement of overburden on top of such reserves. The Company believes that it has properly reported all of its mining activities since it began operations in 2004. However, alluvial deposits on the Boroo licenses were subject to extensive mining activity prior to Centerra's acquisition of the licenses. On October 23, 2009, the Company received a claim for compensation from the SSIA. The Company disputes the claim. While it believes that the issues raised by the claim will be resolved through negotiation with the authorities without a material impact on the Company, there can be no assurances that this will be the case.

In addition, the SSIA inspections raised a concern about the production and sale of gold from the Boroo heap leach facility. The Company had operated its Boroo heap leach facility under a temporary permit issued by the proper authorities from June 2008 until the expiry of the temporary permit in April, 2009 and paid all relevant royalties and taxes with respect to gold produced from the heap leach facility during that period. The Company believes that it had all necessary permits to carry out its heap leach activities and that any regulatory concerns are unfounded. Centerra is continuing its effort to obtain a final permit for the operation of its heap leach facility at the Boroo mine. The Company understands that this matter has been referred to the Mongolian Ministry of Finance for review but has received no official notice of any concern.

While the Company is optimistic that it will be able to resolve alleged deficiencies arising from the SSIA inspections in a satisfactory manner, there can be no assurances of this.

In July 2009, the Mongolian Parliament enacted legislation that would prohibit mineral prospecting, exploration and mining in water basins and forest areas in the territory of Mongolia and provides for the revocation of licenses affecting such areas. Regulations under the new legislation, which will specify the affected licenses, have not been prepared or published. The Company also understands that prior to the law becoming effective the Mongolian government will undertake physical surveys and consult with local officials to determine which, if any, existing licenses will be subject to the new law. The legislation provides a specific exemption for "mineral deposits of strategic importance", and accordingly, the main Boroo mining licenses will not be subject to the law. The Company's Gatsuurt licenses and its other extensive exploration license holdings in Mongolia are not so exempt and thus a negative ruling by the government authorities may have a negative impact on Gatsuurt's carrying value and other related assets. However, the Company is reasonably confident that the economic and development benefits resulting from its exploration and

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development activities will ultimately result in the law having a limited impact on the Company's Mongolian activities.

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

*Gatsuurt Investment Agreement Negotiation*

Centerra has recently resumed negotiations with the Government of Mongolia with respect to an investment agreement for the Gatsuurt project which would, among other things, stabilize the tax and legal regime applicable to the development of the Gatsuurt project. In August 2009, the Government of Mongolia repealed its windfall profit tax of 68% in respect of gold sales at a price in excess of \$850 an ounce, with the repeal to take effect on January 1, 2011.

**10. Related Party Transactions**

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

Revenues from the Kumtor gold mine are subject to a management fee of \$1.00 per ounce based on sales volumes, payable to Kyrgyzaltyn, a shareholder of the Company and a state-owned entity of the Kyrgyz Republic.

The table below summarizes 100% of the management fees and concession payments paid and accrued by Kumtor Gold Company to Kyrgyzaltyn or the Government of the Kyrgyz Republic and the amounts paid and accrued 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 and which was restated in June 2009.

(Thousands of US\$)	Three Months Ended	
	Sept 30/09	Sept 30/08
Management fees to Kyrgyzaltyn	\$ 135	\$ 166
Concession payments to the Kyrgyz Republic	-	444
	<b>\$ 135</b>	<b>\$ 610</b>
Gross gold and silver sales to Kyrgyzaltyn	\$ 129,642	\$ 96,123
Deduct: refinery and financing charges	(603)	(458)
Net sales revenue received from Kyrgyzaltyn	<b>\$ 129,039</b>	<b>\$ 95,665</b>

(Thousands of US\$)	Nine Months Ended	
	Sept 30/09	Sept 30/08
Management fees to Kyrgyzaltyn	\$ 343	\$ 440
Concession payments to the Kyrgyz Republic	(116)	1,174
	<b>\$ 227</b>	<b>\$ 1,614</b>
Gross gold and silver sales to Kyrgyzaltyn	\$ 261,940	\$ 261,078
Deduct: refinery and financing charges	(1,333)	(1,313)
Net sales revenue received from Kyrgyzaltyn	<b>\$ 260,607</b>	<b>\$ 259,765</b>

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

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to an original Gold and Silver Sale Agreement historically entered into between KOC, Kyrgyzaltyn and the Government of the Kyrgyz Republic. Under these original arrangements, Kyrgyzaltyn was 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 the Agreement on new Terms (note 6), the Gold and Silver Sale Agreement was amended with new terms. Effective June 11, 2009, Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days.

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn. As at September 30, 2009, \$16.7 million was outstanding under these arrangements (December 31, 2008 - \$24.1 million).

**11. Fair Value of Financial Instruments**

The Company has various financial instruments comprising of cash and cash equivalents, short-term investments, receivables, a Reclamation Trust Fund, accounts payable and accrued liabilities and short-term debt.

The carrying values of these financial instruments equal their book values as at September 30, 2009 and December 31, 2008

**12. Financial Risk Exposure and Risk Management**

The Company is exposed in varying degrees to various 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.

These are discussed in detail in the notes to the December 31, 2008 Annual Financial Statements. The following updates this annual disclosure and for events in the three months and nine months ended September 30, 2009 as relevant.

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

**a. Counterparty Risk**

Counterparty risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. Counterparty risk can be assessed both in terms of credit risk and liquidity risk. For cash and cash equivalents and accounts receivable, the value at risk represents the carrying amount on the balance sheets. Furthermore, the Company takes measures that are intended to ensure its gold dore customers, suppliers and banking services providers can fulfill their contractual obligations. However, the current global economic situation may have increased the risk of default by these parties.

Default by one or more of the Company's gold purchasers, bankers or suppliers could materially impact the Company's liquidity, financial condition and results of operations.

**b. Currency Risk**

As required, the Company either makes purchases at the prevailing spot price to fund corporate activities or enters into short-term forward contracts to purchase Canadian dollars. During the three months and nine months ended September 30, 2009, \$0.6 million and \$6.3 million of such forward contracts were executed (\$1.1 million and \$4.0 million - three months and nine months ended September 30, 2008). Contracts to purchase \$1.7 million Canadian dollars were outstanding at September 30, 2009 (Nil - December 31, 2008).

The exposure of the Company's financial assets and liabilities to currency risk as at September 30, 2009 are as follows:

(Thousands of US\$)	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	Australian Dollar	European Euro
<b>Financial Assets</b>					
Cash and cash equivalents	\$ 122	\$ 237	\$ 1,485	\$ -	\$ 43
Amounts receivables	83	3,512	683	893	-
	\$ 205	\$ 3,749	\$ 2,168	\$ 893	\$ 43
<b>Financial Liabilities</b>					
Accounts payable and accrued liabilities	\$ 4,373	\$ 5,269	\$ 3,891	\$ 72	\$ 1,572

A strengthening of the US Dollar by 5% against the Canadian Dollar, the Kyrgyz Som, the Australian Dollar, the European Euro and the Mongolian Tugrik at September 30, 2009, with all other variables held constant would have lead to additional before tax net income of \$0.4 million as a result of a change in value of the financial assets and liabilities denominated in those currencies.

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

**c. Interest Rate Risk**

Fluctuations in market interest rates during the three months and nine months ended September 30, 2009 have not had a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

**d. Concentration of Credit Risk**

Kyrgyzaltyn, a state-owned refinery in the Kyrgyz Republic, is Kumtor's sole customer and is a shareholder of Centerra. To partially mitigate exposure to potential credit risk related to Kumtor sales, the Company has an agreement in place whereby Kyrgyzaltyn has pledged 2,850,000 of Centerra shares as security against an individual gold shipment, in the event of default on payment.

Based on movements in Centerra's share price, and the value of individual gold shipments, over the course of the three months and nine months ended September 30, 2009 the maximum exposure during the three months and nine months ended September 30, 2009, reflecting the shortfall in the value of the security as compared to the value of a given shipment, was approximately \$11.1 million and \$15.6 million.

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

At the balance sheet date, approximately 3% of the Company's liquid assets were held with local Kyrgyz, Mongolian and certain non-rated foreign banks and 17% and 6% with each of HSBC Bank and Citigroup respectively. The remainder of cash and cash equivalents, and short-term investments were held in government securities, term deposits, banker's acceptances and highly-rated corporate issues.

**13. Comparative Information**

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

**14. 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.

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**14. Segmented Information (continued)**

**Geographic Segmentation of Revenue**

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

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**14. Segmented Information (continued)**

**Three months ended September 30, 2009**

(\$ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 129.0	\$ 29.8	\$ -	\$ 158.8
Expenses				
Cost of sales	59.7	11.0	-	70.7
Mine standby costs	-	0.7	-	0.7
Regional office administration	3.2	1.7	-	4.9
Depreciation, depletion and amortization	20.7	6.1	0.2	27.0
Accretion and reclamation expense	0.3	0.1	-	0.4
Revenue based taxes	18.1	-	-	18.1
Exploration and business development	3.4	0.9	2.7	7.0
Interest and other	1.3	(1.7)	(0.3)	(0.7)
Corporate administration	0.9	-	7.2	8.1
<b>Earnings (loss) before unusual items and income taxes</b>	<b>21.4</b>	<b>11.0</b>	<b>(9.8)</b>	<b>22.6</b>
Unusual items-Kyrgyz settlement				-
<b>Earnings before income taxes</b>				<b>22.6</b>
Income tax expense				2.4
<b>Net loss</b>				<b>\$ 20.2</b>
<b>Capital expenditures for the quarter</b>	<b>\$ 18.2</b>	<b>\$ 2.8</b>	<b>\$ -</b>	<b>\$ 21.0</b>
<b>Assets (excluding Goodwill)</b>	<b>\$ 445.6</b>	<b>\$ 297.7</b>	<b>\$ 19.0</b>	<b>\$ 762.3</b>

**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
Revenue based taxes	-	-	-	-
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 and income taxes</b>	<b>12.5</b>	<b>20.9</b>	<b>(9.1)</b>	<b>24.3</b>
Unusual items-Kyrgyz settlement				-
<b>Earnings before income taxes</b>				<b>24.3</b>
Income tax expense				7.4
<b>Net earnings</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>
<b>Assets (excluding Goodwill)</b>	<b>\$ 449.4</b>	<b>\$ 270.8</b>	<b>\$ 11.9</b>	<b>\$ 732.1</b>

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**14. Segmented Information (continued)**

**Nine months ended September 30, 2009**

(\$ millions)	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 260.6	\$ 101.0	\$ -	\$ 361.6
Expenses				
Cost of sales	179.1	42.7	-	221.8
Mine standby costs	-	4.1	-	4.1
Regional office administration	10.2	5.5	-	15.7
Depreciation, depletion and amortization	53.3	20.6	0.6	74.5
Accretion and reclamation expense	0.8	0.9	-	1.7
Revenue based taxes	23.3	-	-	23.3
Exploration and business development	9.2	1.7	6.1	17.0
Interest and other	1.2	(2.7)	0.8	(0.7)
Corporate administration	2.2	0.9	17.7	20.8
<b>Earnings (loss) before unusual items and income taxes</b>	<b>(18.7)</b>	<b>27.3</b>	<b>(25.2)</b>	<b>(16.6)</b>
Unusual items-Kyrgyz settlement				<b>(49.3)</b>
<b>Earnings (loss) before income taxes</b>				<b>(65.9)</b>
Income tax expense				<b>13.7</b>
<b>Net loss</b>				<b>\$ (79.6)</b>
<b>Capital expenditures for the period</b>	<b>\$ 57.3</b>	<b>\$ 3.7</b>	<b>\$ 0.2</b>	<b>\$ 61.2</b>
<b>Assets (excluding Goodwill)</b>	<b>\$ 445.6</b>	<b>\$ 297.7</b>	<b>\$ 19.0</b>	<b>\$ 762.3</b>

**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	0.7	0.4	-	1.1
Revenue based taxes	-	-	-	-
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 and income taxes</b>	<b>25.1</b>	<b>72.6</b>	<b>(20.8)</b>	<b>76.9</b>
Unusual items-Kyrgyz settlement				<b>37.7</b>
<b>Earnings before income taxes</b>				<b>114.6</b>
Income tax expense				<b>22.4</b>
<b>Net earnings</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>
<b>Assets (excluding Goodwill)</b>	<b>\$ 449.4</b>	<b>\$ 270.8</b>	<b>\$ 11.9</b>	<b>\$ 732.1</b>

To view the maps/graphics discussed in this news release, please visit the following link:  
<http://media3.marketwire.com/docs/centerra1030link.pdf>