

Centerra Gold Inc.

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Corporate Profile

Centerra is a growth-oriented Canadian-based gold company engaged in operating, developing, acquiring and exploring gold properties primarily in Central Asia, the former Soviet Union and other emerging markets worldwide. The Company's two operating gold mines produced 555,410 ounces of gold in 2007 at a total cash cost of \$442 per ounce.

Centerra's objective is to aggressively increase its reserves and resources and expand its portfolio of gold mining operations. Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is headquartered in Toronto, Canada.

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All dollar amounts are expressed in U.S. dollars in this report, except as otherwise indicated.

Cautionary Note Regarding Forward-Looking Statements

Certain information contained or incorporated by reference herein which are not historical facts are "forward-looking statements" within the meaning of certain securities laws, including the Securities Act (Ontario). Such forward-looking statements involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. For a detailed discussion of such risks and other factors, see the Management's Discussion and Analysis included in this Annual Report and the Company's most recent Annual Information Form which is available on SEDAR.

Although Centerra believes that the assumptions inherent in these forward-looking statements are reasonable, the reader should not place undue reliance on these statements, which apply only as of the date of this report. For a detailed discussion of the key assumptions, please refer to the Management's Discussion and Analysis included in this Annual Report. Centerra disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.



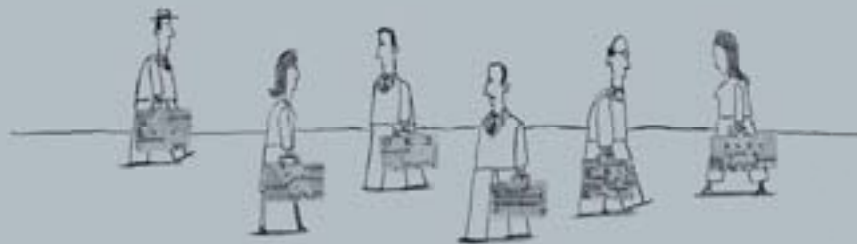
An element
of confidence.

At Centerra we don't mind
telling people that we really
know what we're doing. And
we back up our story with
actions and results.

Be meticulous. Be patient. Hire the right
talent and be good to the world. That's the
secret to profitability in the gold sector.

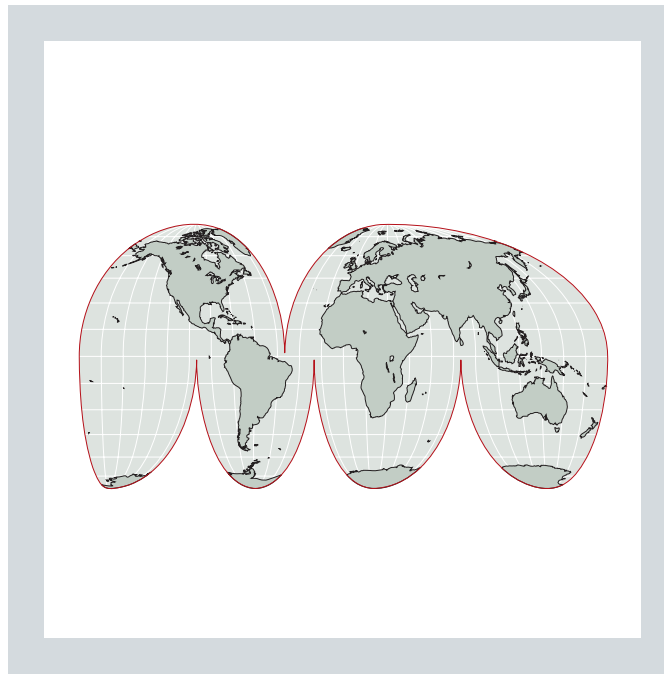
Creating

Opportunities.



**We see potential
where others see obstacles.**

The pursuit of opportunity in unique circumstances can be challenging. At Centerra we know that looking beneath the surface has both literal and metaphorical value. Because sometimes profits depend just as much on point of view as they do on knowledge.



Forging Ahead

At Centerra, we have a positive outlook for the future. How do we create value for our shareholders? It's a matter of producing results and looking to the future. We derive value where others have hesitated to go. We mine in extreme conditions and high altitudes, and that gives us significant experience in a unique niche of our industry. We have the people and the management to work large-scale operations and to leverage our experience towards future expansion. Our strategy is to grow organically – by bringing the full benefit of our current holdings to market – and to grow through mergers and acquisitions – bringing our geopolitical savvy and financial strength into play.

Our opportunities for organic growth are clearly defined in our existing operations. The increase in gold valuation has made it viable to add heap leaching at Boroo, we are set to pursue underground deposits in the SB Zone at Kumtor, and in Mongolia the Boroo mine's proximity to the Gatsuurt deposit offers clear operational advantages. Additionally, our reputation for astuteness and sensitivity in unusual business environments will serve us well in future relationships. From our point of view, there should be no limitations on our preparedness to do business wherever in the world opportunities arise.

Technical

Experience.

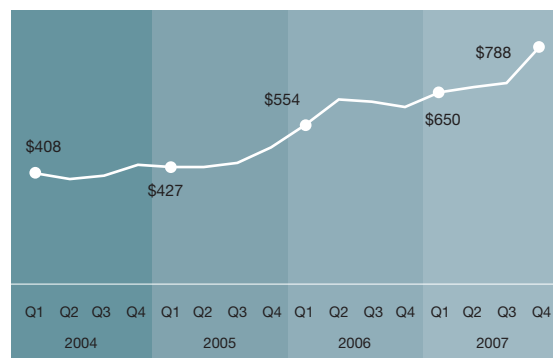


Getting the gold out of the ground
takes skills and tools.

The less you spend on production the higher your return will be. Year after year at Centerra we have worked to improve long-term results through production efficiencies. Across our organization we share the challenge to find new techniques and approaches to saving money and increasing yields.

Average Gold Price

(\$/ounce)



Average PM gold price fix, by quarter, on the London Bullion Market for 2004, 2005, 2006 and 2007.

Equipped for Success

The parameters of advantage in the gold industry are significantly tied to a company's agility in implementing the right technologies for their particular physical and business circumstances. At Centerra we pay close attention to both, and look for any opportunity to increase efficiencies. Take our approach to heap leaching at Boroo. In simple terms, what used to be too low-grade is now profitable, thanks to the rise in gold values. Our approach to recovering the gold brings technologies into play that are new to Mongolia. Bio-oxidation will use micro-organisms to extract precious metals from the Gatsuurt reserves. But there are

more ways to measure value than through final yield. At Kumtor, for instance, Centerra has implemented a system of inter-connected survey prisms across the highwall of the open pit to monitor minute movement. The point? Applied technology provides us early warning signs. By managing this operational risk we have afforded ourselves the chance to safely move equipment and people out of harm's way, preventing personal injury, equipment damage and losses. These are just two examples of how Centerra is meticulous both in its operations and in its approach to creating, maintaining and expanding shareholder value.

Management

Views.



President Leonard Homeniuk and newly appointed Vice President and Chief Operating Officer, Steve Lang share a candid and casual discussion of operational challenges, market conditions and the benefits of Centerra's unique approach to increased value for shareholders.

LH: I should start by talking about Centerra. We operate in some of the most promising and underdeveloped gold regions in the world and have a seasoned management team with proven acquisition, development, operating and exploration experience totalling in the decades. Steve Lang is the latest addition to our team bringing to Centerra his experience that will help us to continue to address our operational challenges. Those challenges are not uncommon in our industry, but our version of them is somewhat particular to us by virtue of our locations.

SL: Coming to Centerra, I looked at the assets and their potential and felt that they were undervalued in the market. If you looked at the mineral resources, the people and the overall potential, it was greater than was being recognized. I saw some challenges, and some complexities, but nothing that wasn't solvable. And to me that spelled opportunity.

LH: Some of the issues we were working on included rock stability and equipment availability at Kumtor, delivering on our plans, and making sure everyone was doing their job correctly. The mine has been in operation now for eleven years. We had renewed the mining fleet and that was showing results. And it proved the benefit of staying up-to-date and not accepting below-par performance from operationally vital equipment.

SL: So we've been working through some key challenges and we are set to demonstrate to the market that we've addressed what it may have seen as problems. And that the solutions are coming forward. One area that has impressed me within Centerra has been the level of technical skills. Many of the challenges are complex, but we have the right team in place.

LH: I think what we want to make clear is that we're not facing problems so much as challenges. And they're manageable challenges. The gold business is attracting a lot of attention these days. And the industry is often criticized for not being able to control costs. But if you take the number of people we work with, the equipment at our disposal, the locations we work in and the gold available in our properties... well, it's a good equation. But it takes a lot to communicate the nuances of getting a modern-day ounce of gold.

SL: A lot of the things that drive the price of gold up also drive up our supply costs. Whether it's fuel, or steel, or explosives – the weak U.S. dollar drives up all those costs.

But our focus is on keeping our operating costs down and increasing yields. We've had a good year executing our vision and setting things up for the near and long-term. We've put together a solid plan. Now it's a matter of executing optimally to achieve the results we want. To put one part of that on a timeline, take a look at our ground stability issues: a lot of it is related to water. We'll be putting in pumping wells this summer at Kumtor to hydrologically depressurize the till in logically measured steps. That will be a very important step towards increased productivity. In all aspects of our operations we're looking at what specifically will drive the results we need. Not just this year but in the following years. Because our story is going to include the development of some very strong resources.

One thing that we really want people to understand over the next two years is that the value of the underground at Kumtor is significant. We're looking at an average grade of 20 grams per tonne, with adjacent operating facilities and an in-place workforce. All the supplies are in place. The supply chain is there. It's pretty much unmatched in terms of potential. I don't know how well people understand the significance of this – not just for Kumtor but all of Centerra. It's very big. And if you look at the general geological potential playing out at Kumtor there's a lot more.

LH: The other project we're setting in motion is to move the Gatsuurt property ahead once we get an acceptable investment agreement in place. In terms of size it's very similar to Boroo, which has been and continues to be just an excellent mine. Gatsuurt will add to that as we move it into operation. The key to our potential for value there is that we'll be building off our strengths. We have a workforce in place at Boroo. We have all the systems in place that will be needed at Gatsuurt. There are some additions we have to make because of the differences in the ore type, but building off the infrastructure will create real economies.

SL: And at Boroo itself this year we'll be starting heap leach operations. That will add to our production. Heap leaching is all about the viability of processing lower grade material – partly because of the higher gold price, but also because it's a more effective process than just running the low-grade ore through the mill. The costs are lower. And it's a process that we haven't had in place at Boroo in the past.

“Our plan for 2008 shows ample opportunity to offset our risks. It’s different than what we’ve seen in the past. It’s exciting. And you can feel that excitement throughout the entire company.”

LH: Another issue that has to factor into any discussion of our operating realities is the political climates in which we work. The gold is where it is. Getting at it is much more than a matter of digging. Our first job is to clearly demonstrate the value we offer to the people who live where the gold is. And that’s something we’re pretty good at. We’ve maintained an open and constructive dialogue with the key players. And we’ve been careful to show our respect for other people’s social and political realities. We also recognize that political points of view can and do change. So we are continually in discussions, and we restate the value that we bring to the table, and we have patience. Because at the end of the day, we’re confident in our offering. We know that we are their best partner for going forward.

SL: That’s a strength that sets us apart from our peers. We’re adept at operating in emerging markets. We understand the nuances of emerging democracies. And we respect them. So while negotiations may seem protracted, it’s a key part of our business. And it’s easier to take things in stride when you have confidence in the big picture. It’s something that we can grow on. So do we meet our projections? Yes we do. Do we show growth? Yes we do. Do we show potential for greater growth in the near and long-term? Absolutely. And we see that as the proof of our capabilities both on the production and the management fronts.

LH: The nuances of political relationships are sometimes misconstrued. We have repeatedly seen that what ends up being treated as a news story here is actually less than newsworthy at the source. Mongolia and the Kyrgyz Republic are both new democracies. And they have recently gone or are soon to go through elections. Major economic decisions are rarely made in this kind of an environment. But the economic realities do not change. The value we offer is consistent, and it is specific to us. That’s where patience becomes a virtue.

So where’s the proof? This year we negotiated framework agreements for Kumtor and an amended Stability Agreement for Boroo. They provide for stability and economically attractive operational environments. They solidify our presence in the Kyrgyz Republic and Mongolia.

Along with the Boroo Stability Agreement we also received the approval of the Gatsurt reserves and its feasibility study that will pave the way for an investment agreement. In the Kyrgyz Republic, the government’s negotiated increased ownership in Centerra would further align our interests.

In both cases, there’s a resource that has to be developed for the betterment of the country. And if you look at it from their point of view, it’s reasonable for governments to look for a good return from the asset. And as invested as they may be in progress, you’ll have a sector of the country that will inevitably question the governments’ actions. To us it’s the nature of the business.

The reality is that they will derive significant value from our participation in their economy. The governments know that. The negotiations are about quantifying that value. And we’re careful to do so in more ways than just monetary. We see the value in working with the governments to provide for the broader contexts of our operations. We discuss our mining operations with them. And we give them tools to respond to the issues that arise from them. There’s a lot of accounting that has to be presented to the general public. We do well in this regard, but it’s a full-time job.

SL: I think our investors are well informed, but when we meet with the investment community here at home we try to make a point of communicating the social and political nuances of our operations in the countries in which we operate. Those countries’ issues are very different than we see in North America. We want our investors to understand that.

LH: That's right. We are cognizant that our reputation is paramount and we work hard to earn trust with our investors and our international partners. Through our sustainable development programs in both countries. Through policies that aim to build communities through our presence. And we also benefit from strong, healthy communities wherever we operate. Making things better wherever we are is essential to our long-term growth strategy. That's a point we continue to make here and overseas. It speaks to the longevity of our concerns.

From an operating standpoint that's where education comes in. We teach mining skills within the communities in which we operate. In Mongolia and the Kyrgyz Republic the technical and professional workforce shows a mix of imported and local staff. And there's been a planned shift over the last few years towards increased local hires. And that's true at all levels of our operations. It just makes sense as a policy. We talk about government relationships... this shows cooperation between Centerra and local governments. But it also creates personal relationships with the people who are there at site. Do they know their neighbors? Increasingly, we are their neighbors. But the dividing lines are largely diminished. Because when 94 to 96% of the workforce is hired locally, it feels a lot less like a foreign organization. We are members of a community. We have become good neighbors and a proactive part of their community. We provide employment, but we also address the greater needs of the community. All of this describes our operating environment, but here at home we also recognize that nothing mitigates our responsibility to the shareholders.

SL: There's solid business benefit in our social policies, and in that we ask for no allowances for not being a North American operation. With the remoteness of our locations, for instance, we face a challenge in maintaining our equipment fleets. That's just a business reality that we meet. Getting highly specialized equipment to the

heart of Mongolia or the Kyrgyz Republic is what we do. Trucks are manufactured in India, reconditioned in China, mill equipment from other parts of the globe... it is a global marketplace.

LH: It's a shrinking world, and a lot of people in the west would have to look twice to find the Kyrgyz Republic on a map. But to the average Kyrgyz national the people over here are just as remote. Doing business together means recognizing that gap. And shrinking it. And that's what we've been doing. If there's a message that shareholders should take home about Centerra it's that we're doing something unusual, but we're doing it very well. We've got significant resources and we've proven that we're adept at not only the physical skills required to get at them, but also the social and political necessities. It's all part of our business. We've been at it for sixteen years in the Kyrgyz Republic, and we've gotten very good.

SL: I would add that whenever you look at an operating mine there's a mixture of risk and opportunity. Nothing is ever risk-free. Nothing is void of opportunity for improvement. In the past, Centerra may have shown a little more risk than others. But now the balance is shifting to the other side. Our plan for 2008 shows ample opportunity to offset our risks. It's different than what we've seen in the past. It's exciting. And you can feel that excitement throughout the entire Company.

LH: There's a lot of uncaptured potential out there. We see it. And we've got the skills, the resources and the wherewithal to go after it. I'm looking forward to this year.

Leonard A. Homeniuk
President and Chief Executive Officer

Stephen A. Lang
Vice President and Chief Operating Officer

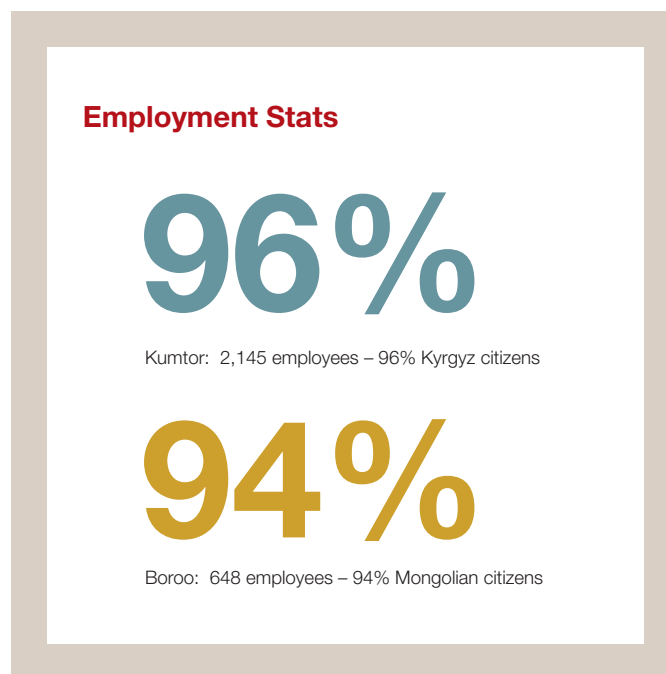
Building

Relationships.



Every mining operation includes a political context.

At Centerra we are always mindful of the importance of gold as a national resource. But we are also confident that our unique skills and experience assure our position as a development partner. This balance of respect and confidence is a matter of corporate character. And it leads to mutually profitable relationships.



Thinking Big

Pursuing opportunities in unfamiliar markets can be challenging. How does local custom play into even the simplest interaction? What touch points should you refer to in understanding the nuances of a conversation? Centerra has a history of working in unique and remote parts of the world. Our comfort in this regard creates opportunities on the world stage. At our operations in Mongolia and the Kyrgyz Republic, for example, we have built our work force on a policy of hiring locally and training for career

advancement. Currently the statistics show that 94 to 96 percent of the people working our mines are native to the country where the mine is located. This works as a good indicator of our dedication to local economies and to long-term relationships. We are sensitive to the effect we have on local communities. Our goal is to always be seen in a positive light. It's an attitude that stands us well in the eyes of governments, who look to us for real partnership in the development of their resources.

Socially

Responsible.



Our results show in our yield.
Our future is defined by our actions.

There is more to mining than taking value from the ground. The scale of operations required will inevitably affect local culture. And that creates real concern. At Centerra we are keenly aware of our responsibilities to the communities in which we operate.

Sprinkles and Micronutrients

528,800

Sachets

3,592

Children

In the last six months, 528,800 sachets of nutrients were distributed to 3,592 children.

"Sprinkles" is a multiple-micronutrient fortificant that is used to improve the nutritional value of children's foods. A sachet of Sprinkles (containing vitamin D, vitamin A, vitamin C, folic acid, iron and zinc) is mixed with food daily to improve nutritional value of meals.

Good Work

The emerging business reality of the current era is that while corporations are responsible to their shareholders for overall performance, their social responsibilities go much further afield. Bottom line considerations are now mitigated by a real variety of factors. We see the long-term benefit of investing in what was once thought of as the peripheral concerns of our industry. For example, with our policy of hiring locally and training for career advancement, the overall health of the local population becomes a factor of our future capabilities. So while it is a fact that we work with World Vision Canada in Mongolia to distribute nutritional supplements for children, our motivation is not limited to altruism. We are investing in the health of the community in which we work. Because good work comes from healthy communities. As do good relationships. What have we

achieved with our partners at World Vision? Significant increases in nutritional health for Mongolia's children and a reduction in the long-term problems associated with malnutrition. How do shareholders benefit from this approach? In part we hope they value ethics in their investment strategy.

But we also believe that companies which take the world for granted are not invested in a long-term game. And we are investing in the future. For example, in the Kyrgyz Republic we carry out a number of sustainable development and investment projects including supporting biodiversity and wildlife protection programs, establishing a micro crediting agency, setting up a well-equipped agro engineering centre, purchasing medical equipment for health centres, putting into operation a fruit processing minifactory and reconstructing and improving various sports, social and cultural facilities.

2007 Year-end Reserve and Resource Summary

(as of December 31, 2007)

Reserves ⁽¹⁾

(Tonnes and ounces in thousands) ^{(11) (12)}

Property	PROVEN			PROBABLE			TOTAL PROVEN AND PROBABLE RESERVES				
	Tonnes	Contained		Tonnes	Contained		Tonnes	Contained		Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
		Grade (g/t)	Gold (oz)		Grade (g/t)	Gold (oz)		Grade (g/t)	Gold (oz)		
Kumtor ⁽⁶⁾	9,888	3.8	1,223	28,546	4.0	3,679	38,434	4.0	4,902	4,902	OP
Boroo ⁽⁶⁾	3,684	2.5	291	20,405	1.2	757	24,089	1.4	1,048	1,048	OP
Gatsuurt ⁽⁹⁾	–	–	–	9,101	3.4	1,005	9,101	3.4	1,005	1,005	OP
Total	13,572	3.5	1,514	58,052	2.9	5,441	71,624	3.0	6,955	6,955	

Measured and Indicated Resources ⁽²⁾

(Tonnes and ounces in thousands) ^{(11) (12)}

Property	MEASURED			INDICATED			TOTAL MEASURED AND INDICATED RESOURCES				
	Tonnes	Contained		Tonnes	Contained		Tonnes	Contained		Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
		Grade (g/t)	Gold (oz)		Grade (g/t)	Gold (oz)		Grade (g/t)	Gold (oz)		
Kumtor ^{(5) (6)}	18,770	3.2	1,931	19,323	2.8	1,741	38,093	3.0	3,672	3,672	OP
Boroo ^{(5) (6)}	452	2.0	29	5,016	1.4	225	5,468	1.5	254	254	OP
Gatsuurt ^{(5) (9)}	–	–	–	6,238	3.0	607	6,238	3.0	607	607	OP
REN ⁽¹⁰⁾	–	–	–	2,991	12.7	1,220	2,991	12.7	1,220	767	UG
Total	19,222	3.2	1,960	33,568	3.5	3,793	52,790	3.4	5,753	5,300	

Inferred Resources ⁽²⁾

(Tonnes and ounces in thousands) ^{(11) (12)}

Property	INFERRED			Centerra Share (oz) ⁽³⁾		Mining Method ⁽⁴⁾
	Tonnes	Contained		Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾	
		Grade (g/t)	Gold (oz)			
Kumtor ^{(5) (6)}	778	1.8	46	46	OP	
Kumtor SB Underground ⁽⁷⁾	2,796	20.0	1,797	1,797	UG	
Boroo ^{(5) (6)}	7,723	1.0	239	239	OP	
Gatsuurt ⁽⁹⁾	2,437	3.3	256	256	OP	
REN ⁽¹⁰⁾	835	16.1	432	272	UG	
Total	14,569	5.9	2,770	2,610		

(1) The reserves have been estimated based on a gold price of \$550 per ounce.

(2) Mineral resources are in addition to reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability when calculated using mineral reserve assumptions.

(3) Centerra's equity interests are: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 63%.

(4) "OP" means open pit and "UG" means underground.

(5) Open pit resources occur outside the current ultimate pits which have been designed using a gold price of \$550 per ounce.

(6) The open pit reserves and resources at Kumtor are estimated based on a cutoff grade of 1.0 gram per tonne and includes the Central Pit and the Southwest and Sarytor deposits.

(7) Underground resources occur below the Central pit shell and are estimated based on a cutoff grade of 7.0 grams per tonne.

(8) The reserves and resources at Boroo are estimated based on a variable cutoff grade depending on the type of material and the associated recovery. The cutoff grades range from 0.2 gram per tonne to 0.8 gram per tonne.

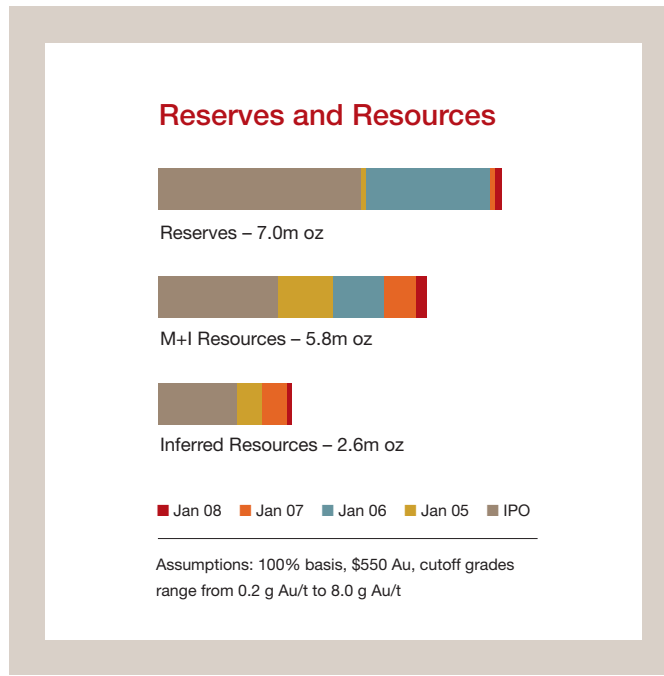
(9) The reserves and resources at Gatsuurt are estimated using either a 1.2 or 1.9 grams of gold per tonne cutoff grade depending on the type of material and the associated recovery.

(10) The resources at REN are estimated based on a cutoff grade of 8.0 grams per tonne.

(11) A conversion factor of 31.10348 grams per ounce of gold is used in the reserve and resource estimates.

(12) Numbers may not add up due to rounding.

Reserve and resource estimates for Kumtor, Boroo, Gatsuurt and REN, and other scientific and technical information were prepared by Centerra's geological and mining engineering staff under the supervision of Ian Atkinson, Vice President, Exploration, who is a Qualified Person under NI 43-101.



Our reserves and production capability

During 2007, the Company replaced the 718,000 contained ounces of gold mined during the year as it continued its drilling activities in and around its two 100 percent-owned operating mines. As of December 31, 2007, Centerra's proven and probable ore reserves totalled 7.0 million ounces of contained gold, compared to 7.0 million ounces as of December 31, 2006 (Centerra's share was 6.9 million ounces). The 2007 year-end ore reserves and resources were estimated using a gold price of \$550 per ounce compared to \$475 per ounce in 2006.

As of December 31, 2007, on a 100 percent project basis, Centerra's measured and indicated resources increased approximately 200,000 ounces over the December 31, 2006 figures to total 5.8 million ounces of contained gold (Centerra's share is 5.3 million ounces), compared to 5.6 million ounces (Centerra's share was 5.1 million ounces) as of December 31, 2006.

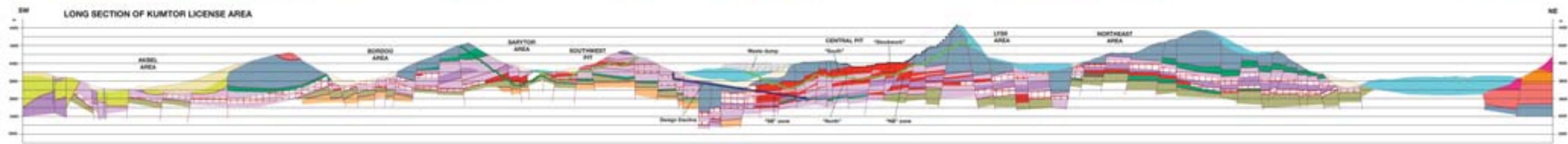
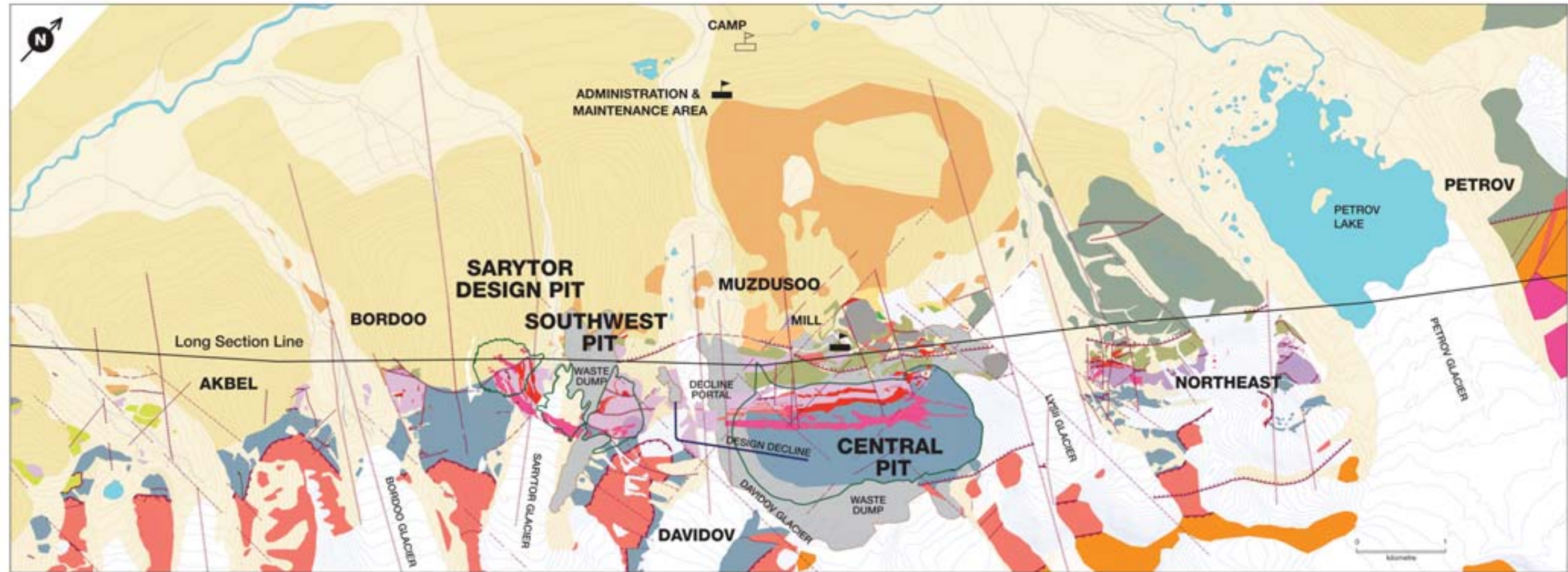
At Kumtor, 578,000 contained ounces of reserves were added before accounting for mining 421,000 of contained ounces in 2007. Measured and indicated resources increased by approximately 170,000 ounces of contained gold and inferred resources decreased slightly by 27,000 ounces of contained gold. The increase in reserves is a result of the lowering of the cutoff grade and changes in pit design. The reserve grade decreased from 4.7 g/t gold to 4.0 g/t gold due to the lowering of the cutoff grade from 1.3 g/t gold to 1.0 g/t gold, reflecting the higher gold price used in estimating the reserves. The current pit

design at Kumtor assumes that the glacial till and bedrock will be hydrologically depressurized to achieve the pitwall slope angles. Geotechnical work to date has indicated that the till is amenable to depressurization. A program to hydrologically depressurize the till and bedrock has been designed and will be implemented in 2008. This methodology has not previously been tested at Kumtor; therefore, to reflect the geotechnical risks and the technical risks associated with implementing the depressurization program at Kumtor, all of the mineral reserves affected by these risks have been classified as probable reserves. This involves a total of 18 million tonnes containing 2.5 million ounces of gold including 6.4 million tonnes containing 0.9 million ounces of gold previously classified as proven reserves. The mineral reserves affected by these risks represent 57 percent of the contained ounces of the Central Pit proven and probable ore reserves. The SB underground inferred resource, which has been outlined below the current ultimate pit design, is estimated to be 1.8 million ounces of contained gold at an average grade of 20.0 g/t and accounts for almost the entire inferred resource at Kumtor.

At Boroo, 111,000 contained ounces of reserves were added, before accounting for mining 297,000 of contained ounces in 2007. The change in reserves is a result of a slight increase in the size of the pit design.

At Gatsurt reserves were unchanged as the benefit of the increased gold price was offset by increases in estimated operating costs and royalties.

Centerra Gold Inc. Plan Geology Map of Kumtor License Area



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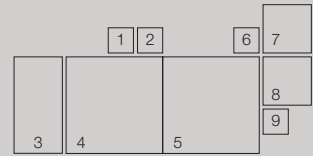
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|-----------------------|-------------------------|------------------|---------------------------------------|---------------------|--------------------------------------|-------------------------------------|-------------------|--------------|------------------------|
| Recent sediments | Red clay, breccia | Green staurolite | Tillites | Dolomitic phyllites | Granite, gneiss | Known Mineralization (level 3000 m) | Paleozoic thrusts | Other faults | Design final pit shaft |
| Old moranic sediments | Alpine tectonic melange | Black shale | Phyllites, black phyllites, rhyolites | Arkoses, rhyolites | Known Mineralization (surface trace) | Exploration Target | Alpine thrusts | Glacier | |

We are

Committed.



1. Surveying at the Kumtor mine
2. Gold doré bars
3. Drilling operations at the Boroo mine
4. One of the new trucks from the expanded mining fleet at Kumtor
5. Ore loading at the Kumtor mine
6. A ball mill used for grinding the ore
7. Mongolian landscape
8. A gold pour
9. Petrov Lake, Kyrgyz Republic



Kumtor

Kyrgyz Republic



Production (100%)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Ore mined (thousands of tonnes)	5,349	8,054	6,518	5,606	5,141	4,634	3,303	6,135	3,887	5,132
Ore milled (thousands of tonnes)	5,254	5,298	5,498	5,470	5,611	5,631	5,654	5,649	5,696	5,545
Average mill feed grade (grams/tonne)	4.8	4.5	4.7	5.2	3.7	4.5	4.4	3.4	2.3	2.4
Recovery (%)	78.5	79.4	81.5	83.1	78.1	82.6	82.1	81.2	73.0	72.7
Gold produced ⁽¹⁾ (thousands of ounces)	646	610	670	753	529	678	657	501	304	301
Unit Production Total Cash Cost ⁽²⁾										
Per tonne milled – (\$)	22.20	20.60	18.60	19.50	20.40	24.00	23.24	24.40	28.99	33.11
Per ounce – (\$)	181	179	153	141	216	191	200	274	544	610

Notes:

(1) Centerra's equity interest is 100% following the 2004 IPO.

(2) Total cash cost per ounce is a non-GAAP measure and is described under "Non-GAAP Measure – Total Cash Cost" in the Management's Discussion and Analysis accompanying this annual report.

The Kyrgyz Republic is a mountainous, landlocked country in the heart of the Asian continent. Which makes it a very remote place. Centerra's operations began here with the groundbreaking at the Kumtor mine in 1994. Since then we have developed the property to become the largest gold mine in Central Asia operated by a Western producer.

Centerra owns 100 percent of the Kumtor gold mine which is located in the Kyrgyz Republic, about 350 kilometres southeast of the capital Bishkek and about 60 kilometres north of the border with the People's Republic of China. It is the largest gold mine operated in Central Asia by a Western-based company, having produced more than 6.2 million ounces of gold between 1997 and the end of 2007.

The Company's involvement in Kumtor began in 1992 when an agreement to evaluate and develop the Kumtor gold deposit was entered into with the Government of the Kyrgyz Republic. The Kumtor area, located in the prolific Tien Shan gold belt, had a long history of intermittent exploration dating back to the late 1920's, but the actual discovery of the deposit was made in 1978.

Today, the Kumtor mine plays a particularly important role in the economic and political life of the Kyrgyz Republic. It is the largest private sector employer of Kyrgyz citizens and is the largest foreign investment in the country.

Focus on accessing SB Zone

During the past year, production was relatively unchanged from 2006 as a result of a delay in accessing the SB Zone. Total cash cost was impacted by lower production resulting from lower mill throughput and lower average recoveries combined with increased production costs including higher mine fleet maintenance costs, higher costs of major mine and mill reagents and consumables and higher expenditures on labour. Mining and milling continued at full capacity during 2007 and pre-stripping continued in the southern part of the Central Pit to gain access to the higher grade SB Zone.

Mining operations at Kumtor in 2008 will be primarily in the Central Pit where mining will be focused in the south section targeting the high-grade mineralization of the SB Zone. Mill head grades at Kumtor are expected to increase to average 4.11 grams per tonne and gold production from the mine is expected to increase to between 580,000 and 620,000 ounces in 2008. Greater than 70 percent of the gold production is planned for the second half of 2008 once the high-grade SB Zone is exposed and being mined.

Growing reserves and mine life

An exciting future at Kumtor is evident as the exploration and drilling program continues to replace and add reserves and resources. From the 2007 exploration expenditures of \$12 million, further mineralization was identified at the northeastern end of the Central Pit, along with reconnaissance drilling being completed at the Northeast and Bordoo prospects. As well, the Company's successful exploration program identified below the current ultimate pit design, the SB Zone, a 1.8 million contained ounce high-grade underground inferred resource with an average grade of 20.0 grams per tonne. The SB Zone remains open at depth and along strike. In 2007, the Company commenced construction of a decline to gain underground access to the high-grade SB Zone to define and explore the resource at depth and give access for future underground mining with underground production targeted to commence in 2010.

Boroo

Mongolia



Production (100%)	2003	2004	2005	2006	2007
Mined heap leach material (thousands of tonnes)	–	–	–	–	3,601
Ore mined (thousands of tonnes)	145	1,884	2,865	3,082 ⁽⁴⁾	2,362
Ore milled (thousands of tonnes)	113	1,850	2,231	2,387	2,549
Average mill feed grade (grams/tonne)	2.9	4.5	4.2	4.3	3.6
Recovery (%)	97.0	93.7	91.5	87.0	85.3
Gold produced (thousands of ounces) ^{(2) (3)}	4	246	286	283	255
Unit Production Total Cash Cost ⁽¹⁾					
Per tonne milled – (\$)	–	17.57	23.49	25.77	24.35
Per ounce – (\$) ⁽¹⁾	–	149	183	217	244

Notes:

(1) Total cash cost per ounce is a non-GAAP measure and is described under "Non-GAAP Measure – Total Cash Cost" in the Management's Discussion and Analysis accompanying this annual report, and represents post-commissioning production costs from March 1, 2004.

(2) Gold produced in 2003 and 2004 includes pre-commissioning production for December 2003 and January and February of 2004.

(3) Centerra's equity interest 100% from October 17, 2007.

(4) Excludes heap leach ore.

Situated between Russia and China in Central Asia, Mongolia is the second largest landlocked country in the world. It is also the least densely populated. It is not an easy place to get to. And yet, Centerra is there. The Boroo mine has been in commercial production since 2004.

Centerra Gold owns a 100 percent interest in Boroo after purchasing the remaining five percent interest in the fourth quarter of 2007. The mine is located 110 kilometres north-west of Ulaanbaatar, Mongolia's capital. Although this is a relatively remote part of the world, Boroo is within three kilometres of the all-weather Ulaanbaatar-Irkutsk highway and enjoys easy access to the Trans-Mongolian railway. This open-pit operation began commercial production in the first quarter of 2004 and has produced more than one million ounces of gold through the end of 2007. In 2007, construction of a three-million tonne per annum heap leach facility commenced and will be commissioned in 2008 to process low-grade ores at the Boroo mine.

Additionally, the Boroo facility will process ore from the Gatsuurt deposit, Centerra's major development project, following completion of negotiations with the Mongolian Government of an investment agreement covering the development of the Gatsuurt deposit. Gatsuurt's insitu reserves and resources and feasibility study were approved by the Government in late-2007 and early-2008, paving the way to commencing these negotiations. Gatsuurt is approximately 35 kilometres from the Boroo mine and the Company plans to truck the Gatsuurt ore for processing at Boroo, where the mill will be modified to accommodate the ore. The ore at Gatsuurt is refractory and therefore requires bio-oxidation to liberate the gold which will allow recoveries

of approximately 87 percent. First, the higher grade oxide ore from Boroo and Gatsuurt will be processed together which will then be followed by the Gatsuurt sulphide ore.

Solid operating performance

In 2007, the Boroo mine produced 255,000 ounces of gold at a total cash cost of \$244 per ounce. While continuing to perform well, gold production was lower than 2006 due to lower mill feed grades and recoveries. There were higher total cash costs resulting from increased maintenance costs and increased major mine and mill reagents and consumable costs due to higher prices.

Successful addition of the heap leach facility

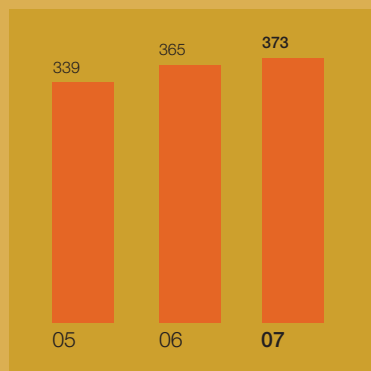
Total gold production at Boroo, including heap leach production, for 2008 is expected to be 190,000 to 210,000 ounces at a total cash cost of \$380 to \$420 per ounce. Boroo is expected to complete construction of the heap leach facility in the first half of 2008. The stacking of the leach pad began in the last quarter of 2007 and a total of 3.0 million tonnes of lower grade material will be stacked for leaching on the newly constructed heap leach pads. This three-million tonne per year operation is expected to have recovery rates on average for all material types of between 50 percent and 60 percent.

Financially

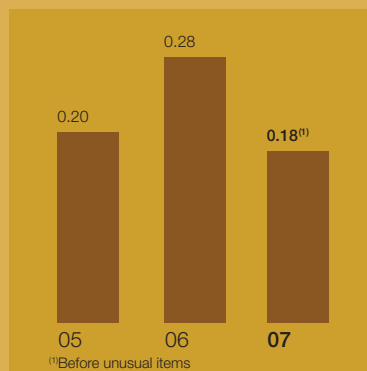
Solid.

(US\$)	2007	2006	2005
Revenue – millions	\$373	\$365	\$339
Net earnings before unusual items – millions	\$39	\$61	\$42
EPS (before unusual items) – \$ per share	\$0.18	\$0.28	\$0.20
Unusual items – millions	\$132	–	–
Cash provided by operations – millions	\$41	\$80	\$83
CFPS – per share	\$0.19	\$0.37	\$0.11
Cash on hand – millions	\$105	\$186	\$202
Total assets – millions	\$814	\$794	\$699
Ounces produced – 100% basis	555,410	586,384	787,275
Average realized price – \$ per oz	\$691	\$597	\$433

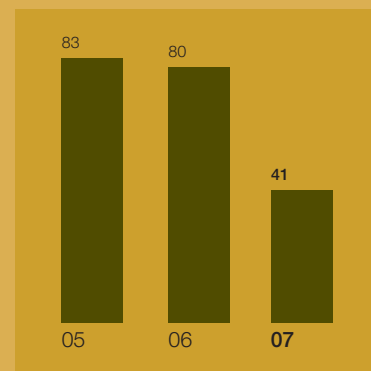
Revenue
(\$ millions)



Earnings per share
(\$)



Cash Flow
(\$ millions)



With our operational challenges worked out, we are well equipped financially for the future. In the coming year we are on track to access over 40% more gold than in 2007. We have confidence in our future and we are happy to share that confidence.

MD&A

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Management's Discussion and Analysis

The following discussion has been prepared as of March 6, 2008, and is intended to provide a review of the financial position of Centerra Gold Inc. ("Centerra" or the "Company") as at and for the financial year ended December 31, 2007 and results of operations in comparison with those as at and for the financial year of the Company ended December 31, 2006. This discussion should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2007 prepared in accordance with Canadian generally accepted accounting principles. In addition, this discussion contains certain forward-looking information regarding Centerra's businesses and operations. See Risk Factors and Caution Regarding Forward-Looking Information in this discussion. All dollar amounts are expressed in United States dollars, except as otherwise indicated. Additional information about Centerra, including the Company's annual information form for the year ended December 31, 2007, is available on the Company's website at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Centerra's Business

Centerra is a growth-oriented Canadian-based gold company, focused on acquiring, exploring, developing and operating gold properties in Central Asia, the former Soviet Union and other emerging markets worldwide.

Centerra's assets today consist of a 100% interest in the Kumtor mine, located in the Kyrgyz Republic, a 100% interest in the Boroo mine and a 100% interest in the Gatsuurt property both located in Mongolia, and a 63% interest in the REN property in Nevada.

Substantially all of Centerra's revenues are derived from the sale of gold. The Company's revenues are derived from production volumes from its mines and gold prices realized. Gold doré production from the Kumtor mine is purchased by Kyrgyzaltyn JSC ("Kyrgyzaltyn") for processing at its refinery in the Kyrgyz Republic while gold doré produced by the Boroo mine is exported and sold under a contract with a third party. Both sales agreements are based on spot gold prices. The Gatsuurt property is in the development phase. The REN property is in the exploration phase.

In 2007, the Company's two mines produced a total of 555,000 ounces of gold, ranking Centerra as an intermediate-sized North American-based gold producer.

The average spot price for gold in 2007 increased 16% over the average in 2006. This follows year-over-year increases of 35% in 2006 and 9% in 2005. The average realized price of gold received by Centerra increased because of the higher spot price for gold. A number of factors continue to support the strengthening gold price, including the weakness in the U.S. dollar, geopolitical uncertainties, and an increase in the demand for gold for investment purposes (see the discussion below under "Gold Industry and Key Economic Trends").

The Company's costs are comprised primarily of the cost of producing gold from its two mines and secondarily from depreciation and depletion. There are many operating variables that affect the cost of producing an ounce of gold.

In the mine, costs are influenced by the ore grade and the stripping ratio. The stripping ratio means the tonnage of waste material which must be removed to allow the mining of one tonne of ore in an open pit. The significant costs of mining are labour, diesel fuel and equipment maintenance.

In the mill, costs are dependent mainly on the metallurgical characteristics of the ore and the ore grade. For example, a higher grade ore would typically contribute to a lower unit production cost. The significant costs of milling are reagents, mill maintenance and energy.

Both mining and milling costs are also affected by labour costs, which depend on the availability of qualified personnel in the regions where the operations are located, the wages in those markets, and the number of people required. Mining and milling activities involve the use of many materials. The varying costs and the amount of material used also influence the cash costs of mining and milling. The non-cash costs are influenced by the amount of costs related to the mine's acquisition, development and ongoing capital requirements and the estimated useful lives of capital items.

Over the life of each mine, another significant cost that must be planned for is the closure, reclamation and decommissioning of each operating site. In accordance with standard practices for Western-based mining companies, Centerra carries out remediation and reclamation work during the operating period of the mine where feasible in order to reduce the final decommissioning costs. Nevertheless, the majority of rehabilitation work can only be performed following the completion of mining operations. Centerra's practice is to record estimated final decommissioning costs based on conceptual closure plans, and to disclose these costs according to Canadian generally accepted accounting principles ("GAAP"). In addition, Kumtor has established a reclamation trust fund to pay for these costs (net of forecast salvage value of assets) from the revenues generated over the life of mine. Annually Boroo deposits 50% of its annual reclamation budget into a government account and recovers this money when the annual reclamation commitments are implemented.

Gold Industry and Key Economic Trends

The two principal uses of gold are product fabrication and bullion investment. A broad range of end uses is included within the fabrication category, the most significant of which is the production of jewelry. Other fabrication uses include official coins, electronics, miscellaneous industrial and decorative uses, medals and medallions.

Currently strong gold industry fundamentals support management's positive view on the gold price, the Company's growth strategy and its continued policy of not entering into hedging arrangements.

Global gold industry production is expected to be flat to declining for the next few years after significant growth from 1995 to 2001. This is the result of, among other things, a material decline in global exploration funding since 1996, which has led to relatively few material discoveries. In addition, Centerra believes the cost of gold production in U.S. dollar terms is rising globally due primarily to a declining quality of reserves at producing mines, higher costs of construction and equipment and higher cost of labour and consumables. There has been significant consolidation among senior gold producers since 2002, with approximately one-half of global production now controlled by the world's top 10 producers. To replace mined reserves, producers explore in new regions because there are fewer remaining opportunities in conventional gold mining locations.

As well as supply factors internal to the industry, described above, external factors impact the gold price. Centerra believes the most important of these recently has been the trade-weighted U.S. dollar exchange rate. Historically, with the exception of 2005, there has been a strong inverse correlation between the trade-weighted U.S. dollar exchange rate and the gold price resulting in a positive gold price trend during extended periods of U.S. dollar weakness. The Company regards this strong inverse correlation and the recent extended period of U.S. dollar weakness as the single most important positive factor driving the gold price recovery over the last two years.

Other factors that have impacted the gold price recently include an increase in the demand for gold for investment purposes, jewelry demand, growing popularity of exchange-traded gold futures (ETF), the Washington Accord, which has limited central bank gold sales, and a general increase in global geopolitical tensions.

Centerra expects the industry trends discussed above to continue to provide upward pressure on the gold price. The Company also expects increased competition for new reserves in all regions, including its principal area of geographic focus in Central Asia and the former Soviet Union and other emerging markets worldwide. However, the Company believes that strong gold prices will foster increased exploration spending in all regions, which it expects will be successful and thereby may create increased acquisition opportunities. See "Caution Regarding Forward-Looking Information".

Management's Discussion and Analysis

The following table shows the average afternoon gold price fixing, by quarter, on the London Bullion Market for 2005, 2006 and 2007:

Quarter	Average Gold Price (\$)
2005 Q1	427
2005 Q2	427
2005 Q3	440
2005 Q4	485
2006 Q1	554
2006 Q2	628
2006 Q3	622
2006 Q4	606
2007 Q1	650
2007 Q2	667
2007 Q3	680
2007 Q4	788

Growth and Strategy

Centerra's growth strategy is to increase its reserve base and expand its current portfolio of mining operations by:

- developing new reserves at or near its existing mines from in-pit, adjacent and regional exploration;
- advancing late stage exploration properties through drilling and feasibility studies, as warranted; and
- actively pursuing selective acquisitions primarily in Central Asia, the former Soviet Union and other emerging markets worldwide.

During 2007, the Company continued its exploration drilling activities in and around its two mine sites. In February 2008, the Company announced its 2007 year-end reserves estimate of 7.0 million ounces of contained gold in proven and probable reserves replacing, in aggregate, reserves mined in 2007. The 2007 year-end reserves and resources were estimated using a gold price of \$550 per ounce compared to \$475 per ounce in 2006. (See the “2007 Year-end Reserve and Resource Summary” table).

At Kumtor, 578,000 contained ounces of reserves were added before accounting for mining 421,000 of contained ounces in 2007. Measured and indicated resources increased by approximately 170,000 ounces of contained gold and inferred resources decreased slightly by 27,000 ounces of contained gold. The increase in reserves is a result of the lowering of the cutoff grade and changes in pit design. The reserve grade decreased from 4.7 g/t gold to 4.0 g/t gold due to the lowering of the cutoff grade from 1.3 g/t gold to 1.0 g/t gold, reflecting the higher gold price used in estimating the reserves. The current pit design at Kumtor assumes that the glacial till and bedrock will be hydrologically depressurized to achieve the pitwall slope angles. Geotechnical work to date has indicated that the till is amenable to depressurization. A program to hydrologically depressurize the till and bedrock has been designed and will be implemented in 2008. This methodology has not previously been tested at Kumtor; therefore, to reflect the geotechnical risks and the technical risks associated with implementing the depressurization program at Kumtor, all of the mineral reserves affected by these risks have been classified as probable reserves. This involves a total of 18 million tonnes containing 2.5 million ounces of gold including 6.4 million tonnes containing 0.9 million ounces of gold previously classified as proven reserves. The mineral reserves affected by these risks represent 57% of the contained ounces of the Central Pit proven and probable reserves.

At Boroo, 111,000 contained ounces of reserves were added, before accounting for mining 297,000 of contained ounces in 2007. The change in reserves is a result of a slight increase in the size of the pit design.

At Gatsuurt reserves were unchanged as the benefit of the increased gold price was offset by increases in estimated operating costs and royalties. Material increases in potential production costs at Gatsuurt could impact the economic recovery of ore from this deposit and ultimately result in a reclassification of reserves.

The Company’s proven and probable reserves, measured and indicated resources, and inferred resources are shown on a 100% basis in the following table:

Management's Discussion and Analysis

2007 Year-end Reserve and Resource Summary

(as of December 31, 2007)

Reserves ⁽¹⁾

(Tonnes and ounces in thousands) ^{(11) (12)}

Property	Proven			Probable			Total Proven and Probable Reserves				
	Tonnes	Contained		Tonnes	Contained		Tonnes	Contained		Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
		Grade (g/t)	Gold (oz)		Grade (g/t)	Gold (oz)		Grade (g/t)	Gold (oz)		
Kumtor ⁽⁶⁾	9,888	3.8	1,223	28,546	4.0	3,679	38,434	4.0	4,902	4,902	OP
Boroo ⁽⁸⁾	3,684	2.5	291	20,405	1.2	757	24,089	1.4	1,048	1,048	OP
Gatsuurt ⁽⁹⁾	—	—	—	9,101	3.4	1,005	9,101	3.4	1,005	1,005	OP
Total	13,572	3.5	1,514	58,052	2.9	5,441	71,624	3.0	6,955	6,955	

Measured and Indicated Resources ⁽²⁾

(Tonnes and ounces in thousands) ^{(11) (12)}

Property	Measured			Indicated			Total Measured and Indicated Resources				
	Tonnes	Contained		Tonnes	Contained		Tonnes	Contained		Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
		Grade (g/t)	Gold (oz)		Grade (g/t)	Gold (oz)		Grade (g/t)	Gold (oz)		
Kumtor ^{(5) (6)}	18,770	3.2	1,931	19,323	2.8	1,741	38,093	3.0	3,672	3,672	OP
Boroo ^{(5) (8)}	452	2.0	29	5,016	1.4	225	5,468	1.5	254	254	OP
Gatsuurt ^{(5) (9)}	—	—	—	6,238	3.0	607	6,238	3.0	607	607	OP
REN ⁽¹⁰⁾	—	—	—	2,991	12.7	1,220	2,991	12.7	1,220	767	UG
Total	19,222	3.2	1,960	33,568	3.5	3,793	52,790	3.4	5,753	5,300	

Inferred Resources ⁽²⁾

(Tonnes and ounces in thousands) ^{(11) (12)}

Property	Inferred				
	Tonnes	Grade (g/t)	Contained Gold (oz)	Centerra Share (oz) ⁽³⁾	Mining Method ⁽⁴⁾
Kumtor ^{(5) (6)}	778	1.8	46	46	OP
Kumtor SB Underground ⁽⁷⁾	2,796	20.0	1,797	1,797	UG
Boroo ^{(5) (8)}	7,723	1.0	239	239	OP
Gatsuurt ⁽⁹⁾	2,437	3.3	256	256	OP
REN ⁽¹⁰⁾	835	16.1	432	272	UG
Total	14,569	5.9	2,770	2,610	

(1) The reserves have been estimated based on a gold price of \$550 per ounce.

(2) Mineral resources are in addition to reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability when calculated using mineral reserve assumptions.

(3) Centerra's equity interests are: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 63%.

(4) "OP" means open pit and "UG" means underground.

(5) Open pit resources occur outside the current ultimate pits which have been designed using a gold price of \$550 per ounce.

(6) The open pit reserves and resources at Kumtor are estimated based on a cutoff grade of 1.0 gram per tonne and includes the Central Pit and the Southwest and Sarytor deposits.

(7) Underground resources occur below the Central pit shell and are estimated based on a cutoff grade of 7.0 grams per tonne.

(8) The reserves and resources at Boroo are estimated based on a variable cutoff grade depending on the type of material and the associated recovery. The cutoff grades range from 0.2 gram per tonne to 0.8 gram per tonne.

(9) The reserves and resources at Gatsuurt are estimated using either a 1.2 or 1.9 grams of gold per tonne cutoff grade depending on the type of material and the associated recovery.

(10) The resources at REN are estimated based on a cutoff grade of 8.0 grams per tonne.

(11) A conversion factor of 31.10348 grams per ounce of gold is used in the reserve and resource estimates.

(12) Numbers may not add up due to rounding.

Reconciliation of Gold Reserves and Resources

	Centerra's Share				
	December 31,	2007	2007 Addition	December 31,	December 31,
<i>(in thousands of ounces of contained gold)⁽⁸⁾</i>	2006 ⁽¹⁾	Throughput ⁽²⁾	(Deletion) ⁽³⁾	2007	2007 ⁽⁴⁾
Reserves – Proven and Probable					
Kumtor ⁽⁵⁾	4,745	421	578	4,902	4,902
Boroo	1,234	297	111	1,048	1,048
Gatsuurt ⁽⁷⁾	1,005	0	0	1,005	1,005
Total Proven and Probable Reserves	6,984	718	689	6,955	6,955
Resources – Measured and Indicated					
Kumtor ⁽⁶⁾	3,502	0	170	3,672	3,672
Boroo	285	0	(31)	254	254
Gatsuurt ⁽⁷⁾	607	0	0	607	607
REN	1,220	0	0	1,220	767
Total Measured and Indicated Resources	5,614	0	139	5,753	5,300
Resources – Inferred					
Kumtor ⁽⁶⁾	40	0	6	46	46
Kumtor SB Underground	1,830	0	(33)	1,797	1,797
Boroo	240	0	(1)	239	239
Gatsuurt ⁽⁷⁾	256	0	0	256	256
REN	432	0	0	432	272
Total Inferred Resources	2,798	0	(28)	2,770	2,610

Centerra reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves.

(1) Reserves and resources as reported in Centerra's 2006 AIF.

(2) Corresponds to millfeed. The discrepancy between the 2007 millfeed and 2007 ounces of gold produced is due to gold recovery in the mill.

(3) Changes in reserves or resources, as applicable, are attributed to information provided by drilling and subsequent reclassification of reserves or resources, an increase in the gold price, changes in pit designs, reconciliation between the mill and the resource model, and changes to operating costs.

(4) Centerra's equity interests as at December 31, 2007, were as follows: Kumtor 100%, Gatsuurt 100%, Boroo 100% and REN 63%.

(5) Kumtor reserves include the main pit and the Southwest and Sarytor satellite deposits.

(6) Kumtor open pit resources include the main pit and the Southwest Zone and Sarytor satellite deposits.

(7) Gatsuurt reserves and resources include the Central Zone and Main Zone deposits.

(8) Numbers may not add up due to rounding.

During 2008, exploration will continue with budgeted expenditures of \$25 million.

Management's Discussion and Analysis

Selected Annual Information

The consolidated financial statements of Centerra are prepared in accordance with Canadian GAAP and have been measured and expressed in United States dollars.

Year Ended December 31

\$ millions, unless otherwise specified

	2007	2006	2005
Revenue	\$ 373	\$ 365	\$ 339
Cost of sales	227	237	186
Depreciation, depletion and amortization	44	40	61
Accretion and reclamation expenses	1	(2)	(1)
Exploration and business development	20	26	30
Other income and expenses	(5)	(23)	(4)
Administration	25	27	18
	312	305	290
Earnings before unusual items, income taxes and non-controlling interest	61	60	49
Unusual items ⁽³⁾	132	—	—
Income tax expense (recovery)	19	(6)	5
Non-controlling interest	3	5	2
Net earnings (loss)	\$ (93)	\$ 61	\$ 42
Earnings (loss) per common share (basic and diluted) – \$/share	\$ (0.43)	\$ 0.28	\$ 0.20
Total assets	\$ 814	\$ 794	\$ 699
Long-term debt, provision for reclamation and future income taxes	\$ 21	\$ 17	\$ 18
Operating Highlights			
Sales volume – ounces	540,645	610,441	781,274
Ounces poured	555,410	586,384	787,275
Average realized price – \$/oz	\$ 691	\$ 597	\$ 433
Gold spot market price – \$/oz ⁽¹⁾	\$ 696	\$ 602	\$ 444
Cost of sales – \$/oz sold	\$ 419	\$ 388	\$ 238
Total cash cost – \$/oz produced ⁽²⁾	\$ 442	\$ 386	\$ 241

(1) Average for the period as reported by the London Bullion Market Association (Gold P.M. Fix Rate).

(2) Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP measure – Total Cash Cost".

(3) See page 31 for a discussion of unusual items.

Results

Overview of 2007 Versus 2006

For accounting purposes, Centerra's 2007 and 2006 results reflect fully consolidated interests in the Kumtor and Boroo mines, a 63% proportional consolidated interest in the REN property and a fully consolidated interest in the Gatsurt property.

Revenue for 2007 increased by \$9.0 million, or 2%, to \$373.5 million compared to \$364.5 million in the same period of 2006 due to higher gold prices which was partially offset by lower gold production and sales. Gold production of 555,410 ounces in 2007 was lower than the 586,384 ounces reported in 2006 due to lower production at Boroo from lower mill grades and recoveries resulting from an increase in mining of transition ore. Gold sold in 2007, which totalled 540,645 ounces (300,474 ounces from Kumtor and 240,171 ounces from Boroo) was lower than 2006 ounces sold of 610,441 (329,534 ounces from Kumtor and 280,907 ounces from Boroo) due to lower ounces produced at Boroo resulting from lower grade ore, lower recoveries, and the timing of year-end shipments at Boroo and Kumtor. The average realized gold price for 2007 was \$691 per ounce compared to \$597 per ounce in the same period of 2006 reflecting higher spot prices for gold throughout the year.

The initial outlook for 2007 consolidated gold production of 700,000 – 720,000 ounces was revised on July 19, 2007 to 550,000 – 560,000 ounces, a result of the delayed access to the SB Zone. See "Waste Dump Movement at Kumtor". Gold production in 2007 of 555,410 ounces of gold was consistent with this revised guidance.

Cost of sales was \$226.7 million in 2007 compared to \$236.9 million in 2006. The decrease resulted from fewer ounces sold. This was partially offset by increased costs as described in the "Results of Operating Segments" for Kumtor and Boroo. Cost of sales per ounce was \$419 in 2007 compared to \$388 in 2006. The increase resulted primarily from reduced ounces sold (540,645 ounces in 2007 compared to 610,441 ounces in 2006).

Total cash costs per ounce produced for 2007 increased to \$442 compared to \$386 per ounce in 2006. (Total cash cost per ounce is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost"). This increase primarily reflects a decrease in produced ounces along with increased costs of maintenance and major mine and mill reagents and consumables as discussed in the "Results of Operating Segments" for Kumtor and Boroo.

The original outlook for 2007 for total cash cost per ounce of \$375 to \$385 was revised on July 19, 2007 to \$430 to \$440 per ounce due to the projected decrease in ounces expected to be produced and increased operating costs. Total cash cost of \$442 per ounce in 2007 was slightly above the revised guidance as a result of increased costs of production as noted above.

Income tax in the amount of \$19.3 million was expensed during 2007 compared to a recovery of \$5.8 million in 2006. The increase in the income tax provision for the year 2007 is largely due to the fact that Boroo was taxable in 2007, whereas it was exempt throughout 2006. The income tax rate applicable to Boroo in 2007 was 25%, effective January 1, 2007, pursuant to the terms of the amended Stability Agreement concluded with the Mongolian Government in the third quarter of 2007.

The income tax rate applicable to Kumtor throughout 2007 was 10%. The Company has entered into an agreement (the "Agreement on New Terms") with the Government of the Kyrgyz Republic, pursuant to which the parties agreed on revised terms with respect to Kumtor, effective January 1, 2008. The Agreement on New Terms, which is subject to the satisfaction of certain conditions and the negotiation and signing of definitive agreements, provides that effective January 1, 2008, Kumtor will be subject to tax on proceeds from products sold, rather than income, at the rate of 11% in 2008, 12% in 2009, and 13% thereafter. Subject to the terms of the definitive agreement to be completed, the future tax asset recorded by Kumtor as at December 31, 2007 may not be realizable in which case there will be a charge to future earnings of \$5.6 million.

Unusual items relate primarily to the Agreement on New Terms. In connection with the Agreement on New Terms, the Company entered into an agency agreement with Cameco Corporation ("Cameco"), the majority shareholder of the Company, on August 30, 2007 (the "Agency Agreement") which provides for the issuance of 10 million treasury shares (the "Treasury Shares") to Cameco. Based on the closing price of the Company's shares on December 31, 2007, the Treasury Shares will result in an

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estimated expense of \$126.8 million. The issuance of the Treasury Shares is subject to completion of the transactions and agreements contemplated by the Agreement on New Terms. See "Other Corporate Developments – Kyrgyz Republic". The final cost of the Treasury Shares, once the transactions and agreements have been completed, will be equal to the closing price of the Company's shares on the date of issuance. In addition, a provision of \$1.8 million concerning a loan to state-owned Kyrgyzaltyn JSC ("Kyrgyzaltyn") which may be forgiven pursuant to the Agreement on New Terms was recognized in the third quarter of 2007. In Mongolia, the Company has agreed in principle, subject to definitive agreement, on settlement terms with Gatsuurt LLC (which holds a net smelter royalty interest in the Gatsuurt Project) which had challenged Centerra's title to the project in the Mongolian national arbitration court. In anticipation of a possible settlement, Centerra Gold Mongolia LLC, a subsidiary of the Company ("CGM"), has made a \$3 million provision against earnings.

Net loss for 2007 was \$92.5 million, or \$0.43 per share, compared to net earnings of \$60.6 million, or \$0.28 per share, in 2006. The decrease reflects the impact of unusual items (described above) recorded in the third and fourth quarters of 2007, Boroo's taxable status in 2007, lower ounces sold for the year and increased costs, partially offset by higher gold prices.

Cash flow provided from operations for 2007 was \$41.3 million compared to \$80.3 million in 2006 reflecting lower net earnings, increased gold doré inventory due to the timing of year-end shipments and increased equipment supplies due to the enlarged fleet at Kumtor. Cash used in investing activities totalled \$132.4 million in 2007 compared to \$96.6 million in the prior year, reflecting increased spending on growth projects at Kumtor and the purchase for \$7.0 million of the 5% non-controlling interest in Boroo. In addition to the purchase of the non-controlling interest an additional \$1.3 million was spent to purchase the net profits interest in the Ikh Dashir alluvial deposit near the Boroo mine. Growth capital for 2007 totalled \$95.5 million and sustaining or maintenance capital totalled \$25.3 million for the year. Net cash decreased to \$105.5 million from \$186.2 million at the prior year end.

Capital expenditures in 2007 of \$120.8 million (including \$25.3 million of maintenance capital) was above the Company's 2007 guidance of \$110 million (including \$26 million of maintenance capital) due to an additional \$20 million for equipment originally scheduled for delivery in 2006 but received in the first quarter of 2007, additional pre-stripping of \$16 million but less \$25 million not spent at the Gatsuurt Project due to the delay in the negotiation of an investment agreement with the Government of Mongolia.

During the second quarter of 2007, CGM entered into a \$10 million demand loan facility with HSBC. Funds drawn may be used for the proposed development of the Gatsuurt gold project in Mongolia. The loan is secured by the Gatsuurt mining licenses and related assets, and is guaranteed by Centerra Gold Inc. As at December 31, 2007, the full amount available under the facility was drawn. Interest accrues at LIBOR plus 250 basis points.

The price of gold is a significant factor in determining profitability and cash flow from the Company's operations. The spot market gold price was approximately \$834 per ounce at the end of 2007, which was also the high for the year. For 2007, the gold price averaged \$696 per ounce compared to \$602 per ounce for the same period in 2006.

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 2007, denomination of the currencies of Centerra's operating costs and capital expenditures were approximately 41% Kyrgyz som, 34% Mongolian tugrik and 14% Canadian dollars. In 2007, the U.S. dollar fell against the currencies of the Kyrgyz Republic and Canada by about 2.1% and 7.9%, respectively, and appreciated against the Mongolian tugrik by 0.5%. The impact of these movements over the twelve months to December 31, 2007 has been to increase costs by an estimated \$2.7 million after allowing for the natural hedge provided by the Canadian dollars held by the Company since the end of the prior year. The Company also purchased for the twelve months to December 31, 2007, approximately 7.1% and 2.5% of its operating supplies from Europe and Australia, respectively. Although these purchases are denominated in U.S. dollars, changes in the value of the U.S. dollar have an impact on the price of those goods. This impact cannot be quantified due to other market forces affecting the prices.

Results of Operating Segments

Operating and financial results of the Kumtor and Boroo mines are shown on a 100% basis. Centerra owns 100% of Kumtor and 100% of Boroo subsequent to October 17, 2007 when Centerra purchased the remaining 5% of Boroo. See “Other Corporate Developments – Mongolia”.

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 6.2 million ounces of gold to December 31, 2007.

Kumtor Operating Results

<i>Twelve months ended December 31</i>	2007	2006	Change	% Change
Gold sold – ounces	300,474	329,534	(29,060)	(9)%
Revenue – \$ millions	209.1	195.9	13.2	7 %
Average realized price – \$/oz	696	594	102	17 %
Cost of sales – \$ millions	176.4	177.2	(0.8)	—
Cost of sales – \$/oz sold	587	538	49	9 %
Tonnes mined – 000s	114,781	85,421	29,360	34 %
Tonnes ore mined – 000s	5,132	3,887	1,295	33 %
Tonnes milled – 000s	5,545	5,696	(151)	(3)%
Average mill head grade – g/t ⁽¹⁾	2.36	2.27	0.09	4 %
Recovery – %	72.7	73.0	(0.3)	—
Gold produced – ounces	300,862	303,582	(2,720)	(1)%
Total cash costs – \$/oz produced ⁽²⁾	610	544	66	12 %
Capital expenditures – \$ millions	87.7	95.0	(7.3)	(8)%

(1) *g/t means grams per tonne.*

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

Revenue and Gold Production

Revenue in 2007 was \$209.1 million compared to \$195.9 million in 2006. Higher revenue is due primarily to a higher average realized gold price of \$696 per ounce in 2007 compared to the average 2006 price of \$594 per ounce. This was partially offset by the lower volume of gold sold in 2007 (29,060 ounces lower than in 2006). The higher average realized gold price per ounce for 2007 was due to higher gold spot prices over the year.

Gold production at Kumtor was relatively unchanged from 2006. Tonnes of ore mined in 2007 were higher than 2006 due to the low level of activity following the pitwall failure in July 2006. During this time the mine processed stockpiled ore.

Kumtor’s initial 2007 production guidance of 450,000 to 460,000 ounces of gold was revised on July 19, 2007 to 300,000 ounces of gold as a result of the delayed access to the SB Zone. See “Waste Dump Movement at Kumtor”. Gold production of 300,862 ounces in 2007 was consistent with the revised guidance for the year.

Cost of Sales

The cost of sales at Kumtor for 2007 was \$176.4 million compared to \$177.2 million in 2006. Total costs incurred (including mine operating costs such as mining, processing, administration, royalties and production taxes) at Kumtor increased \$23.8 million for the year compared to the same period of 2006. The impact on cost of sales of the increase in aggregate costs was offset by reduced gold sales. Costs increased primarily due to higher mine fleet maintenance costs (\$36.0 million compared to \$25.6 million), higher costs of major mine and mill reagents and consumables (including fuel) (\$63.7 million compared

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to \$46.2 million), and higher expenditures on labour (\$51.1 million compared to \$46.1 million). Mine fleet maintenance costs increased due to ageing of the equipment requiring more maintenance to help ensure availability of the fleet, as well as the costs of maintaining additional new equipment including thirty 785 CAT haul trucks and four Liebherr shovels. Major mine and mill reagents and consumables costs increased primarily due to higher prices and higher consumption resulting from increased material movement. 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. The increase in cash cost per ounce in 2007 was largely due to lower production resulting from lower mill throughput and lower average recoveries in the year and increased costs of production as noted above. (Total cash cost per ounce is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost"). On a unit cost basis, cost of sales per ounce sold was \$587 for 2007 compared to \$538 for 2006 and cash cost per ounce was \$610 compared to \$544 per ounce in 2006.

The initial 2007 guidance for total cash cost of \$440 – \$450 per ounce was revised on July 19, 2007 to \$580 per ounce as a result of the delayed access to the SB Zone. See "Waste Dump Movement at Kumtor". Total cash cost of \$610 per ounce in 2007 was above the revised guidance due to increased costs of production as noted above.

Exploration

Exploration expenditures totalled \$11.7 million for the year, compared to \$13.9 million in the same period in 2006. The expenditures relate primarily to ongoing drilling at the northeastern end of the Central Pit and at the Sarytor and Southwest deposits, along with reconnaissance drilling at the Northeast and Bordoo prospects.

Capital Expenditures

Capital expenditures of \$87.7 million in 2007 included \$18.4 million to sustain current operations and \$69.3 million invested in growth capital including spending on underground development (\$13.7 million), new mobile mine equipment (\$21.5 million) and capitalization of pre-stripping (\$28.3 million). Growth capital in 2007 of \$69.3 million was above the \$39 million initial 2007 guidance due to additional pre-stripping (\$16.3 million) and \$20 million for equipment originally scheduled for delivery in 2006 received in the first quarter of 2007.

Reserves and Resources

At Kumtor, 578,000 contained ounces of reserves were added before accounting for mining of 421,000 contained ounces in 2007. At December 31, 2007, for the Kumtor mine, proven and probable reserves were estimated to be 38.4 million tonnes averaging 4.0 g/t gold for a total of 4,902,000 ounces of contained gold, compared to 31.4 million tonnes averaging 4.7 g/t gold for a total of 4,745,000 ounces of contained gold as at the end of 2006 as reported in the Company's 2006 AIF. The increase in reserves is a result of lowering of the cutoff grade and changes in pit design. The reserve grade decreased from 4.7 g/t gold to 4.0 g/t gold due to the lowering of the cutoff grade from 1.3 g/t gold to 1.0 g/t gold, reflecting the higher gold price used in estimating the reserves.

Measured and indicated resources increased by approximately 170,000 ounces of contained gold and inferred resources decreased slightly by 27,000 ounces of contained gold. Measured and indicated resources are within an area between the bottom of the designed pit and a larger unengineered pit shell. They are estimated at 38.1 million tonnes averaging 3.0 g/t gold for a total of 3,672,000 ounces of contained gold.

The current pit design at Kumtor assumes that the glacial till and bedrock will be hydrologically depressurized to achieve the pitwall slope angles. Geotechnical work to date has indicated that the till is amenable to depressurization. A program to hydrologically depressurize the till and bedrock has been designed and will be implemented in 2008. This methodology has not previously been tested at Kumtor; therefore, to reflect the geotechnical risks and the technical risks associated with implementing the depressurization program at Kumtor, all of the mineral reserves affected by these risks have been classified as probable reserves. This involves a total of 18 million tonnes containing 2.5 million ounces of gold including 6.4 million tonnes containing

0.9 million ounces of gold previously classified as proven reserves. The mineral reserves affected by these risks represent 57% of the contained ounces of the Central Pit proven and probable reserves.

The Kumtor deposit is described in the Company's most recent Annual Information Form (the "AIF") and a technical report dated March 9, 2006 prepared in accordance with National Instrument 43-101 Standards for Disclosure for Mineral Projects ("NI 43-101"). An updated Technical Report (the 2006 report and the updated report together, the "Kumtor Technical Reports"), on the Kumtor Gold Mine, Kyrgyz Republic is being prepared by Strathcona Mineral Services and will be filed on SEDAR in March 2008. The Kumtor Technical Reports describe 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 and satellite deposits are described in the Kumtor Technical Reports. A copy of the Kumtor Technical Reports can be obtained from SEDAR at www.sedar.com.

Boroo – 100% basis

Located in Mongolia, this open pit mine was the first hard rock gold mine in Mongolia and by December 31, 2007 has produced over 1 million ounces of gold since commencing commercial production in 2004. The Company now owns 100% of Boroo after it purchased the remaining 5% interest in the fourth quarter of 2007.

Boroo Operating Results

<i>Twelve months ended December 31</i>	2007	2006	Change	% Change
Gold sold – ounces	240,171	280,907	(40,736)	(15)%
Revenue – \$ millions	164.4	168.6	(4.2)	(3)%
Average realized gold price – \$/oz	684	600	84	14 %
Cost of sales – \$ millions	50.3	59.7	(9.4)	(16)%
Cost of sales – \$/oz sold	210	213	(3)	(1)%
Tonnes mined – 000s ⁽¹⁾	21,159	18,577	2,582	14 %
Tonnes mined heap leach – 000s	3,601	—	3,601	100 %
Tonnes ore mined direct millfeed – 000s	2,362	3,082	(720)	(23)%
Tonnes milled – 000s	2,549	2,387	162	7 %
Average mill head grade – g/t ^{(2) (3)}	3.62	4.25	(0.63)	(15)%
Recovery – % ⁽²⁾	85.3	87.0	(1.7)	(2)%
Gold produced – ounces	254,548	282,802	(28,254)	(10)%
Total cash cost – \$/oz produced ⁽⁴⁾	244	217	27	12 %
Capital expenditures – \$ millions	31.9	13.5	18.4	136 %

(1) Includes heap leach material of 3,601,144 tonnes with an average grade of 0.92 g/t in 2007.

(2) Excludes heap leach ore.

(3) g/t means grams per tonne.

(4) Total cash cost is a non-GAAP measure and is discussed under "Non-GAAP measure – Total Cash Cost".

Revenue and Gold Production

Revenues for 2007 were \$164.4 million, compared to \$168.6 million in 2006, reflecting the higher year-over-year realized gold price offset by lower sales volume. Gold production in 2007 was 254,548 ounces, compared to 282,802 ounces in 2006, reflecting a decrease in produced gold available for sale due primarily to lower mill head grades. The recovery of gold at Boroo has been negatively affected by the changing metallurgical nature of ore in Pit #3 which is more refractory than the oxide ores mined previously.

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Production in 2007 of approximately 255,000 ounces of gold was in line with the 2007 guidance of 250,000 – 260,000 ounces of gold issued in the beginning of 2007.

Cost of Sales

The cost of sales at Boroo for 2007 was \$50.3 million, compared to \$59.7 million in 2006, resulting primarily from a decrease in ounces sold (240,171 ounces in 2007 compared to 280,907 in 2006) partially offset by increased costs. Total costs incurred (including mine operating costs such as mining, processing, administration, royalties and production taxes) for the year at Boroo increased by \$6.0 million compared to 2006. Increases resulting from higher mine fleet maintenance costs (\$9.0 million in 2007 compared to \$5.3 million in 2006) due to the aging equipment fleet and higher major mine and mill reagents and consumables costs, (\$19.9 million compared to \$16.6 million) due to higher prices, increased mill reagent usage, and higher royalties paid in respect of the Boroo operation (\$5.7 million compared to \$4.3 million). Higher royalties result from amendments in the third quarter of 2007 to the Stability Agreement with the Mongolian Government which increased the royalty rate from 2.5% to 5% effective August 3, 2007. The ultimate impact of these cost changes on the reported results 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 was \$210 for 2007 compared to \$213 for 2006.

Total cash costs per ounce produced increased to \$244 per ounce for 2007 compared to \$217 per ounce in 2006. This increase primarily reflects mining costs incurred in 2007 on non-producing heap leach material, a decrease in produced ounces along with increased costs of maintenance and major mine and mill reagents and consumables as discussed above. (Total cash cost per ounce is a non-GAAP measure and is discussed under "Non-GAAP Measure – Total Cash Cost"). Total cash cost of \$244 per ounce in 2007 was better than the 2007 guidance of \$250 – \$260 per ounce issued in the beginning of 2007.

Exploration

Exploration expenditures at Boroo totalled \$1.1 million during 2007 compared to \$1.0 million in 2006. Total expenditures for Mongolia, including Boroo site exploration, for 2007 was \$2.6 million compared to \$4.0 million in 2006.

Capital Expenditures

Capital expenditures of \$31.9 million in 2007 included \$6.5 million to sustain current operations and \$25.4 million invested in growth capital primarily related to the construction of the heap leach facility (\$15.3 million). Growth capital in 2007 of \$25.4 million was lower than the \$44 million 2007 guidance issued in the beginning of 2007 due to no capital expenditures during the year for the Gatsuurt Project since no Investment Agreement has been signed and lower capital spending of \$4 million on the Boroo heap leach facility.

Reserves and Resources

The updated reserve estimate at December 31, 2007 was prepared using a gold price of \$550 per ounce and variable cutoff grades ranging from 0.2 g/t gold to 0.8 g/t gold depending upon the type of material and the associated gold recovery. The proven and probable reserves, including the stockpiles, are estimated at 24.1 million tonnes averaging 1.4 g/t gold for a total of 1,048,000 ounces of contained gold, compared to 24.5 million tonnes averaging 1.6 g/t gold for a total of 1,234,000 ounces of contained gold as at the 2006 year end. In 2007, ore with 297,000 ounces of contained gold was fed to the mill, and 111,000 ounces of contained gold were added to the reserves. The change in reserves is also influenced a result of a slight increase in the size of the pit design.

Measured and indicated resources are estimated at 5.5 million tonnes averaging 1.5 g/t gold for a total of 254,000 ounces of contained gold using the same variable cutoff grades as the reserve estimate. These resources are in addition to the proven and probable reserves. This is a decrease of about 31,000 ounces of contained gold from the 2006 year end measured and indicated resources.

The Boroo deposit is described in the Company's most recent AIF and a technical report dated May 13, 2004 prepared in accordance with NI 43-101, which are available on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Boroo deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Boroo site are the same as, or similar to, those described in the technical report.

Gatsuurt Project

At December 31, 2007, proven and probable reserves for the Gatsuurt project, which includes the Main and Central Zones, are estimated to be 9.1 million tonnes, averaging 3.4 g/t gold for a total of 1,005,000 ounces of contained gold. Indicated resources are estimated at 6.2 million tonnes, averaging 3.0 g/t gold for a total of 607,000 ounces of contained gold. At Gatsuurt, reserves were unchanged as the benefit of the increased gold price was offset by increases in estimated operating costs and royalties. Material increases in potential production costs at Gatsuurt could impact the economic recovery of ore from this deposit and ultimately result in a reclassification of reserves.

Metallurgical studies on the oxide mineralization at Gatsuurt indicate that a gold leach recovery of 92% may be achieved on oxide ore using the existing Boroo processing facility. For the refractory ore, metallurgical studies have concluded that a bio-oxidation process should be used as the preferred method of gold recovery. Pilot plant test results confirmed that a gold leach recovery of 94% may be achieved by oxidizing flotation concentrates with a bio-oxidation process followed by cyanide leaching. The resulting overall plant recovery for refractory ores is estimated to be 87%.

A feasibility study was completed in December 2005. The open pit ore will be hauled from Gatsuurt to the existing Boroo facilities. The oxide ore from Gatsuurt will be processed in the existing Boroo processing circuit. After depletion of the Boroo reserves and Gatsuurt oxide reserves, the Boroo processing facility will be modified to include a bio-oxidation circuit to recover gold from the refractory Gatsuurt ore. The estimated capital cost of the project is \$75 million. See "Caution Regarding Forward-Looking Information".

Pursuant to an agreement between Centerra Gold Mongolia LLC ("CGM") and Gatsuurt LLC, an arm's length Mongolian limited liability company, under which CGM acquired the Gatsuurt licenses, CGM agreed to transfer the license that covers the Central Zone of the Gatsuurt property to Gatsuurt LLC if CGM did not complete a feasibility study by December 31, 2005. CGM completed a feasibility study in December 2005. In early 2006, Gatsuurt LLC informed Centerra that it does not believe that CGM complied with its obligation. Gatsuurt LLC began proceedings in the Mongolian National Arbitration Court ("MNAC") alleging non-compliance by CGM and seeking the return of the license. The Company has agreed in principle, subject to definitive agreement, on settlement terms with Gatsuurt LLC. Proceedings in the MNAC have been suspended. See note 14 (b) to the Company's audited financial statements for the fiscal year ended December 31, 2007.

On March 13, 2007, Centerra suspended its development operations at Gatsuurt, other than those necessary to maintain the property in good standing and comply with permits, pending finalization of the terms of an investment agreement with the Mongolian Government and resolution of the Gatsuurt LLC claim. As at December 31, 2007, the Company has expended an aggregate of \$19 million on the exploration and development of the Gatsuurt Project of which \$2.3 million has been capitalized. In addition, a further \$2.4 million was expended and capitalized on the acquisition of the Gatsuurt mining licenses. Upon a satisfactory investment agreement being reached and the final settlement of the Gatsuurt LLC claim, the Company expects to begin the development of Gatsuurt. The Company's reported mineral reserves and resources for the Gatsuurt property are not materially affected by any of the legal, title, taxation or socio-political issues discussed above and elsewhere in this management's discussion and analysis. Material increases in potential production costs at Gatsuurt could impact the economic recovery of ore from the deposit and ultimately a decision to develop the project.

The Gatsuurt deposit is described in the Company's most recent AIF and a technical report dated May 9, 2006 prepared in accordance with NI 43-101, which are available on SEDAR at www.sedar.com. The technical report describes the exploration

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history, geology and style of gold mineralization at the Gatsuurt deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Gatsuurt site are the same as, or similar to, those described in the technical report.

Fourth Quarter of 2007

Gold Production and Revenue

Revenue in the fourth quarter of 2007 increased slightly to \$89.4 million from \$88.4 million in the same quarter of 2006 due to higher gold prices mostly offset by fewer ounces sold (113,264 ounces in the fourth quarter of 2007 compared with 146,254 ounces in the same period of 2006). The Company produced 132,530 ounces of gold in the fourth quarter of 2007 which was less than the 142,291 ounces of gold reported in the fourth quarter of 2006. The lower gold production was mainly due to reduced gold production at the Boroo mine, partially offset by higher production at the Kumtor mine. Lower gold production at Boroo was primarily attributable to milling of lower ore grades averaging 3.21 g/t in the fourth quarter of 2007 compared to the 4.82 g/t milled in same quarter of 2006.

Centerra realized an average gold price of \$789 per ounce for the fourth quarter of 2007, an increase of 31% from the \$604 per ounce realized in the same quarter of 2006. Since Centerra's gold production is unhedged and gold is sold at the prevailing spot price, the increase in average realized gold price was due to higher spot gold prices which averaged \$788 per ounce for the period.

Cost of Sales

Cost of sales was \$56.3 million in the fourth quarter of 2007, which is lower than the same quarter of 2006 (\$66.9 million) due to reduced gold sold partially offset by increased costs.

Quarter over quarter costs (including mine operating costs such as mining, processing, administration, royalties and production taxes) have increased by approximately \$10.3 million. At Kumtor, quarter over quarter costs increased by \$7.6 million due to higher costs for mine fleet maintenance, major mine and mill consumables and reagents and labour. The mine fleet maintenance cost increased due to the ageing condition of the CAT 777 truck fleet, which requires additional maintenance to keep operational, and the additional costs of maintaining the new equipment, which includes thirty CAT 785 haul trucks and four Liebherr shovels. Major mine and mill consumables and reagents costs increased due primarily to higher prices and higher consumption resulting from increased material movement. The cost of mine and mill consumables and reagents has increased in line with other industry participants. Expenditures on labour have increased predominantly as a result of the collective bargaining agreement that was entered into in the first quarter of 2007, including the high altitude coefficient adjustment, which increases wages paid to employees working at the mine site.

Costs (including mine operating costs such as mining, processing, administration, royalties and production taxes) at Boroo were up \$2.7 million quarter over quarter due primarily to an increase in the cost of mine and mill consumables and reagents, royalties and maintenance partially offset by insurance refunds received related to prior year premiums. Royalties paid in respect of the Boroo operation increased as a result of amendments in the third quarter of 2007 to the Stability Agreement with the Mongolian Government, which increased the royalty rate from 2.5% to 5% effective August 3, 2007. Maintenance costs have increased as a result of wear and tear component replacement and the implementation of an asset management program. The cost of mine and mill consumables and reagents has increased in line with other industry participants.

The impact of these cost changes on cost of sales and other reported results varies with the changing levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented.

On a unit basis, Centerra's cost of sales per ounce sold for the fourth quarter of 2007 was \$497 compared to \$457 reflecting a reduction in ounces sold in the fourth quarter of 2007 compared to the same period of 2006. Total cash cost per ounce was \$585 for the fourth quarter, compared to \$473 recorded in the same period of 2006. The increase mainly reflects

increased input costs (\$21 per ounce), which are generally pervasive in the industry, combined with lower gold production which increased unit cash costs by \$35 per ounce. (Total cash cost is a non-GAAP measure and is discussed under “Non-GAAP Measure – Total Cash Cost”).

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization for the fourth quarter of 2007 decreased to \$10.5 million from \$11.1 million in the same quarter of 2006, mainly due to the reduced ounces sold in 2007. This was partially offset by the higher depreciation of Kumtor’s truck fleet resulting from capital purchases at Kumtor. On a per unit basis, depreciation, depletion and amortization for the fourth quarter of 2007 was \$93 per ounce sold compared to \$76 per ounce sold in the same quarter of 2006, reflecting the addition of capital equipment at Kumtor.

Unusual Items

In connection with the Agreement on New Terms, the Company entered into an agency agreement with Cameco Corporation (“Cameco”), the majority shareholder of the Company, on August 30, 2007 (the “Agency Agreement”) which provides for the issuance of 10 million treasury shares (the “Treasury Shares”) to Cameco. Based on the closing price of the Company’s shares on December 31, 2007, the Treasury Shares resulted in an additional estimated expense of \$36.5 million in the fourth quarter (\$126.8 million total for the year). The issuance of the Treasury Shares is subject to completion of the transactions and agreements contemplated by the Agreement on New Terms. See “Other Corporate Developments – Kyrgyz Republic”. The final cost of the Treasury Shares, once the transactions and agreements have been completed, will be equal to the closing price of the Company’s shares on the date of issuance.

Net Earnings (Loss)

There was a net loss for the fourth quarter of 2007 of \$26.7 million, or \$0.12 per share, compared to net earnings of \$1.9 million, or \$0.01 per share, for the same quarter of 2006, reflecting the impact of the unusual items discussed above.

Quarterly Results – Last Eight Quarters

Over the last eight quarters, Centerra’s results reflect the positive impact of rising gold prices, offset by the rising cash costs and reduced production at Kumtor due to the pitwall movement in July 2006 and subsequent change in the mine plan. The results for the third and fourth quarters of 2007 reflect the impact of \$95.2 million and \$36.5 million of unusual charges. Quarterly results in 2006 also include the impact of special items at Kumtor such as the insurance settlement from the 2002 pitwall movement insurance claim (third quarter), accrual of costs related to the high altitude coefficient settlement and land tax and the recognition of tax benefits (all fourth quarter). The quarterly financial results from 2007 and 2006 are shown below:

Key results by quarter

	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>\$ millions, except per share data</i>								
Revenue	89	98	104	82	88	76	107	93
Net earnings (loss)	(27)	(90)	19	6	2	12	29	18
Earnings (loss) per share (basic and diluted)	(0.12)	(0.42)	0.09	0.03	0.01	0.05	0.13	0.08

Management's Discussion and Analysis

Overview of 2006 Versus 2005

Net earnings for the year ended December 31, 2006, were \$60.6 million or \$0.28 per share. The comparative results were net earnings of \$42.4 million or \$0.20 per share in 2005. The higher net earnings was a result of higher realized gold prices, the receipt in the third quarter of a one-time \$13.6 million insurance settlement related to the 2002 pitwall failure at Kumtor, and a tax recovery of \$5.8 million resulting primarily from tax benefits recognized at Kumtor. This was partially offset by lower production at Kumtor and an accrual of \$5.7 million for the high altitude coefficient settlement to be paid to Kumtor mine employees.

Gross profit, defined as revenue less cost of sales, depreciation, depletion, amortization, accretion and reclamation, was \$90 million in 2006 compared to \$93 million in 2005. This decrease was attributable to:

- Increases in the cost of sales to \$237 million in 2006 from \$186 million in 2005. This results primarily from higher labour costs (increased number of staff along with \$5.7 million for the high altitude settlement at Kumtor) and higher consumables costs generally. On a unit basis, the total cash cost per ounce in 2006 was \$386 compared to \$241 in 2005. The increase mainly reflects lower production at Kumtor as a result of lower head grade, lower recovery and the impact of cost settlements in the Kyrgyz Republic in 2006.
- Partly offsetting the increase in cost of sales were revenues which for the year ended December 31, 2006 increased by \$26 million over 2005 on account of significantly higher realized gold prices, which more than offset decreased ore mined and lower grades at Kumtor, and lower recoveries at Boroo. The higher realized gold prices resulted from an increase in the spot market prices. Average realized prices were \$597 per ounce in 2006 compared to \$433 in 2005. Centerra's current policy is to leave its production unhedged so that the Company can continue to benefit fully from increases in the spot market prices.
- Depreciation, depletion, amortization, accretion and reclamation decreased to \$38 million from \$60 million in 2005 due primarily to the reduced volumes at Kumtor in 2006. On a per unit basis, depreciation, depletion, amortization, accretion and reclamation amounted to \$63 per ounce sold in 2006 compared to \$77 per ounce sold in 2005. Unit costs are lower in 2006 due to the impact of the significant reserve increase at Kumtor in 2005 which, according to Centerra's policy, impacts the years that follow the reserve announcement.

Interest and other income amounted to \$23 million compared to \$5 million in 2005. This change is primarily due to the receipt of a one-time \$13.8 million insurance settlement related to the 2002 pitwall failure at Kumtor. The Company had no outstanding interest-bearing debt at the end of 2006.

Administration costs were \$27 million in 2006 compared with \$18 million in 2005, reflecting increased staffing and higher stock-based compensation.

A tax recovery of \$6 million was recorded in 2006 compared to a tax expense of \$5 million in 2005. The 2006 tax recovery is primarily due to the tax benefit of the losses at Kumtor and the validation of the tax basis of property, plant and equipment by Kyrgyz tax auditors in the fourth quarter.

Non-controlling interest expense of \$5 million in 2006 compared with an expense of \$2 million in 2005. The change over the previous year reflects higher profitability at Boroo due mainly to higher realized prices.

Cash provided by operations in 2006 was \$80.4 million compared to \$83.4 million in 2005. This change is primarily the result of reduced working capital levels at Kumtor.

Balance Sheet

Inventory

Total inventory at December 31, 2007 of \$124 million (\$84 million at December 31, 2006) includes gold inventory of \$45 million (\$21 million in 2006) and supplies inventory of \$79 million (\$63 million in 2006). The major increases in gold inventory in 2007 include an increase in heap leach material at Boroo of \$10 million, an increase in stockpile inventory at Kumtor of \$7 million and increased finished gold at Boroo of \$5 million due to the timing of shipments at the end of the year. The increase in supplies inventory is mainly at Kumtor due to the additional requirements in spare parts for the increased fleet.

Property, Plant and Equipment

The aggregate book value of property, plant and equipment at December 31, 2007 of \$374 million is allocated as follows: Kumtor \$273 million, Boroo \$99 million and corporate \$2 million.

Goodwill

As a result of the acquisition and restructuring that took place during the second quarter of 2004, Centerra recorded \$156 million of goodwill in 2004, which was adjusted in 2005 to \$155 million following a tax valuation adjustment. As a result of the acquisition of the minority interest in Boroo Gold Company Limited, the residual book value of the non-controlling interest of \$6.0 million was applied against goodwill. Goodwill as at December 31, 2007 is allocated as follows: Kyrgyz Republic \$130 million; Mongolia \$19 million.

Share Capital

As of March 6, 2008, Centerra had 216,318,188 shares outstanding and options to acquire 962,028 common shares outstanding under its stock option plan with exercise prices ranging between Cdn\$5.17 and Cdn\$12.78 per share, and with expiry dates ranging between 2012 and 2015.

Under the terms of the preliminary agreements between Cameco, Centerra and the Government of the Kyrgyz Republic, as disclosed in the Company's news release of August 30, 2007, the Company has agreed to issue 10 million treasury shares to Cameco in connection with the transfer of Centerra shares by Cameco to the Government of the Kyrgyz Republic. See "Other Corporate Developments – Kyrgyz Republic".

Gold Hedging and Off-Balance Sheet Arrangements

Centerra does not enter into off-balance sheet arrangements with special purpose entities in the normal course of its business, nor does it have any unconsolidated affiliates. In the case of joint ventures, the Company's proportionate interest for consolidation purposes is equivalent to the economic returns to which it is entitled as a joint-venture partner.

In 2004, all forward sales agreements were closed and all related credit support, previously provided by Cameco, was removed. Centerra currently intends that its gold production will remain unhedged. The deferred charges, net of deferred revenue, related to the closing of the hedges, were recognized in the periods 2007, 2006 and 2005. During 2007, in the first quarter a \$0.6 million charge, the balance of the deferred charges for the early closure of these hedges, was recorded on the income statement. During 2006, a \$2.3 million charge for the early closure of these hedges designated for 2006 was recorded on the income statement. During 2005, a \$5.8 million charge was recorded on the income statement in relation to the early closure of these hedges. As at December 31, 2007, there are no more deferred charges related to the closing of the forward sales agreements on the balance sheet.

Management's Discussion and Analysis

Liquidity and Capital Resources

Cash on hand was \$105.5 million on December 31, 2007. Centerra believes it has sufficient cash to carry out its business plan in 2008, including its exploration plans. To the extent that new property is acquired and/or developed, additional financing may be required. The Company's cash is derived from cash provided by operating activities. A summary of the Company's cash position and changes in cash is provided below:

<i>\$ millions</i>	2007	2006	2005
Cash provided by operating activities	\$ 41	\$ 80	\$ 83
Cash provided by (used in) investing activities	(132)	(96)	(34)
Cash provided by financing activities	10	—	—
Cash provided (used) during the year	(81)	(16)	49
Cash and cash equivalents, beginning of the year	186	202	153
Cash and cash equivalents, end of the year	\$ 105	\$ 186	\$ 202

Cash provided by operations was \$41 million in 2007 compared to \$80 million in 2006 and \$83 million in 2005. The change year-over-year resulted from declining production volumes, higher operating costs, receipt of an insurance settlement in 2006, which was partially offset by higher realized gold prices and high working capital levels.

Investing activities in 2007 were \$132 million, including \$9.0 million of prior commitments settled in the year. These amounts reflect \$25 million of sustaining capital and \$91 million of growth capital spent at the Kumtor and Boroo mines and \$7 million spent on the acquisition of non-controlling interest. The comparative in 2006 of \$96 million reflects \$24 million of sustaining capital and \$72 million of growth capital spent at the Kumtor and Boroo mines. The \$34 million of cash used for investing activities in 2005 reflects \$15 million of sustaining capital and \$19 million of growth capital spending at the Kumtor and Boroo mines.

Working capital, which consists of accounts receivable, prepaids, inventory, supplies and accounts payable, increased in 2007 by \$37 million compared to an increase of \$15 million in 2006.

In December 2007, Centerra concluded indicative terms for a \$100 – \$150 million revolving credit facility intended to supplement the Company's liquidity. HSBC Bank is the arranging bank for the facility and will act as administrative agent. Closing of the facility is subject to syndication and definitive loan documentation.

Contractual Obligations

The following table summarizes Centerra's contractual obligations, including payments due for the next five years and thereafter, as of December 31, 2007.

<i>\$ millions</i>	Total	Due in Less than One year	Due in 1 to 3 Years	Due in 4 to 5 Years	Due in After 5 Years
Kumtor					
Reclamation trust deed ⁽¹⁾	\$ 1.2	\$ 0.1	\$ 0.4	\$ 0.4	\$ 0.3
Community payment agreement ⁽²⁾	0.7	0.7	—	—	—
Capital equipment ⁽³⁾	1.4	1.4	—	—	—
Operational supplies	19.6	19.6	—	—	—
Social development fund ⁽⁴⁾	0.7	0.7	—	—	—
Corporate					
Program sponsorship ⁽⁵⁾	0.5	0.1	0.3	0.1	—
Lease of premises ⁽⁶⁾	3.1	0.8	1.6	0.7	—
Total contractual obligations	\$ 27.2	\$ 23.4	\$ 2.3	\$ 1.2	\$ 0.3

(1) Centerra's future decommissioning and reclamation costs for the Kumtor mine are estimated to be \$21.0 million. In 1998, a reclamation trust fund was established to cover the future costs of reclamation, net of expected salvage value which was estimated, at \$14.9 million. At December 31, 2007, the balance in the fund was \$4.9 million, with the remaining \$1.2 million to be funded over the life of the mine.

(2) The Company has agreed to loan the government of the Kyrgyz Republic a total of \$4.4 million, whereby under certain conditions this loan would be forgiven. At December 31, 2007, \$0.7 million had yet to be loaned.

(3) Agreement to purchase capital equipment.

(4) The Company entered into a funding agreement with local authorities in the Kyrgyz Republic to fund a diagnostic clinic and social development program.

(5) The Company has entered into a five-year commitment with World Vision Canada to support its nutritional and health strategy in the Selenge Province of Mongolia. Over the five years commencing in 2006, this commitment will total \$700,000 payable in annual installments of \$140,000.

(6) Lease of corporate office premises expiring in November 2011.

Non-GAAP Measure – Total Cash Cost

This Management's Discussion and Analysis presents information about total cash cost of production of an ounce of gold for the operating properties of Centerra. Except as otherwise noted, total cash cost per ounce is calculated by dividing total cash costs, by gold ounces produced for the relevant period.

Total cash costs is defined as including mine operating costs such as mining, processing, administration, royalties and production taxes, but excludes amortization, reclamation costs, financing costs and capital, development and exploration. Certain amounts of stock-based compensation are excluded as well.

Total cash cost per ounce has been included in this management's discussion and analysis 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 may enable investors to better understand year-over-year changes in production costs, which in turn affect profitability and cash flow.

Management's Discussion and Analysis

Total Cash Cost per Ounce can be reconciled as follows:

Total Cash Cost

Reconciliation (unaudited)

Year ended December 31

(\$ millions, unless otherwise specified)

	2007	2006
Centerra:		
Cost of sales, as reported	\$ 226.7	\$ 236.9
Adjust for:		
Refining fees and by-product credits	0.3	0.3
Non-operating costs	2.3	(4.8)
Inventory movement	16.3	(5.8)
Total cash cost – 100%	\$ 245.6	\$ 226.6
Ounces poured – 100% (000)	555.4	586.4
Total cash cost per ounce	\$ 442	\$ 386
Kumtor:		
Cost of sales, as reported	\$ 176.4	\$ 177.2
Adjust for:		
Refining fees and by-product credits	0.1	(0.1)
Non-operating costs	2.3	(4.6)
Inventory movement	4.8	(7.4)
Total cash cost – 100%	\$ 183.6	\$ 165.1
Ounces poured – 100% (000)	300.9	303.6
Total cash cost per ounce	\$ 610	\$ 544
Boroo:		
Cost of sales, as reported	\$ 50.3	\$ 59.7
Adjust for:		
Refining fees and by-product credits	0.2	0.4
Non-operating costs	—	(0.2)
Inventory movement	11.5	1.6
Total cash cost – 100%	\$ 62.0	\$ 61.5
Ounces poured – 100% (000)	254.5	282.8
Total cash cost per ounce	\$ 244	\$ 217

Related Party Transactions

Cameco Corporation

Centerra is 52.7% owned by Cameco Corporation ("Cameco"). Centerra and its subsidiaries maintain inter-company advances to and from Cameco and several of its subsidiaries. Centerra will repay these advances, which are non-interest bearing and payable on demand, in the ordinary course of business.

Costs associated with the enhancement of internal controls at Centerra were shared with Cameco up to February 28, 2007, resulting in a reimbursement of Cdn\$0.3 million for 2007 (Cdn\$4.8 million was reimbursed during 2006). The balance payable to Cameco at December 31, 2007 was \$0.9 million (\$3.3 million was receivable at December 31, 2006).

Kyrgyzaltyn and the Government of the Kyrgyz Republic

Revenues from the Kumtor mine are subject to a management fee of \$1.50 per ounce based on sales volumes, payable to State-owned Kyrgyzaltyn JSC ("Kyrgyzaltyn"), a significant shareholder of the Company. The table below summarizes the management fees and concession payments paid by Kumtor Gold Company ("KGC"), a subsidiary of the Company, to Kyrgyzaltyn or the Government of the Kyrgyz Republic, and the amounts paid by Kyrgyzaltyn to KGC according to the terms of the Gold and Silver Sales Agreement between Kumtor Operating Company (a subsidiary of the Company), Kyrgyzaltyn and the Kyrgyz Republic.

Twelve months ended December 31

(\$ thousands)

	2007	2006
Management fees paid by KGC to Kyrgyzaltyn	\$ 451	\$ 494
Concession payments paid by KGC to Kyrgyz Republic	1,202	1,318
Total	1,653	1,812
Gross gold and silver sales from KGC to Kyrgyzaltyn	210,367	198,906
Deduct: refinery and financing charges	(1,217)	(1,480)
Net sales revenue received by KGC from Kyrgyzaltyn	\$ 209,150	\$ 197,426

During 2007, the Company paid to the Government \$0.7 million and accrued a further \$0.7 million pursuant to an agreement dated December 7, 2006 between the Government, KGC, Centerra and Kyrgyzaltyn regarding payments in connection with the 1998 Barskoon cyanide spill. The money was distributed to members of the local communities by a Government committee created for such purpose. The total amount advanced to December 31, 2007 was \$3.7 million. Pursuant to the Agreement on New Terms with the Kyrgyz Government signed on August 30, 2007, the Company has agreed to consider forgiving the loan portion of such amount (\$2.2 million). See "Other Corporate Developments – Kyrgyz Republic". For information on forward-looking information see "Caution Regarding Forward-Looking Information".

Kyrgyzaltyn and KGC have agreed, pursuant to a Gold Payment Agreement effective December 22, 2005 as amended (the "GPA") and extended most recently effective November 15, 2007, that until the earlier of (i) May 15, 2008 and (ii) the date on which at least \$12 million of proceeds from the sale of common shares of Centerra currently owned by Kyrgyzaltyn have been deposited into a special purpose gold payment account of Kyrgyzaltyn, Kyrgyzaltyn will have 12 days to pay for gold shipped from the Kumtor mine. Kyrgyzaltyn is required to pay interest on unpaid amounts equal to one half of LIBOR plus 0.125%. Commencing November 15, 2007, Kyrgyzaltyn shall sell as soon as practicable the number of Centerra common shares required to yield gross proceeds from sales of those shares of not less than \$12.0 million. Sales of the Centerra common shares shall in any event be completed by May 15, 2008 or such other date as may be agreed by the parties. These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility, which facility will be used by Kyrgyzaltyn to resume

Management's Discussion and Analysis

the prior practice of pre-paying for gold. While the GPA is in effect, the obligations of Kyrgyzaltyn to Kumtor are secured by a pledge of Centerra common shares owned by Kyrgyzaltyn. As at December 31, 2007, \$14.1 million was outstanding under this agreement.

Other

Centerra paid approximately Cdn\$551,000 for the twelve months ended December 31, 2007 (compared to Cdn\$590,000 for the corresponding period in 2006) to Ms. Marina Stephens, a lawyer and the spouse of the President and Chief Executive Officer of the Company, Mr. Leonard Homeniuk. Ms. Stephens provides independent legal and business advisory services related to the Company's international operations under the terms of a consulting contract.

As at December 31, 2007, a relocation loan in the amount of Cdn\$250,000 was outstanding with Mr. Homeniuk. The principal amount of the loan is payable in September 2010, while interest is treated as a taxable benefit to Mr. Homeniuk.

Other Corporate Developments

Kyrgyz Republic

The political situation continues to evolve and there continues to be a risk of future political instability. During the first quarter of 2007, the Kyrgyz Parliament began to consider draft legislation that, among other things, challenged the legal validity of the Kumtor agreements with the Kyrgyz Republic, proposed recovery of additional taxes on amounts relating to past activities, and provided for the transfer of gold deposits (including Kumtor) to a state-owned entity.

Centerra, Cameco and the Kyrgyz Government held discussions in Bishkek from July 16 to 20, 2007. The Government's working group, chaired by the Minister of Finance, and including members of the government, representatives from the Kyrgyz Parliament and from civil society, presented their views of the Kumtor Project and their positions regarding material economic terms for settlement of all disputes.

In August, Centerra, Cameco and the Government of the Kyrgyz Republic entered into preliminary agreements on certain outstanding issues regarding the Kumtor project.

The Government submitted the preliminary agreements for parliamentary approval in early September 2007. Parliament began to deliberate the issue during the first half of October and scheduled its final vote on the issue for October 22, 2007. On October 21, 2007, the citizens of the Kyrgyz Republic voted in a referendum on drafts of a new constitution and new electoral law proposed by the President of the Kyrgyz Republic. On October 22, 2007, the President dismissed the parliament effective that day. The President signed the new constitution and electoral law into law on October 23, 2007. On October 31, 2007, Centerra, Cameco and the Government agreed to extend the deadline for closing the transactions contemplated by the agreements from October 31, 2007 to February 15, 2008. On February 13, 2008, the Company and Cameco received a letter from the Prime Minister of the Kyrgyz Republic requesting an extension of the deadline for completion of the transactions contemplated by the preliminary framework agreements on the Kumtor Project from February 15, 2008 to April 30, 2008. The request is a result of the deliberations of the Parliamentary Committee on International Affairs and Inter-Parliamentary Cooperation, which has primary responsibility for presenting the agreements for Parliamentary ratification.

The Parliamentary Committee reached the decision: (1) to request that the Government provide definitive agreements with Centerra and Cameco Corporation for the Committee's review; (2) to request that the Government provide to the Committee additional financial and technical information and documents relating to the Kumtor Project, Centerra's non-Kyrgyz Republic assets and other matters; and (3) to recommend to the Government that it request an extension until April 30, 2008 for the ratification of the proposed transactions with Centerra and Cameco Corporation relating to the Kumtor Project.

On February 15, 2008, at the request of the Government, the Company and Cameco agreed to extend the deadline for completion of the transactions contemplated by the preliminary framework agreements from February 15, 2008 to April 30, 2008.

On February 5, 2008, Centerra issued a press release responding to media reports of a criminal tax evasion investigation by Kyrgyz authorities against it and its subsidiary Kumtor Gold Company ("KGC"). KGC is cooperating with the Kyrgyz financial police with respect to their investigation. The Kyrgyz Republic financial police have requested information and documents with respect to the Kumtor project and have interviewed Kumtor personnel. The Kyrgyz Republic State Tax Inspectorate recently completed audits on KGC for 2003 and 2004 and no material disagreement regarding payable taxes by KGC were identified. KGC continues to pay all taxes in accordance with local laws and its investment agreement and believes there is no basis for the investigation.

The preliminary framework agreements are subject to the satisfaction of certain conditions, including approval of the Parliament of the Kyrgyz Republic, Centerra's board of directors and Cameco's board of directors, the negotiation and signing of definitive agreements among Centerra, Cameco and the Government and any required regulatory or other approvals. The terms of Centerra's preliminary agreement with the Government (the "Agreement on New Terms") were disclosed in the Company's news release of August 30, 2007. The Agreement on New Terms between Centerra and the Government provides for the Government's full commitment to and support for Centerra's continuing long-term operation and development of the Kumtor project, provides that Kumtor's current tax regime will be replaced, effective January 1, 2008, with a simplified new tax rate for the Kumtor project applied to proceeds from products sold at the rate of 11% in 2008, 12% in 2009 and 13% thereafter and enlarges the Company's existing concession area by over 25,000 hectares to include all territory covered by the current exploration license. The revised tax regime is expected to provide more cash flow certainty to the Kyrgyz Republic (because taxes will be based on revenue and not income), to be beneficial to the Kumtor project at current gold prices and to reduce the administrative burden to both parties by significantly reducing the complexity of calculating and administering taxes.

Upon the satisfaction of the conditions to completion, Cameco will transfer 32.3 million common shares of Centerra to the Kyrgyz Government; 17.3 million of such shares will be held in escrow to be released within four years subject to earlier release in certain circumstances. The Company has entered into an agreement with Cameco to issue 10 million treasury common shares of Centerra to Cameco after the transfer of common shares by Cameco to the Government. After completion of the transactions, the Kyrgyz Government will own 29.3% of Centerra, Cameco will own 40.5% and the balance, 30.2%, will be held by public shareholders.

Pursuant to an agreement dated December 7, 2006 between the Kyrgyz Government, Kumtor Gold Company, Centerra and Kyrgyzaltyn relating to payments in connection with the 1998 Barskoon cyanide spill, KGC has advanced to the government a total of \$3.7 million of the total agreed amount of \$4.4 million and accrued the balance of \$0.7 million. This money has been distributed to members of the local communities by a government committee created for such purpose. As part of the new Kumtor Agreement, Centerra has agreed to reconsider the terms of the agreement with a view to forgiving the Government's debt.

Mongolia

The Mongolian Parliament continues to debate changes to mining legislation and the applicability of the windfall profit tax as well as State participation in various mining projects. The windfall tax applies at the rate of 68% on sales of gold above \$500 per ounce. Under the new minerals law, a deposit may be deemed to be a mineral deposit of strategic importance. If a deposit is deemed strategic, the State may take up to a 34% interest in those strategic deposits in respect of which exploration was funded privately, or a 50% interest in those strategic deposits in respect of which exploration was funded by Mongolia. Neither the windfall profit tax nor the strategic deposit provisions will apply to the Boroo mine (which benefits from a stability agreement with the Mongolian Government); however, the Mongolian Government has not yet agreed to provide similar status to the Company's Gatsuurt project and may yet determine Gatsuurt to be of strategic importance.

Centerra received approvals for Gatsuurt in-situ reserves and resources from the Government of Mongolia on December 27, 2007. This paves the way to commencement of negotiations of a definitive investment agreement with the Government.

Management's Discussion and Analysis

However, the political situation in the country continues to be unsettled, which may affect the negotiation process. The country is preparing for Parliamentary elections to be held in June of 2008. For further discussion of the Gatsuurt project see "Results – Results of Operating Segments – Gatsuurt Project" above.

On October 17, 2007, Centerra completed the acquisition, for \$8.3 million, of the remaining indirect 5% non-controlling interest in Boroo Gold Company and a net profits interest in the Ikh Dashir alluvial deposit in the vicinity of the Boroo mine.

The Company has negotiated a collective agreement, effective December 10, 2007 with the newly formed union representing Boroo employees. The collective agreement expires February 1, 2010.

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

Waste Dump Movement at Kumtor

As disclosed in the first quarter of 2007, minor slope movement was detected in the waste dump above the SB Zone highwall in the South Central Pit. At that time, the waste dump slopes were designed at a 33 degree angle. An initial geotechnical drilling and analysis program was undertaken in the second quarter to determine whether a lower slope angle design would be required to stabilize the waste dump and, if so, to determine the effect on future production.

In a press release issued on July 19, 2007 Centerra reported that independent geotechnical experts had completed their preliminary analysis of the previously reported highwall waste dump movement and the preliminary findings of the glacial till characterization. They subsequently recommended stabilizing the area by using lower slope angles through the underlying till layer and overlying waste dump. The lower slope angles required the removal of more waste than previously planned and delayed access to the SB Zone.

Further technical assessment since July of 2007, including additional geotechnical drilling, till analysis, dewatering tests and geophysical surveys now indicates that the till layer is approximately 40% thinner than originally thought and that the till appears to be amenable to dewatering and therefore the designed pitwall angle may be able to be steepened to near the original design. A series of geotechnical drill holes converted to pumping wells allowed for two pumping tests to be performed that provided the necessary hydrological information within the warmer and unfrozen tills to conclude that a depressurizing program may be beneficial to the till consolidation and the slope stability. A till depressurizing program has been initiated with guidance from a third party consulting firm and will be undertaken in 2008. If successful, this program will allow for the steepening of the pitwall slope angle to near its original design and the removal of much less waste than originally expected in July may have the impact of lowering costs in future years and maximizing the extraction of the open pit SB Zone ores.

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. Management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements.

Depreciation and depletion of property, plant and equipment directly involved in 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 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 preliminary framework agreement reached in 2007 with the Kyrgyz government, as explained earlier in the “Other Corporate Developments – Kyrgyz Republic”, requires the valuation of ten million contingent issuable common shares to be made at the current share price at each reporting date until the definitive agreement is signed and the shares fully issued. In addition, the implementation of the final agreement may render the future tax asset at Kumtor unrealizable, which would result with a charge to earnings of \$5.6 million.

Changes in Accounting Policies ⁽¹⁾

Centerra’s audited consolidated financial statements for the year ended December 31, 2007 were prepared following accounting policies consistent with Centerra’s audited annual consolidated financial statements and notes thereto for the year ended December 31, 2006, except for the following changes in accounting policies.

In July 2006, the Accounting Standards Board issued a replacement of The Canadian Institute of Chartered Accountants’ Handbook, Section 1506, *Accounting Changes*. Adoption of Section 1506 had no impact on the Company’s results of operations and financial condition.

Effective on January 1, 2007, the Company adopted the recommendation of The Canadian Institute of Chartered Accountants’ Handbook Section 1530, *Comprehensive Income* and Section 3855, *Financial Instruments – Recognition and Measurement*. The adoption of these new standards translated into an increase in accumulated other comprehensive income of \$0.6 million relating to deferred hedging losses at January 1, 2007. These amounts were recognized in earnings during the three months ended March 31, 2007.

Effective January 1, 2007, the Company adopted the new recommendation of The Canadian Institute of Chartered Accountants’ Handbook 3831, *Non-monetary Transactions* prospectively. The adoption of this standard had no impact on the Company’s financial statements.

Effective January 1, 2007, the Company adopted the recommendations of The Canadian Institute of Chartered Accountants’ Handbook section 3251, *Equity* prospectively.

Effective January 1, 2007, the Company adopted the CICA Emerging Issues Committee Abstract 160 (EIC-160), *Stripping Costs Incurred in the Production Phase of a Mining Operation*. Application of this new accounting policy did not have a material impact on the financial statements.

In June 2007, the CICA issued new Handbook Section 3031, *Inventories* which provides guidance on the determination of cost, defines the costs formulas that are to be used to assign costs to inventories and presents considerations with the recording of any write-downs. The effective date of this new standard applies to fiscal years beginning January 1, 2008.

(1) See note 4 to Centerra’s financial statements for the twelve months ended December 31, 2007 for a more detailed discussion of the changes in accounting policies.

Management's Discussion and Analysis

On December 1, 2006, the CICA issued Section 3862, *Financial Instruments – Disclosures*; Section 3863, *Financial Instruments – Presentation*; and Section 1535, *Capital Disclosures*. Section 3862 on financial instrument disclosures, provides guidance on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed and is consistent with Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. The Company adopted these standards on January 1, 2008.

On February 1, 2008 the CICA issued section 3064, *Goodwill and Intangible assets*. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The effective date of this new standard applies to fiscal year beginning January 1, 2009.

Change in Internal Control over Financial Reporting

Effective June 1, 2007, Boroo Gold Company began using a new software system to maintain its accounting balances. The new system is highly automated whereas Boroo's prior system required significant management overview.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

As of December 31, 2007, Centerra evaluated its disclosure controls and procedures as defined in the rules of the Canadian Securities Administrators. This evaluation was carried out under the supervision of and with the participation of management, including Centerra's president and chief executive officer (the "CEO") and the chief financial officer (the "CFO"). Based on that evaluation, the president and chief executive officer and chief financial officer concluded that the design and operation of these disclosure controls and procedures were effective.

The CEO and CFO are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. The CEO and CFO have certified that the internal controls over financial reporting of Centerra were suitably designed to achieve this objective as of December 31, 2007.

Sustainable Development

Centerra believes in the principles of sustainable development. In endeavouring to achieve its strategic objectives, the Company strives to be a leading performer among its peers with regard to shareholder value, business ethics, workplace safety, environmental protection and community economic development. Centerra believes that its strong commitment to these principles, which is supported by its past practices, will further its objective of becoming a partner of choice for governments and state-owned enterprises in Central Asia, the former Soviet Union and other emerging markets worldwide.

Outlook

For 2008, Centerra is forecasting consolidated gold production of 770,000 to 830,000 ounces, more than 40% higher than 2007 production levels. Centerra's overall total cash cost is forecast to be \$420 to \$460 per ounce. This forecast assumes completion of definitive agreements and transactions with the Kyrgyz Republic concerning Kumtor (discussed above in "Other Corporate Developments – Kyrgyz Republic") with effect from January 1, 2008. This forecast treats the proposed new Kumtor revenue-based tax as a royalty and therefore includes it in total cash costs. If the new Kumtor revenue-based tax is treated similar to a tax on income and excluded from total cash cost per ounce, the consolidated unit cost would be forecast to be \$360 to \$400 per ounce.

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

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

- A gold price of \$800 per ounce (for purposes of estimating revenue-based taxes),
- Exchange rates:
 - \$1USD:\$1CAD
 - \$1USD:34.5 Som
 - \$1USD:1,127 Tugrik
- prices for fuel oil, reagents and other consumables will remain consistent with current levels,
- production at the Kumtor pit being maintained at current levels ensuring access to the SB Zone as planned,
- the temporary shutdown of the Kumtor ball mill for repair of the ball mill gear and replacement of the ball mill shell described below proceeding as planned,
- the operation of the reconfigured grinding circuits of the Kumtor mill as described below performing as expected,
- no delays in or interruption of scheduled production from our mines, including due to natural phenomena, labour disputes or other development and operation risks,
- the Company’s schedule for permitting and approvals and start-up of the Boroo heap leach is achieved as planned,
- definitive agreements and transactions with the Kyrgyz Government are completed as anticipated, and
- all necessary permits, licenses and approvals are received in a timely manner.

For further discussion of the factors that could cause actual results to differ materially, please refer to “Risk Factors” in this management’s discussion and analysis and to Centerra’s Annual Information Form including the section titled “Risk Factors”, available on SEDAR at www.sedar.com. For information on forward-looking information see “Caution Regarding Forward-Looking Information”.

Mining operations at Kumtor in 2008 will be primarily in the Central Pit where mining will be focused in the south section targeting the high-grade mineralization of the SB Zone. The mill head grade at Kumtor is expected to increase to average 4.11 g/t in 2008 compared to 2.36 g/t in 2007 and mill recovery is expected to average 82.6% compared to 72.7% in 2007. Production from the mine is expected to increase to between 580,000 and 620,000 ounces of gold at a total cash cost of \$350 to \$390 per ounce, excluding the new revenue-based tax (\$430 – \$470 per ounce if the new revenue-based tax is reflected as a royalty and included in total cash cost). The majority, greater than 70%, of the ounce production is planned for the second half of 2008 once the high-grade SB Zone is exposed and being mined. The establishment of the depressurization and dewatering programs do not impact the production guidance for 2008. But, as the warmer unfrozen tills are exposed by mining activities in 2009, the depressurization program will need to be fully functional to allow the geotechnical consolidation of the till and to mine at the planned pitwall angles in 2009 and thereafter.

On February 26, 2008, the ring gear on the ball mill at the Kumtor mine failed, requiring the mill to be shut down for seven days. After considering various alternatives, the Company implemented on March 4, 2008 a bypass of the ball mill using the existing SAG mill and regrind mill circuits. The mine continues to process ore at a reduced mill throughput rate. With the ball mill idle, Kumtor has accelerated its planned replacement of the ball mill shell, a defect in which is believed to have contributed to the failure of the ring gear. Kumtor has retained an experienced contractor to repair the ring gear immediately. The ring gear repair and shell replacement is expected to be completed and the ball mill returned to operation by mid-April, 2008. This temporary shutdown of the ball mill and the operation of the reconfigured grinding circuits of the Kumtor mill are not expected to affect the Company’s 2008 guidance on gold production or cash costs. While the Company believes the repair will be successful, if the ball mill ring gear cannot be repaired, the Company currently anticipates operating the Kumtor mill without the ball mill until a new ring gear can be procured and installed, which is currently estimated to occur by the end of 2008. While this would

Management's Discussion and Analysis

result in significantly reduced mill throughput, the Company currently expects that it would achieve its gold production and cost guidance by processing higher grade ore and stockpiling lower grade ore that was scheduled to have been processed in 2008.

No work is planned to be carried out in the north section of the Central Pit in 2008.

At Boroo, 2008 mine production will be sourced from Pit 3 and Pit 6. Total gold production, including heap leach production, for the year is expected to be 190,000 to 210,000 ounces. The estimated mill head grade is 2.78 g/t with an estimated recovery of 78.8%. A total of 3.0 million tonnes of lower grade material (0.69 g/t) will be stacked for leaching on the newly constructed heap leach pads. The stacking of the leach pad began in the last quarter of 2007 and the first cell will be ready for solution application in the first quarter of 2008. Total cash cost for the Boroo site in 2008 is expected to be \$380 to \$420 per ounce.

Centerra's Production and Unit Cost – 2007 and 2008 Forecast as follows:

<i>Production</i>	2008	2007
<i>Ounces of gold</i>	Forecast	Actual
Kumtor production (100%)	580,000 – 620,000	300,862
Boroo production (100%)	190,000 – 210,000	254,548
Total production (100%)	770,000 – 830,000	555,410

<i>Total Cash Cost</i> ⁽¹⁾	2008	2007
<i>\$ per ounce</i>	Forecast	Actual
Kumtor ⁽²⁾	\$ 350 – 390	\$ 610
Boroo	380 – 420	244
Consolidated ⁽²⁾	360 – 400	442

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

(2) Excludes proposed revenue-based tax at Kumtor.

Exploration and Business Development

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

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

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

Kumtor

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

Boroo

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

Mongolia

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

REN

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

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

Administration

Annual corporate and administration expenses are expected to amount to approximately \$36 million in 2008. The forecast includes increased costs for securing a credit facility and the continued implementation and maintenance costs of regulatory standards.

Corporate Income Taxes

The corporate income tax rate for Boroo for 2007, and subsequent years, is 25% pursuant to an amended Stability Agreement entered into in the third quarter of 2007. Boroo's corporate income tax exemption ended on December 31, 2006.

The corporate income tax rate for Kumtor for 2007 is 10%, however, pursuant to an agreement with the Government of the Kyrgyz Republic entered into in the third quarter of 2007, taxes for Kumtor for 2008 and later years will be computed by reference to proceeds from products sold, rather than by reference to income, at the rate of 11% of revenues in 2008, 12% in 2009 and 13% thereafter. The implementation of the agreement with Government of the Kyrgyz Republic is subject to completion of definitive agreements, Kyrgyz Parliamentary approval as well as Centerra's board approval.

Capital Expenditures

The capital requirement in 2008 is estimated to be \$65 million, including \$36 million of maintenance capital. Growth capital is forecast at \$29 million, which includes \$21 million for Kumtor (\$15 million for the development of the SB Zone underground decline and \$4 million for two additional haul trucks) and \$8 million for Boroo (\$6 million for the pre-strip of Pit 3). The development of the SB Zone underground decline at Kumtor and pre-stripping of Pit 3 at Boroo will be capitalized and amortized on a units of production basis consistent with the Company's accounting policies.

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

Sensitivities

Centerra's revenues, earnings and cash flows are sensitive to changes in the gold price. The Company estimates that a \$25 per ounce change in the spot price of gold would change the Company's aggregate revenues in 2008 by approximately \$21 million, net earnings by \$17.3 million and cash provided by operations by approximately \$17.3 million. A 10% change in the cost of diesel fuel results in an estimated \$6 per ounce impact on total cash cost per ounce. See "Caution Regarding Forward-Looking Information".

Qualified Person

Reserve and resource estimates for Kumtor, Boroo, Gatsuurt and REN, and the other scientific and technical information contained in this management's discussion and analysis were prepared by Centerra's geological and mining engineering staff under the supervision of Ian Atkinson, Vice-President, Exploration, who is a Qualified Person under NI 43-101.

Management's Discussion and Analysis

Risk Factors

Below are some risk factors that Centerra believes can have an adverse effect on its profitability. A complete list of the Company's risk factors can be found in Centerra's Annual Information Form which is filed and available on SEDAR at www.sedar.com.

Volatility of Gold Prices

Centerra's revenue is largely dependent on the world market price of gold. The gold price is subject to volatile price movements over time and is affected by numerous factors beyond the Company's control. These factors include global supply and demand; central bank lending, sales and purchases; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; and global or regional political and economic events, including the performance of Asia's economies.

If the market price of gold falls and remains below variable production costs of any of the Company's mining operations for a sustained period, losses may be sustained and, under certain circumstances, there may be a curtailment or suspension of some or all of Centerra's mining and exploration activities. The Company would also have to assess the economic impact of any sustained lower gold prices on recoverability and, therefore, the cutoff grade and level of its gold reserves and resources. These factors could have an adverse impact on its future cash flows, earnings, results of operations, stated reserves and financial condition.

Further Ground Movements at the Kumtor Mine

On July 8, 2002, a highwall ground movement at the northern end of the Kumtor pit resulted in the death of one of Centerra's employees and the temporary suspension of mining operations. The movement led to a considerable shortfall in 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible. Consequently, the Company milled lower grade ore and achieved lower recovery rates. In February 2004, there was also movement detected in the southeast wall of the open pit and in February 2006 there was further movement detected.

In July 2006, a pitwall ground movement occurred involving a significant portion of the northeast wall. Kumtor's extensive slope monitoring system was effective, enabling safe advance evacuation of the mining area. The movement occurred above the higher-grade stockwork area which was planned to be mined in 2007. While the stockwork area was not covered, safety concerns identified in our engineering analysis undertaken after the event required new mining sequence, which deferred production from the area. Although extensive efforts are employed by the Company to prevent further ground movement, there is no guarantee against further ground movements. A future ground movement could result in a significant interruption of operations. Centerra may also experience a loss of reserves or material increase in costs, if it is necessary to redesign the open pit as a result of a future ground movement. The consequences of a future ground movement will depend upon the magnitude, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or the mine experiences a significant loss of reserves or materially higher costs of operation, this would have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

As disclosed in the first quarter of 2007, minor slope movement was detected in the waste dump above the SB Zone highwall in the Central Pit. At that time, the waste dump slopes were designed at a 33 degree angle. An initial geotechnical drilling and analysis program was undertaken in the second quarter to determine whether a lower design slope angle would be required to stabilize the waste dump and, if so, to determine the effect on future production.

In a press release issued on July 19, 2007, Centerra reported that independent geotechnical experts had completed their preliminary analysis of the previously reported highwall waste dump movement and the preliminary findings of the glacial till characterization. They subsequently recommended stabilizing the area by using lower slope angles through the underlying

till layer and overlying waste dump. The lower slope angles required the removal of more waste than previously planned and delayed access to the SB Zone.

Further technical assessment since July of 2007, including additional geotechnical drilling, till analysis, dewatering tests and geophysical surveys now indicates that till layers are approximately 40% thinner than originally thought and that the till appears to be amenable to dewatering and therefore the designed pitwall angle may be able to be steepened to near the original design. A series of geotechnical drill holes converted to pumping wells allowed for two pumping tests to be performed that provided the necessary hydrological information within the warmer and unfrozen tills to conclude that a depressurizing and dewatering program may be beneficial to the till consolidation and the slope stability. A till depressurizing and till dewatering program has been initiated with guidance from a third party consulting firm and will be undertaken in 2008. If successful, this program will allow the steepening of the pitwall slope angle to near its original design and the removal of much less waste than originally expected in July, which may have the impact of lowering costs in future years and maximizing the extraction of the open pit SB Zone ores.

The establishment of the depressurization and dewatering programs does not impact the Company's gold production guidance for 2008. But, as the warmer unfrozen tills are exposed by mining activities in 2009, the depressurization and dewatering programs will need to be fully functional to allow the geotechnical consolidation of the tills and to mine at the planned pitwall angles in 2009 and thereafter. The inability to establish fully effective and efficient depressurization and dewatering programs may have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Political Risk

All of Centerra's current gold production and reserves are derived from assets located in the Kyrgyz Republic and Mongolia, developing countries that have experienced political difficulties in recent years. Centerra's mining operations and gold exploration activities are affected in varying degrees by political stability and government regulations relating to foreign investment, corporate activity and the mining business in each of these countries. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, civil unrest, extreme fluctuations in currency rates and high inflation in Central Asia and the former Soviet Union.

The relevant governments have entered into contracts with Centerra or granted permits or concessions that enable the Company to conduct operations or development and exploration activities. Notwithstanding these arrangements, Centerra's ability to conduct operations or exploration and development activities is subject to changes in government regulations or shifts in political attitudes beyond the Company's control.

There can be no assurance that industries deemed of national or strategic importance like mineral production will not be nationalized. Government policy may change to discourage foreign investment, renationalization of mining industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that the Company's assets will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by any authority or body. While there are provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would be effective to restore the value of Centerra's original investment. Similarly, the Company's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, wage and benefits requirements, expropriation of property, environmental legislation, mine safety and annual fees to maintain mineral properties in good standing. There can be no assurance that the laws in these countries protecting foreign investments will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above. Furthermore, there can be no assurance that the existing or future agreements Centerra has with the governments of these countries will prove to be enforceable or provide adequate protection against any or all of the risks described above.

Management's Discussion and Analysis

Centerra has made an assessment of the political risk associated with each of its foreign investments and currently has political risk insurance to mitigate losses as deemed appropriate. The Company regularly assesses the costs and benefits of maintaining such insurance to determine whether or not to continue to purchase the coverage. Additionally, the political risk coverage provides that on a change of control of Centerra the insurers have the right to terminate the coverage. If that were to happen, there can be no assurance that the political risk insurance would continue to be available on reasonable terms. Furthermore, there can be no assurance that the insurance would continue to be available at any time or that particular losses Centerra may suffer with respect to its foreign investments will be covered by the insurance. These losses could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition if not adequately covered by insurance.

Centerra's Production and Cost Estimates May Be Inaccurate

Centerra prepares estimates of future production and future production costs for particular operations. No assurance can be given that production and cost estimates will be achieved. These production and cost estimates are based on, among other things, the following factors: the accuracy of reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; equipment and mechanical availability; labour availability; access to the mine; facilities and infrastructure; sufficient materials and supplies on hand; and the accuracy of estimated rates and costs of mining and processing, including the cost of human and physical resources required to carry out Centerra's activities. Failure to achieve production or cost estimates, or increases in costs, could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Actual production and costs may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, floods, earthquakes, pitwall failures and cave-ins; and unexpected labour shortages or strikes. Costs of production may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade metallurgy, labour costs, costs of supplies and services (such as, for example, fuel and power), general inflationary pressures and currency exchange rates. Failure to achieve production estimates could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Failure to achieve production estimates could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Gold Mining is Subject to a Number of Operational Risks and Centerra May Not Be Adequately Insured for Certain Risks

Centerra's business is subject to a number of risks and hazards, including environmental pollution, accidents or spills; industrial and transportation accidents; mechanical and equipment failure; labour disputes; changes in the regulatory environment; natural phenomena, such as inclement weather conditions, floods, earthquakes, pitwall failures, tailings dam failures and cave-ins; and encountering unusual or unexpected geological conditions.

While Centerra takes measures to mitigate these risks and hazards, there is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's gold properties, personal injury or death, environmental damage, delays in or interruption of or cessation of production from its mines or in its exploration or development activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Although the Company maintains insurance to cover some of these risks and hazards in amounts it believes to be reasonable, its insurance may not provide adequate coverage in all circumstances. No assurance can be given that insurance will continue to be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards.

Centerra may also be subject to liability or sustain loss for certain risks and hazards against which it cannot insure or which it may elect not to insure. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Environmental, Health and Safety Risks

Centerra expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of different jurisdictions. The Company anticipates that it will be required to continue to do so in the future as the historical trend toward stricter such laws is likely to continue. The possibility of more stringent laws exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining sites, the release of emissions and other environmental matters, each of which could have a material adverse effect on the Company's exploration, the cost or the viability of a particular project, future cash flows, earnings, results of operations and financial condition.

Centerra's facilities operate under various operating and environmental permits, licenses and approvals that contain conditions that must be met and the Company's right to continue operating the facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties, all of which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Decommissioning and Reclamation Costs May Be Difficult to Predict Accurately

At each of Centerra's mine sites the Company is required to establish a decommissioning and reclamation plan. Provision must be made for the cost of decommissioning and reclamation. These costs can be significant and are subject to change. The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If Centerra is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Reduced Liquidity and Difficulty in Obtaining Future Financing

The further development and exploration of mineral properties in which Centerra holds interests or which it acquires may depend upon the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. There is no assurance that it will be successful in obtaining required financing as and when needed. Volatile gold and financial markets may make it difficult or impossible for Centerra to obtain debt financing or equity financing on favourable terms or at all. The Company's principal operations are located in, and its strategic focus is on, Central Asia and the former Soviet Union, developing areas that have experienced past political difficulties and may be perceived as unstable. This may make it more difficult for Centerra to obtain debt financing from project or other lenders. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties or joint ventures or reduce or terminate operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Management's Discussion and Analysis

Caution Regarding Forward-Looking Information

Certain information contained or incorporated by reference herein which are not historical facts is "forward-looking information" for the purposes of certain securities laws, including the Securities Act (Ontario). Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. All information, other than statements of historical fact, is forward-looking information. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking information. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking information. Material assumptions used to forecast production and costs include those described in the "Outlook" section of this management's discussion and analysis. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; procurement of required capital equipment and operating parts and supplies; increases in production and capital costs; increase in production and capital costs; equipment failure; unexpected geological or hydrological conditions; inability to enforce legal rights; defects in title; litigation or arbitration proceedings in which third parties claim title to properties or assets of the Company; imprecision in reserve estimates; success of future exploration and development initiatives; competition; operating performance of the facilities; environmental and safety risks including increased regulatory burdens; seismic activity, weather and other natural phenomena; the speculative nature of exploration and development, including the risks of obtaining necessary permits and approvals from government authorities; changes in national and local government legislation, taxation, controls, regulations, policies and political or economic developments in Canada, the United States, Mongolia, Kyrgyzstan, or other countries in which we do or may carry on business in the future; employee relations; and other development and operating risks.

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

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

A mineral reserve is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Centerra reports mineral reserves separate from mineral resources.

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

Centerra has not adjusted resources figures included herein in consideration of these risks and, therefore, Centerra can give no assurances that any resource estimate will ultimately be reclassified as proven and probable reserves.

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

Centerra estimates the future mine life of its operations. 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.

Although Centerra believes that the assumptions inherent in the forward-looking information are reasonable, the reader should not place undue reliance on this information, which apply only as of the date of this report. Centerra disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.

Report of Management's Accountability

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management is responsible for ensuring that these statements, which include amounts based upon estimates and judgment, are consistent with other information and operating data contained in the annual report and reflect the Company's business transactions and financial position.

Management is also responsible for the information disclosed in the management's discussion and analysis including responsibility for the existence of appropriate information systems, procedures and controls to ensure that the information used internally by management and disclosed externally is complete and reliable in all material respects.

The integrity and reliability of Centerra's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and appropriate delegation of authority and division of responsibilities. Internal accounting controls are monitored by the internal auditor. Centerra's code of ethics, which is communicated to all management levels in the organization, requires employees to maintain high standards in their conduct of the Company's affairs. The CEO and CFO certify that the internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Our shareholders' independent auditors, KPMG LLP, whose report on their examination follows, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The board of directors annually appoints an audit committee comprised of independent directors. This committee meets regularly with management, the internal auditor and the shareholders' auditors to review significant accounting, reporting and internal control matters. Both the internal and shareholders' auditors have unrestricted access to the audit committee. The audit committee reviews the financial statements, the report of the shareholders' auditors, and management's discussion and analysis and submits its report to the board of directors for formal approval.

Original signed by:

Leonard A. Homeniuk
President and
Chief Executive Officer

Original signed by:

David M. Petroff
Executive Vice President and
Chief Financial Officer

February 15, 2008

Auditors' Report

To the Shareholders of Centerra Gold Inc.

We have audited the consolidated balance sheets of Centerra Gold Inc. as at December 31, 2007 and 2006 and the consolidated statements of earnings, comprehensive income, retained earnings, cash flows and shareholders' equity for each of the years in the three year period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
February 15, 2008

Original signed by:
KPMG LLP
Chartered Accountants

Consolidated Financial Statements

Consolidated Balance Sheets

As at December 31,

<i>(Expressed in Thousands of United States Dollars)</i>	Notes	2007	2006
Assets			
Current assets			
Cash and cash equivalents		\$ 105,482	\$ 186,159
Amounts receivable		18,021	24,006
Inventories	5	124,155	83,714
Prepaid expenses		21,230	24,737
		268,888	318,616
Property, plant and equipment	6	373,841	305,366
Goodwill	7	148,540	154,586
Long-term receivables and other	8	6,632	6,778
Future income tax asset	15	16,467	8,901
		545,480	475,631
Total assets		\$ 814,368	\$ 794,247
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 42,482	\$ 59,379
Taxes payable		—	2,968
Short-term debt	9	10,000	—
		52,482	62,347
Provision for reclamation	10	20,868	16,532
Non-controlling interest	13	—	9,829
Shareholders' equity			
Share capital	17	523,107	522,383
Contingent common shares issuable	14	126,794	—
Contributed surplus		30,767	30,257
Retained earnings		60,350	152,899
		741,018	705,539
Total liabilities and shareholders' equity		\$ 814,368	\$ 794,247

Commitments and contingencies (notes 14(a) and 18)

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

Approved by the Board of Directors

Original signed by:

Patrick M. James
Director

John S. Auston
Director

Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings

For the years ended December 31,

(Expressed in Thousands of United States Dollars,
except per share amounts)

	Notes	2007	2006	2005
Revenue from Gold Sales		\$ 373,462	\$ 364,520	\$ 338,583
Expenses				
Cost of sales		226,714	236,915	186,177
Depreciation, depletion and amortization		44,161	39,662	60,790
Accretion and reclamation expense	10	1,334	(1,454)	(894)
Exploration and business development	11	20,440	25,702	29,931
Other (income) and expenses	12	(5,795)	(23,362)	(4,773)
Administration		24,980	27,221	17,934
		311,834	304,684	289,165
Earnings before unusual items, income taxes and non-controlling interest		61,628	59,836	49,418
Unusual items	14	131,637	—	—
Earnings (loss) before income taxes and non-controlling interest		(70,009)	59,836	49,418
Income tax expense (recovery)	15	19,322	(5,771)	4,572
Non-controlling interest	13	3,218	5,007	2,412
Net earnings (loss) and comprehensive income		(92,549)	60,600	42,434
Retained earnings, beginning of year		152,899	92,299	49,865
Retained earnings, end of year		\$ 60,350	\$ 152,899	\$ 92,299
Basic and diluted earnings (loss) per common share	17	\$ (0.43)	\$ 0.28	\$ 0.20

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

Consolidated Statements of Cash Flows

For the years ended December 31,

(Expressed in Thousands of United States Dollars)

	2007	2006	2005
Operating activities			
Net earnings (loss)	\$ (92,549)	\$ 60,600	\$ 42,434
Items not requiring (providing) cash:			
Depreciation, depletion and amortization	44,161	39,662	60,790
Accretion and reclamation expense	1,334	(1,454)	(894)
Deferred charges recognized	557	2,266	5,397
Contingent common shares issuable	126,794	—	—
Forgiven loan	1,843	—	—
Future income tax expense (recovery)	(7,566)	(8,930)	2,540
Non-controlling interest	3,218	5,007	2,412
Other operating items	361	(2,141)	2,817
	78,153	95,010	115,496
Change in operating working capital	(36,853)	(14,676)	(32,096)
Cash provided by (used in) operations	41,300	80,334	83,400
Investing activities			
Acquisition of minority interest	(7,000)	—	—
Additions to property, plant and equipment	(125,409)	(96,645)	(33,574)
Proceeds from disposition of fixed assets	—	53	—
Cash provided by (used in) investing	(132,409)	(96,592)	(33,574)
Financing activities			
Proceeds from short-term debt	10,000	—	—
Proceeds of common shares issued for cash	432	—	—
Cash provided by (used in) financing	10,432	—	—
Increase (decrease) in cash during the year	(80,677)	(16,258)	49,826
Cash and cash equivalents at beginning of the year	186,159	202,417	152,591
Cash and cash equivalents at end of the year	\$ 105,482	\$ 186,159	\$ 202,417
Supplemental cash flow disclosure			
Change in operating working capital:			
Amounts receivable	\$ 5,985	\$ (15,055)	\$ (6,355)
Inventory – ore and metal	(23,912)	8,567	(7,078)
Inventory – supplies	(11,970)	(15,580)	(14,561)
Prepays	3,507	(8,586)	(4,208)
Taxes payable	(2,968)	—	—
Accounts payable and accrued liabilities	(7,495)	15,978	106
	\$ (36,853)	\$ (14,676)	\$ (32,096)
Other cash payments:			
Interest paid	\$ 500	\$ 274	\$ 55
Income taxes paid	21,660	3,159	1,525

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

Consolidated Statements of Shareholders' Equity

For the years ended December 31,

<i>(Expressed in Thousands of United States Dollars, except share information)</i>	Number of Common Shares	Amount	Contingent Common Shares Issuable	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (note 4)	Total
Balance at							
December 31, 2004	216,238,815	\$ 522,383	\$ —	\$ 29,503	\$ 49,865	\$ —	\$ 601,751
Options issued to employees	—	—	—	236	—	—	236
Net earnings for the year	—	—	—	—	42,434	—	42,434
Balance at							
December 31, 2005	216,238,815	522,383	—	29,739	92,299	—	644,421
Options issued to employees	—	—	—	518	—	—	518
Net earnings for the year	—	—	—	—	60,600	—	60,600
Balance at							
December 31, 2006	216,238,815	522,383	—	30,257	152,899	—	705,539
Shares issued:							
Options exercised by employees	79,373	724	—	(90)	—	—	634
Contingent common shares issuable	—	—	126,794	—	—	—	126,794
Options issued to employees	—	—	—	600	—	—	600
Change in accounting policy (note 4)	—	—	—	—	—	557	557
Recognition in net income (note 4)	—	—	—	—	—	(557)	(557)
Net loss for the year	—	—	—	—	(92,549)	—	(92,549)
Balance at							
December 31, 2007	216,318,188	\$ 523,107	\$ 126,794	\$ 30,767	\$ 60,350	\$ —	\$ 741,018

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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2007
(Expressed in United States Dollars)

1. Nature of Operations

Centerra Gold Inc. ("Centerra" or the "Company") is engaged in the production of gold and related activities including exploration, development, mining and processing in Mongolia, the Kyrgyz Republic and the United States of America.

2. Basis of Presentation

The consolidated financial statements of Centerra Gold Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Kumtor Gold Company ("KGC"), its 100% owned subsidiary Boroo Gold Company ("BGC") and its wholly owned interest in the Gatsuurt property. Interest in the 63% owned REN property in Nevada is accounted for by the proportionate consolidation method.

3. Significant Accounting Policies

The consolidated financial statements are prepared by management in accordance with accounting principles generally accepted in Canada. Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented, and in the disclosure of commitments and contingencies. Changes in estimates and assumptions will occur based on the passage of time and the occurrence of certain future events. This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements and is presented to assist the reader in interpreting the statements contained herein.

a. Consolidation Principles

The consolidated financial statements include the accounts of Centerra and its subsidiaries. Interests in joint ventures are accounted for by the proportionate consolidation method. Under this method, the Company includes in its accounts the Company's proportionate share of assets, liabilities, revenues and expenses.

b. Foreign Currency

The majority of the Company's business is transacted in United States Dollars and, accordingly, the consolidated financial statements have been measured and expressed in that currency.

Monetary assets and liabilities denominated in currencies other than the United States Dollar are translated into United States Dollars at year-end rates of exchange. Revenue and expense items denominated in foreign currencies are translated at rates in effect at the time of the transaction. Any gains and losses are reflected in earnings.

c. Cash and Cash Equivalents

Cash and cash equivalents consists of balances with financial institutions and investments in money market instruments which have a term to maturity of three months or less at time of purchase.

d. Inventories

Inventories of broken ore, in-circuit gold and gold doré are valued at the lower of average cost and net realizable value. The cost of inventories is determined on a weighted-average basis and includes direct materials, direct labour, operational overhead expenses and depreciation, depletion and amortization.

Consumable supplies and spares are valued at the lower of weighted-average cost and replacement cost, which includes expenditures incurred to acquire the inventories and bring them to their existing location and condition.

e. Exploration and Development Properties

The decision to develop a mine property within a project area is based on an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, development and other expenditures relating to the project area are deferred and carried at cost with the intention that these will be depleted by charges against earnings from future mining operations. No depreciation or depletion is charged against the property until commercial production commences.

f. Property, Plant and Equipment

Assets are carried at cost. Costs of additions and improvements are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in current earnings. Maintenance and repair expenditures are charged to cost of production. The carrying values of property, plant and equipment are periodically assessed by management and if management determines that the carrying values cannot be recovered, the asset is written-down to fair value and charged against current earnings.

After a mine property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depleted over the remaining life of the related assets. Mine development costs, including the stripping of waste material, incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production are deferred and then amortized on a unit-of-production basis.

g. Goodwill

Acquisitions are accounted for using the purchase method whereby acquired assets and liabilities are recorded at fair value as of the date of acquisition. The excess of the purchase price over such fair value is recorded as goodwill. Goodwill is assigned to the reporting units and is not amortized.

The Company evaluates, on at least an annual basis, the carrying amount of goodwill to determine whether events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, the Company compares the fair value of reporting units, to which goodwill was allocated, to their carrying amounts. If the carrying amount of a reporting unit were to exceed its fair value, the Company would compare the implied fair value of the reporting unit's goodwill to its carrying amount and any excess of the carrying amount over the fair value would be charged to earnings. Assumptions, such as gold price, discount rate, and expenditures, underlying the fair value estimates are subject to risks and uncertainties.

h. Property and Equipment Impairment

The Company reviews the carrying values of its properties when changes in circumstances indicate that those carrying values may not be recoverable. Estimated future net cash flows are calculated using estimated recoverable reserves and resources, estimated future commodity prices and the expected future operating and capital costs. An impairment loss is recognized when the carrying value of an asset held for use exceeds the sum of undiscounted future net cash flows. An impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value.

i. Capitalization of Interest

Interest is capitalized on expenditures related to construction or development projects actively being prepared for their intended use. Capitalization is discontinued when the asset enters commercial operation or development ceases.

Notes to the Consolidated Financial Statements

j. Depreciation and Depletion

Mine buildings, plant and equipment, mineral properties including capital financing, interest and commissioning charges during the pre-operating period are depreciated or depleted according to the unit-of-production method. This method allocates the costs of these assets to each accounting period. For mining assets, the amount of depreciation or depletion is measured by the portion of the mine's economically recoverable proven and probable reserve ounces of gold that are recovered during the period.

Mobile equipment and other assets, such as offsite roads, buildings, office furniture and equipment are depreciated according to the straight-line method based on estimated useful lives which range from three to seven years.

k. Future Income Taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period which includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

l. Environmental Protection and Reclamation Costs

The fair value of the liability for an asset retirement obligation is recognized in the period incurred. The fair value is added to the carrying amount of the associated asset and depreciated over the asset's useful life. The liability, using the credit adjusted risk free rate, is accreted over time through periodic charges to earnings and it is reduced by actual costs of decommissioning and reclamation. Centerra's estimates of reclamation costs could change as a result of changes in regulatory requirements, reclamation plans and cost estimates and timing of expected expenditures.

m. Revenue Recognition

Centerra records revenue on the sale of gold when title passes, delivery is effected and when the Company has reasonable assurance with respect to measurement and collectability.

n. Stock-based Compensation

Centerra's stock option plans are described in note 17. Options granted with share appreciation rights are accounted for using the liability method. Under this method, the options granted are marked to market at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense or, if negative, a recovery.

Other Centerra Options granted without share appreciation rights are accounted for using the fair value method, with compensation expense recognized over the vesting period.

Performance share units granted by Centerra for eligible employees, and deferred share units granted by Centerra to eligible members of the Board of Directors are accounted for under the liability method, are marked to market at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense, or, if negative, a recovery. The consideration paid to employees on exercise of these performance share units is offset against the accrued obligation.

For options granted under the Cameco stock option plan prior to January 1, 2003, no compensation expense was recognized when the stock options were granted. Options granted under this plan, subsequent to January 1, 2003, are accounted for under the liability method, are marked to market at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense, or, if negative, a recovery.

The consideration paid to employees on exercise of Cameco stock options is offset against the accrued obligation.

o. Earnings Per Share

Basic earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding during the year. The calculation of diluted earnings per share uses the treasury stock method which adjusts the weighted average number of shares for the dilutive effect of stock options.

4. Changes in Accounting Policies

a. Accounting Changes

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The adoption of this Handbook Section had no impact on the Company's results of operations and financial condition.

b. Financial Instruments

Effective on January 1, 2007, the Company adopted the recommendations of CICA Handbook Section 1530, Comprehensive Income ("Section 1530"), Section 3855, Financial Instruments – Recognition and Measurement ("Section 3855") and Section 3861 financial instruments – disclosure and presentation ("Section 3861"). These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian GAAP.

Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no impact on opening retained earnings.

Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

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

Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and debenture, are classified as other financial liabilities. The Company has neither available-for-sale, nor held-to-maturity instruments.

Section 3861 enhances financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

Notes to the Consolidated Financial Statements

As at December 31, 2007 the fair values of the Company's assets and liabilities approximate their carrying values due to the relatively short maturity of these instruments.

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

c. Non-monetary Transactions

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

d. Equity

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

e. Stripping Costs

Effective January 1, 2007, the Company adopted the CICA Emerging Issues Committee Abstract 160 (EIC-160), "Stripping Costs Incurred in the Production Phase of a Mining Operation". EIC-160 requires stripping costs to be accounted for as variable production costs to be included in the costs of inventory produced, unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs would be capitalized. Betterment occurs when stripping activity increases future output of the mine by providing access to additional sources of reserves. Capitalized stripping costs would be amortized on a unit-of-production basis over the economically recoverable proven and probable reserve ounces of gold to which they relate.

Application of this new accounting policy did not have a material impact on the financial statements presented.

f. New Pronouncements

In June 2007, the CICA issued new Handbook Section 3031, "Inventories". This standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value. It also provides guidance on the costs formulas that are used to assign costs to inventories and allows for reversals of write downs. The effective date of this new standard applies to fiscal years beginning January 1, 2008.

On adoption of this new standard as at January 1, 2008, \$10.3 million of previously unvalued Heap Leach inventory will be recorded with a corresponding recognition in Retained Earnings.

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

On February 1, 2008 the CICA issued section 3064, Goodwill and Intangible assets. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets by profit-oriented enterprises. The effective date of this new standard applies to fiscal year beginning January 1, 2009. The impact of this new standard is being assessed and cannot be determined at this time.

5. Inventories

(Thousands of US\$)

	2007	2006
Stockpiles (including heap leach)	\$ 26,769	\$ 8,892
Gold in-circuit	6,962	6,287
Gold doré	11,118	5,758
	44,849	20,937
Supplies	79,306	62,777
Total	\$ 124,155	\$ 83,714

6. Property, Plant and Equipment

(Thousands of US\$)

	Cost	Accumulated Depreciation and Depletion	2007 Net
Mine buildings	\$ 34,814	\$ 21,191	\$ 13,623
Plant and equipment	268,990	158,506	110,484
Mineral properties	149,076	88,485	60,591
Capitalized stripping costs	43,498	4,325	39,173
Mobile equipment	149,390	48,079	101,311
Construction in process	48,659	—	48,659
Total	\$ 694,427	\$ 320,586	\$ 373,841

	Cost	Accumulated Depreciation and Depletion	2006 Net
Mine buildings	\$ 32,789	\$ 19,643	\$ 13,146
Plant and equipment	241,792	144,143	97,649
Mineral properties	141,416	75,164	66,252
Capitalized stripping costs	7,187	975	6,212
Mobile equipment	88,214	26,930	61,284
Construction in process	60,823	—	60,823
Total	\$ 572,221	\$ 266,855	\$ 305,366

Notes to the Consolidated Financial Statements

The following table summarizes the movements in capitalized stripping at December 31:

(Thousands of US\$)	2007			2006		
	Kumtor	Boroo	Total	Kumtor	Boroo	Total
Opening balance	\$ 6,212	\$ —	\$ 6,212	\$ —	\$ —	\$ —
Additions	28,278	8,033	36,311	7,187	—	7,187
Amortized	(1,919)	(1,431)	(3,350)	(975)	—	(975)
Ending balance	\$ 32,571	\$ 6,602	\$ 39,173	\$ 6,212	\$ —	\$ 6,212

Deferred stripping costs are amortized on a unit-of-production basis over the reserves that will benefit directly from the stripping activity.

7. Goodwill

Movements in the goodwill balance and its allocation to the reporting units is summarized as follows:

(Thousands of US\$)	2007			2006		
	Kyrgyz	Mongolia	Total	Kyrgyz	Mongolia	Total
Opening balance	\$ 129,705	\$ 24,881	\$ 154,586	\$ 129,705	\$ 24,881	\$ 154,586
Reduction ⁽ⁱ⁾	—	(6,046)	(6,046)	—	—	—
Ending balance	\$ 129,705	\$ 18,835	\$ 148,540	\$ 129,705	\$ 24,881	\$ 154,586

(i) Reduction in goodwill as a result of the acquisition of the non-controlling interest in Boroo Mongolia Mining Corporation Limited.

8. Long-term Receivables and Other

(Thousands of US\$)	2007	2006
Reclamation trust fund (note 10)	\$ 4,853	\$ 4,676
Deferred charges	—	557
Other long-term receivables	1,779	1,545
Total	\$ 6,632	\$ 6,778

All gold forward sales agreements were closed in 2004. Deferred charges relating to the closing of the hedges of \$0.6 million were recognized in 2007.

9. Short-term Debt

On June 1, 2007 Centerra Gold Mongolia LLC (CGMC), one of the Company's subsidiaries, signed a demand credit facility agreement for \$10 million with HSBC Bank USA for purposes of developing the Gatsuurt gold deposit. The credit facility may be drawn down, converted or rolled over under the credit facility between a Base Rate Loan and LIBOR Loan. Interest is payable quarterly at base rate plus 2% per annum for a Base Rate Loan and at LIBOR rate plus 2.5% for a LIBOR Loan. The facility is secured by the Gatsuurt mining licenses and guaranteed by Centerra Gold Inc.

As at December 31, 2007, CGMC has drawn \$10 million under the LIBOR loan facility. Interest on this loan of \$0.5 million (2006 – nil) has been charged to earnings during the year ended December 31, 2007.

10. Asset Retirement Obligations

(Thousands of US\$)

	2007	2006
Kumtor gold mine	\$ 14,906	\$ 13,992
Boroo gold mine	5,962	2,540
Total	\$ 20,868	\$ 16,532

Centerra's estimates of future asset retirement obligations are based on reclamation standards that meet regulatory requirements. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements, decommissioning and reclamation alternatives.

The Company estimates its total undiscounted future decommissioning and reclamation costs to be \$27 million. Following is a summary of the key assumptions on which the carrying amount of the asset retirement obligations is based:

- (i) Expected timing of payment of the cash flows is based on the life of mine plans.

The majority of expenditures are expected to occur after 2008.

- (ii) Discount rates of 8.0% for both Kumtor and Boroo gold mines.

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

(Thousands of US\$)	2007	2006	2005
Balance, beginning of year	\$ 16,532	\$ 17,897	\$ 18,868
Liabilities incurred / (settled)	(235)	89	(77)
Revisions in estimated timing and amount of cash flows	3,237	(2,589)	(2,209)
Accretion expense	1,334	1,135	1,315
Balance, end of year	\$ 20,868	\$ 16,532	\$ 17,897

In 1998, a Reclamation Trust Fund was established to cover the future costs of reclamation at the Kumtor gold mine, net of estimated salvage values of \$14.9 million. This restricted cash is funded on the units of production method, annually in arrears, over the life of the mine and on December 31, 2007 was \$4.9 million (2006 – \$4.7 million) (note 8).

The 2007 balance reflects an increase to the present value of the closure cost estimate at the Boroo mine site following the completion of a regularly scheduled closure cost update study.

The 2006 and 2005 balances reflect significant new reserves announced at Kumtor early in both years, resulting in an extension in the estimated mine life and a deferral in reclamation spending at the site. As a result, the present value of the obligation was decreased by \$2.6 million in 2006 and \$2.2 million in 2005, which was recorded in earnings in both years.

11. Exploration and Business Development Costs

(Thousands of US\$)

	2007	2006	2005
Exploration	\$ 19,087	\$ 22,947	\$ 25,457
Business development	1,353	2,755	4,474
Total	\$ 20,440	\$ 25,702	\$ 29,931

Notes to the Consolidated Financial Statements

12. Other (Income) and Expenses

<i>(Thousands of US\$)</i>	2007	2006	2005
Interest income	\$ (6,663)	\$ (9,764)	\$ (5,269)
Proceeds on insurance claim, net of fees	—	(13,436)	—
Loss on sales of assets	321	525	—
Interest expense on long-term debt	519	—	55
Financing charges and other interest	96	1,244	—
Foreign exchange loss (gain)	(68)	(1,931)	441
Net	\$ (5,795)	\$ (23,362)	\$ (4,773)

13. Acquisition of Non-Controlling interest

On October 17, 2007, the Company completed the acquisition of the 5% non-controlling interest in Boroo Mongolia Mining Corporation Limited, the parent company of Boroo Gold Limited the owner and operator of the Boroo mine, along with certain other assets in Mongolia for total consideration of \$8.3 million. As a result, Centerra owns 100% of the Boroo mine.

The allocation of the purchase price is as follows:

<i>(Thousands of US\$)</i>	2007
Prepaid Royalties	\$ 1,300
Non-controlling interest	7,000
Total	\$ 8,300

As a result of this transaction, the residual book value of the non-controlling interest of \$6.0 million, in excess of the consideration paid, was applied against goodwill (note 7).

14. Unusual Items

<i>(Thousands of US\$)</i>	2007	2006	2005
a) Contingent common shares issuable	\$ 126,794	—	—
b) Claim settlement	3,000	—	—
c) Forgiven loan	1,843	—	—
Total	\$ 131,637	—	—

a. Contingent Common Shares Issuable

On August 30, 2007, the Company entered into an agreement (the "Agreement on New Terms") with the Government of the Kyrgyz Republic, pursuant to which the parties have agreed on revised terms with respect to the Kumtor Project. The Agreement on New Terms is subject to satisfaction of certain conditions, including approvals by the Kyrgyz Parliament and Centerra's board of directors and the completion and signing of definitive agreements, all on or before April 30, 2008. The Agreement on New Terms provides that effective January 1, 2008 Kumtor will be subject to tax on proceeds from sold products (gross revenue) rather than on income, at the rate of 11% in 2008, 12% in 2009 and 13% thereafter. After completion and signing of definitive agreements, Cameco Corporation ("Cameco") will transfer 32.3 million shares of the Company to the Kyrgyz Government, 17.3 million of which will be held in escrow to be released within 4 years subject to certain conditions. The Company has entered into an agreement with Cameco pursuant to which the Company will issue 10 million treasury shares (the "Treasury Shares") to Cameco on completion and signing of the definitive agreements.

The issuance of Treasury Shares will result in a 4.6% dilution to Centerra's shareholders. The Company will record a pre-tax loss equal to the market value of the treasury shares.

The value associated with issuing of the Treasury Shares by the Company was accounted as an expense with the corresponding obligation to issue 10 million Treasury Shares reflected as contingent issuable common shares within Shareholders' Equity. The associated expense and contingent issuable common shares are valued at the market closing price of the Company's shares at December 31, 2007.

On closing of the agreement the Treasury Shares issued will be valued at the closing market price of the Company's shares at the date they are issued and the balance in the contingent common shares issuable is reduced with a corresponding increase in share capital. Any increase or decrease in the value over the value at December 31, 2007 will result in a corresponding increase or decrease in the expense recorded at December 31, 2007 with the offsetting entry recorded to share capital.

b. Claim Settlement

During the year Centerra Gold Mongolia Limited ("CGM") a subsidiary wholly owned by the Company, and Gatsuurt LLC (an unrelated third party), reached an agreement in principle to suspend and, upon signing a definitive agreement, to terminate the arbitration proceedings between CGM and Gatsuurt LLC. The arbitration proceedings have been suspended pending the outcome of ongoing settlement discussions under which it is proposed CGM will make a \$3 million payment to Gatsuurt LLC.

c. Forgiven Loan

Pursuant to an agreement dated December 7, 2006 between the Government of the Kyrgyz Republic, KGC, Centerra and Kyrgyzaltyn, KGC has paid and accrued a total of \$4.4 million (\$3.7 million advanced and \$0.7 million accrued) as at December 31, 2007. One half of the total (\$2.2 million) is in the form of a loan repayable no later than 2010 and is secured by shares of Centerra owned by Kyrgyzaltyn. The balance (\$2.2 million) is forgivable in 2012 if there is no event of default under existing agreements between KGC, Centerra and the Government of the Kyrgyz Republic.

In connection with the August 30, 2007 agreement described in note 14(a), the Company has agreed to reconsider the terms of the agreement with a view to forgiving the entire amount of the \$4.4 million advance. The Company recorded the discounted balance of this loan forgiveness of \$1.8 million as an expense in the income statement.

15. Income Taxes

The significant components of future income tax assets and liabilities at December 31 are as follows:

<i>(Thousands of US\$)</i>	2007	2006
Future income tax assets		
Property, plant and equipment	\$ 16,311	\$ 31,560
Foreign exploration and development	7,442	2,722
Inventory	1,242	2,209
Tax losses carried forward	25,367	17,546
Other	4,146	1,205
Future income tax assets before valuation allowance	54,508	55,242
Valuation allowance	(38,041)	(46,341)
Future income tax assets, net of valuation allowance	\$ 16,467	\$ 8,901

Notes to the Consolidated Financial Statements

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes. The reasons for these differences are as follows:

<i>(Thousands of US\$)</i>	2007	2006	2005
Earnings (loss) before income taxes and non-controlling interest	\$ (70,009)	\$ 59,836	\$ 49,418
Combined federal and provincial tax rate	36.1%	36.1%	36.1%
Computed income tax expense (recovery)	(25,273)	21,601	17,840
Increase (decrease) in taxes resulting from:			
Difference between Canadian rate and rates applicable to subsidiaries in other countries	(6,484)	(41,284)	(19,922)
Changes in tax legislation	7,450	(1,765)	—
Valuation allowance	(8,300)	18,262	4,728
Non-deductible contingent shares issuable	45,798	—	—
Other non-deductible expenses	6,131	4,057	1,379
Resolution of tax uncertainties	—	(7,129)	—
Large corporation and other taxes	—	487	547
Income tax expense (recovery)	\$ 19,322	\$ (5,771)	\$ 4,572

Income tax expense (recovery) is comprised of:

<i>(Thousands of US\$)</i>	2007	2006	2005
Current income tax (recovery)	\$ 26,888	\$ 3,159	\$ 2,032
Future income tax (recovery)	(7,566)	(8,930)	2,540
Net income tax expense (recovery)	\$ 19,322	\$ (5,771)	\$ 4,572

Tax Losses

At December 31, 2007 the Company and its subsidiaries have losses carried forward in the amount of \$119.7 million (2006 – \$89.4 million) available to reduce taxes in 2008 and subsequent years. Tax losses in the amount of \$31.2 million expired in 2007 (2006 – nil), and the losses available for carry forward would begin to expire in 2011. Tax benefits have not been recorded for \$50.6 million of the losses carried forward as at December 31, 2007.

Tax Legislation

Mongolia

On August 3, 2007, Boroo entered into an amended Stability Agreement, which resulted in Boroo's income tax rate being changed to 25%, effective January 1, 2007, for the balance of the term of the amended Stability Agreement.

Kyrgyzstan

On August 30, 2007 the Company entered into an agreement with the Kyrgyz Government whereby upon implementation of the provisions of the agreement, expected to be effective January 1, 2008, Kumtor will be subject to tax computed by reference to proceeds from products sold, rather than by reference to income. The effect of the implementation of the terms of the agreement would be that if none of the future tax asset recorded as at December 31, 2007 would be realizable, the charge to earnings arising from the change in the tax regime would be \$5.6 million.

16. Joint Ventures

Centerra's joint venture interests are comprised of a 63% participation interest in the REN property which is currently in the exploration stage and has zero book value.

The Company's share of revenue and expenses, and cash flows relating to its joint ventures was as follows:

<i>(Thousands of US\$)</i>	2007	2006	2005
Revenues	\$ —	\$ —	\$ —
Expenses	(725)	(1,996)	(3,740)
Net loss	\$ (725)	\$ (1,996)	\$ (3,740)
Cash used in			
Operating activities	\$ (725)	\$ (1,996)	\$ (3,740)
Investing activities	—	—	—
Financing activities	—	—	—
Decrease in cash during the year	\$ (725)	\$ (1,996)	\$ (3,740)

17. Shareholders' Equity

(a) Share Capital

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

(b) Earnings per Share

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

	2007	2006	2005
Basic weighted average number of common shares outstanding (thousands)	216,269	216,239	216,237
Effect of stock options (thousands) ⁽¹⁾	—	308	102
Diluted weighted average number of common shares outstanding (thousands)	216,269	216,547	216,339
Basic and diluted earnings (loss) per common share	\$ (0.43)	\$ 0.28	\$ 0.20

(1) The effects of stock options and contingent common shares issuable are excluded from the computation of diluted earnings (loss) per share because the effect of this dilution would reduce the reported loss per share.

(c) Stock-based Compensation

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

<i>(Millions of US\$ except as indicated)</i>	Number outstanding		Expense		Liability	
	Dec 31/07	Dec 31/07	Dec 31/06	Dec 31/05	Dec 31/07	Dec 31/06
(i) Centerra stock options	962,028	\$ 0.3	\$ 1.6	\$ 0.7	\$ 1.2	\$ 1.7
(ii) Centerra performance share units	595,080	1.7	3.9	1.3	4.0	5.4
(ii) Centerra annual performance share units	122,911	1.7	3.3	2.8	1.2	0.8
(iv) Deferred share units	197,351	0.9	1.0	0.4	2.5	1.6
(v) Cameco stock options	73,200	0.1	2.4	4.2	2.3	4.1
		\$ 4.7	\$ 12.2	\$ 9.4	\$ 11.2	\$ 13.6

Notes to the Consolidated Financial Statements

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

	Number outstanding Dec 31/06	Granted	Exercised	Forfeited	Number outstanding Dec 31/07
(i) Centerra stock options	879,321	388,268	(79,373)	(226,188)	962,028
(ii) Centerra performance share units	726,733	283,222	(304,794)	(110,081)	595,080
(iii) Centerra annual performance share units	173,098	201,955	(223,583)	(28,559)	122,911
(iv) Deferred share units	142,093	55,258	—	—	197,351
(v) Cameco stock options	129,600	—	(55,800)	(600)	73,200

Centerra Plan

(i) Stock Option

Centerra has established a stock option plan under which options to purchase common shares may be granted to officers and employees of the Company. Options granted under the plan have an exercise price of not less than the weighted average trading price of the common shares where they are listed for the five trading days prior to the date of the grant. The options issued prior to 2006 vest over five years while options issued in or after 2006 vest over three years. All issued options expire after eight years from the date granted. Options may be granted with a related share appreciation right. In these circumstances, the participant can either elect to receive shares by exercising the stock option or to receive payment in cash equal to the equivalent gain in the stock price. Centerra, at its discretion, can require any holder who has exercised a share appreciation right to exercise their option instead, or can elect to satisfy the cash amount owing upon exercise of a share appreciation right with common shares.

A maximum of 18,000,000 common shares is available for issuance upon the exercise of options granted under the plan. Certain restrictions on grants will apply, including that the maximum number of shares that may be granted to any individual within a 12-month period will not exceed 5% of the outstanding common shares.

Centerra stock option transactions during the year were as follows:

	2007	2006	2005
Average award price for options granted in the year (Cdn\$/share)	\$ 11.22	\$ 12.78	\$ 6.71
Weighted average price on outstanding options (Cdn\$/share)	\$ 9.17	\$ 8.07	\$ 5.88

On May 8, 2007, Centerra granted 327,114 stock options at a strike price of Cdn \$11.17 per share. The compensation expense associated with this stock option series was calculated using the Black-Scholes valuation model, assuming a 6-year term, 39% volatility and a risk-free rate of return of 4.8%, and is being charged against net income over its vesting period.

On December 17, 2007, 61,154 stock options were granted at a strike price of Cdn \$11.43 per share. The compensation expense associated with these stock options was calculated using the Black-Scholes valuation model, assuming a 6-year term, 32% volatility and a risk-free rate of return of 3.92%, and is being charged against net income over its vesting (for 2006 awards, 6-year term, 32% volatility, 4.5% interest, zero dividend and 6-year term, for 2005 awards, 34% volatility, 3.5% interest, zero dividend). The 2004 series which contains a share appreciation rights feature, was issued at an award price of Cdn \$5.17, and is accounted for under the liability method.

The resulting fair value of the options granted in 2007 was \$1.4 million (2006 – \$1.2 million, 2005 – \$0.6 million).

The terms of the options outstanding as at December 31, 2007 are as follows:

Award Date	Award Price (Cdn\$)	Expiry Date	Number options outstanding	Number options vested
2004	\$ 5.17	2012	230,736	138,442
2005	\$ 6.71	2013	199,460	84,753
2006	\$ 12.78	2014	209,361	79,133
2007	\$ 11.17	2015	261,317	—
2007	\$ 11.43	2015	61,154	—
			962,028	302,328

(ii) Performance Share Unit Plan

Centerra has established a performance share unit plan for employees and officers of the Company. A performance share unit represents the right to receive the cash equivalent of a common share or, at the Company's option, a common share purchased on the market. Performance share units will vest three years after December 31 of the year for which they were granted, except those issued at the time of the IPO in 2004 which vested December 31, 2006. The number of units that will vest may be higher or lower than the number of units credited to a participant. The number of units which will vest is determined based on Centerra's total return performance relative to the S&P/TSX Global Gold Index Total Return Investment Value during the applicable period. The number of units that vest is determined by multiplying the number of units credited to the participant by the adjustment factor, which can be as high as a factor of 1.5 or potentially result in no payout.

If dividends are paid, each participant will be allocated additional performance share units equal in value to the dividend paid on the number of common shares equal to the number of performance share units held by the participant. At December 31, 2007, the number of units outstanding was 595,080 (726,733 at December 31, 2006).

On January 15, 2008, the Company settled 212,056 units outstanding under the performance share units plan for a gross amount paid of \$2.1 million.

(iii) Annual Performance Share Unit Plan

Centerra has established an annual performance share unit plan for eligible employees at its mine site operations. At the start of a contract period, an eligible employee receives a number of performance share units based on the Centerra share price on that start date. This award vests in one year and on the annual anniversary date of their contract, the eligible employee is entitled to receive an amount based on the assigned number of performance share units times the five day average Centerra share price preceding the annual anniversary date. The performance share units cannot be converted to shares and the eligible employee must complete the annual contract period in order to receive payment. At December 31, 2007 the number of units outstanding was 122,911 with a related liability of \$1.2 million (December 31, 2006 – 173,098 units, \$0.8 million liability). In 2007, \$1.7 million of compensation expense was recorded on this plan (\$3.3 million in 2006 and \$2.8 million in 2005).

(iv) Deferred Share Unit Plan

Centerra has established a deferred share unit plan for directors of the Company to receive all or a portion of their Director's compensation as deferred share units. Deferred share units are paid in full to a director no later than December 31 in the calendar year that immediately follows the calendar year of termination of the Director's Board service. A deferred share unit represents the right to receive the cash equivalent of a common share or, at the Company's option, a common share purchased on the market. Deferred share units vest immediately. If dividends are paid, each director will be allocated additional deferred share units equal in value to the dividend paid on the number of common shares equal to the number of deferred share units held by the director. At December 31, 2007, the number of units outstanding was 197,351 (142,093 at December 31, 2006). In 2007, approximately \$0.9 million of compensation expense was recorded on this plan (\$1.0 million in 2006 and \$0.4 million in 2005).

Notes to the Consolidated Financial Statements

(v) Cameco Plan

On January 1, 2001, prior to the establishment of the Centerra stock plan, Cameco established a stock-based compensation plan under which stock options ("options"), which are converted to a cash amount, were granted to eligible employees of the Company. Options granted under the plan cannot be converted to shares and have an award price of not less than the closing price quoted on the TSX for the common shares of Cameco on the trading day prior to the date on which the option is granted. Upon redemption the options are converted to a cash amount based on the excess of the closing price quoted on the TSX for the common shares of Cameco on the last trading date prior to the redemption date over the award price. The options vest over three years and expire eight years from the date granted.

The liability for this option plan was assumed by Centerra on Centerra's IPO. No further grants to Centerra employees will be made under the Cameco plan. Options under this plan were last granted in 2004.

The market price of Cameco common shares as at December 31, 2007 was Cdn\$39.57 (December 31, 2006 was Cdn\$47.20 per share, stock split adjusted).

Transactions under the Cameco plan for the respective years were as follows (adjusted for the Cameco share stock splits effective February 17, 2006):

<i>(Number of options, except as indicated)</i>	2007	2006	2005
Beginning of year	129,600	232,200	344,400
Options exercised	(55,800)	(91,200)	(102,600)
Options cancelled	(600)	(11,400)	(9,600)
End of year	73,200	129,600	232,200
Award price for options exercised – Cdn\$	\$5.88-\$10.52	\$4.81-\$10.52	\$4.81-\$10.52

(vi) Cameco Plan

The terms of the options outstanding as at December 31 are as follows:

Award Date	Award Price (Cdn\$)	Expiry Date	2007	2006
			(Number of options)	
2001	\$ 4.81	2009	1,200	1,200
2002	\$ 7.31	2010	8,400	9,600
2003	\$ 5.88	2007	—	5,400
2003	\$ 5.88	2008	—	600
2003	\$ 5.88	2011	19,200	33,000
2004	\$ 10.52	2007	—	1,800
2004	\$ 10.52	2008	—	1,200
2004	\$ 10.52	2012	44,400	76,800
			73,200	129,600
Weighted average price on outstanding options (Cdn\$/share)			\$ 8.84	\$ 8.83

18. Commitments and Contingencies

Kyrgyz Republic Operations

As at December 31, 2007, Kumtor had entered into contracts to purchase capital equipment and operational supplies totalling \$21.1 million which are expected to be settled over the next twelve months.

Mongolia Operations

The Mongolian Parliament continues to debate recent changes to mining legislation and the applicability of the windfall profit tax as well as state participation in various mining projects. The windfall tax applies at the rate of 68% on sales of gold above \$500 per ounce. Under the new minerals law, a deposit may be deemed to be a mineral deposit of strategic importance. If a deposit is deemed strategic, the state may take up to a 34% interest in those strategic deposits in respect of which exploration was funded privately, or a 50% interest in those strategic deposits in respect of which exploration was funded by Mongolia.

On February 6, 2007, Parliament designated the Boroo deposit as strategic but resolved that Mongolia would take no interest, as the deposit would continue to be subject to the terms of the existing Stability Agreement. While the Mongolian Government has acknowledged that neither the windfall profit tax nor the strategic deposit provisions will apply to the Boroo mine, it has not yet agreed to provide similar protection to the Company's Gatsuurt project and may yet determine Gatsuurt to be of strategic importance.

On December 27, 2007, the Company received written approvals for Gatsuurt in-situ reserves and resources from the Government of Mongolia. This paves the way to commencement of negotiations of a definitive investment agreement with the Government. However, the political situation in the country continues to be unsettled, which may affect the negotiation process. The country is preparing for parliamentary elections in June 2008.

Pursuant to an agreement between Centerra Gold Mongolia Limited ("CGM") and Gatsuurt LLC, an arm's length Mongolian limited liability company, under which CGM acquired the Gatsuurt licenses, CGM agreed to transfer the license that covers the Central Zone of the Gatsuurt property to Gatsuurt LLC if CGM did not complete a feasibility study by December 31, 2005. CGM completed a feasibility study in December 2005. In early 2006 Gatsuurt LLC informed Centerra that it did not believe that CGM complied with its obligation. In December 2006, Gatsuurt LLC began proceedings in the Mongolian National Arbitration Court ("MNAC") alleging non-compliance by CGM and seeking the return of the license.

CGM believes that the Gatsuurt LLC claim is without merit and on July 10, 2007 filed a petition with Mongolia's District Court contesting the jurisdiction of the MNAC. In its first hearing on procedural matters, held on July 20, 2007, the MNAC decided to suspend its proceedings, pending a decision by the Mongolian District Court as to MNAC's jurisdiction. On July 25, 2007, the Mongolian District Court returned CGM's petition, without a decision on the jurisdictional issue, to permit CGM to supplement its submissions. All proceedings were suspended in August 2007 pending the outcome of settlement discussions (note 14(b)). The Company and Gatsuurt LLC have agreed in principle the terms for settlement of the dispute, although definitive legally binding agreements are not yet in place.

Corporate

In December 2004, the Company entered into a seven-year lease obligation for its corporate offices in Toronto, Canada. The lease including operating costs for 2007 was approximately Cdn\$806,000 (2006 – Cdn\$822,000) and is expected to increase to approximately Cdn\$850,000 by November 2011, the end of the lease term.

19. Financial Instruments

Fair Values of Financial Instruments

The carrying values of cash and cash equivalents (which include investments with remaining maturities of less than 90 days on purchase), accounts receivable and other, accounts payable and accrued liabilities and in the consolidated balance sheets approximate fair values due to the short-term maturities of these instruments.

Notes to the Consolidated Financial Statements

Foreign Exchange Risk

By virtue of our international operations, the Company incurs costs and expenses in a number of foreign currencies other than U.S. dollar. The Company's revenue is substantially all in U.S. dollars while some costs and expenses are incurred in Canadian dollars and other foreign currencies. The primary foreign exchange risk is to changes in the value of the Canadian dollar relative to the U.S. dollar.

20. Related Party Transactions

Cameco Corporation

Cameco owned 100% of the Company before the Company's IPO. As at December 31, 2007, Cameco owned 52.7% of the Company's common stock. The table below summarizes 100% of the fees and services transacted between Cameco and Centerra in the respective years.

Yearly Activity

(Thousands of US\$)

	2007	2006	2005
Charged by Cameco:			
Administration fee	\$ —	\$ 127	\$ 779
Charged by Centerra:			
SOX related work activity	(278)	(4,777)	—
Total activity	\$ (278)	\$ (4,650)	\$ 779

Effective April 1, 2004, Centerra entered into an administrative services agreement with Cameco whereby Cameco agreed to provide services and expertise to the Company in return for reimbursement of all its direct and indirect costs relating to those services. In 2007, no services were provided by Cameco under the services agreement (in 2006, \$0.1 million was incurred).

Costs associated with the enhancement of internal controls at Centerra (as prescribed by the Sarbanes-Oxley Act) were shared with Cameco for 2007 to a prescribed amount. In 2007, approximately \$0.3 million (December 31, 2006 – \$4.8 million) was paid by Cameco.

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

A net balance related to these inter-company transactions of \$0.9 million was payable to Cameco at December 31, 2007 (\$3.3 million receivable from Cameco at December 31, 2006).

Kyrgyzaltyn and the Government of the Kyrgyz Republic

Revenues from the Kumtor gold mine are subject to a management fee of \$1.50 per ounce based on sales volumes, payable to Kyrgyzaltyn, a shareholder of the Company. During 2007, management fee commitments to Kyrgyzaltyn are offset against the advance of \$1 million which was made for this purpose in November 2005.

The table below summarizes 100% of the management fees and concession payments paid by KGC to Kyrgyzaltyn or the Government of the Kyrgyz Republic and the amounts paid by Kyrgyzaltyn to KGC according to the terms of a gold and silver sales agreement.

Related Parties in the Kyrgyz Republic

(Thousands of US\$)

	2007	2006	2005
Management fees to Kyrgyzaltyn	\$ 451	\$ 494	\$ 747
Concession payments to the Kyrgyz Republic	1,202	1,318	1,992
	\$ 1,653	\$ 1,812	\$ 2,739
Gross gold and silver sales to Kyrgyzaltyn	\$ 210,367	\$ 198,906	\$ 220,242
Deduct: refinery and financing charges	(1,217)	(1,480)	(2,603)
Net sales revenue received from Kyrgyzaltyn	\$ 209,150	\$ 197,426	\$ 217,639

Kyrgyzaltyn and Kumtor have agreed, pursuant to a Gold Payment Agreement effective December 22, 2005 as amended (the "GPA") and most recently extended effective from November 15, 2007, that until the earlier of (i) May 15, 2008 and (ii) the date on which at least \$12 million of proceeds from the sale of shares of Centerra currently owned by Kyrgyzaltyn have been deposited into a special purpose gold payment account of Kyrgyzaltyn, Kyrgyzaltyn will have 12 days to pay for gold shipped from the Kumtor mine. Kyrgyzaltyn shall pay interest on unpaid amounts equal to one-half LIBOR plus 0.125%. Prior to the effective date of the GPA, Kumtor shipped gold to Kyrgyzaltyn on a pre-paid basis. Commencing November 15, 2007, Kyrgyzaltyn shall sell as soon as practicable the number of Shares required to yield gross proceeds from sales of those Shares of not less than \$12,000,000. Sales of Shares shall in any event be completed by May 15, 2008 or such other date as may be agreed by the parties.

These proceeds, which will continue to be held by Kyrgyzaltyn, will fund a gold payment facility, which facility will be used by Kyrgyzaltyn to resume the prior practice of pre-paying for gold. While the GPA is in effect the obligations of Kyrgyzaltyn to Kumtor are secured by a pledge of Centerra shares owned by Kyrgyzaltyn.

As at December 31, 2007, \$14.1 million was outstanding under this agreement (December 31, 2006 – \$8.3 million).

Other

The Company has entered into a consulting agreement with Ms. Marina Stephens, a lawyer and the spouse of President and Chief Executive Officer, Mr. Homeniuk. Pursuant to this agreement, Ms. Stephens provides certain designated legal and business advisory services related to the international operations. In return for these services, Ms. Stephens receives a sum of Cdn\$200,000 per year. The agreement also provides that Ms. Stephens will receive US\$275 per hour for any additional services she provides to the Company, as authorized by the Chairman of the Board. In 2007, Ms. Stephens received Cdn\$551,000 in aggregate (2006 – Cdn\$589,455 and 2005 – Cdn\$429,055).

At December 31, 2007 a relocation loan in the amount of Cdn\$250,000 was outstanding with Centerra's President and Chief Executive Officer, Mr. Homeniuk. The loan which is payable in June 2010, is interest-free giving rise to a taxable benefit to Mr. Homeniuk.

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21. Segmented Information

Centerra has three reportable segments. The Kyrgyz Republic segment involves the operations of the Kumtor Gold Project and local exploration activities, and the Mongolian segment involves the operations of the Boroo Gold Project, activities related to 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.

Year ended December 31, 2007

<i>(millions of US\$)</i>	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 209.1	\$ 164.3	\$ —	\$ 373.4
Expenses				
Cost of sales	176.4	50.3	—	226.7
Depreciation, depletion and amortization	27.6	15.7	0.9	44.2
Accretion and reclamation expense	0.9	0.4	—	1.3
Exploration and business development	12.1	2.6	5.7	20.4
Other income and expenses	2.0	(6.4)	(1.4)	(5.8)
Administration	2.7	1.6	20.7	25.0
Earnings (loss) before unusual items, income taxes and non-controlling interest	(12.6)	100.1	(25.9)	61.6
Unusual items				131.6
Earnings (loss) before income taxes and non-controlling interest				(70.0)
Income tax expense (recovery)				19.3
Non-controlling interest				3.2
Net earnings (loss)				\$ (92.5)
Assets (excluding goodwill)	\$ 415.2	\$ 238.8	\$ 11.8	\$ 665.8
Goodwill	\$ 129.7	\$ 18.8	\$ —	\$ 148.5
Capital expenditures for the year	\$ 87.7	\$ 32.7	\$ 0.3	\$ 120.7

Year ended December 31, 2006

<i>(millions of US\$)</i>	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 195.9	\$ 168.6	\$ —	\$ 364.5
Expenses				
Cost of sales	177.2	59.7	—	236.9
Depreciation, depletion and amortization	19.5	19.7	0.5	39.7
Accretion and reclamation expense	(1.6)	0.2	—	(1.4)
Exploration and business development	14.3	5.2	6.2	25.7
Other income and expenses	(11.5)	(2.6)	(9.3)	(23.4)
Administration	2.7	1.4	23.1	27.2
Earnings (loss) before unusual items, income taxes and non-controlling interest	(4.7)	85.0	(20.5)	59.8
Unusual items				—
Earnings (loss) before income taxes and non-controlling interest				59.8
Income tax expense (recovery)				(5.8)
Non-controlling interest				5.0
Net earnings (loss)				\$ 60.6
Assets (excluding goodwill)	\$ 332.3	\$ 233.7	\$ 73.6	\$ 639.6
Goodwill	\$ 129.7	\$ 24.9	\$ —	\$ 154.6
Capital expenditures for the year	\$ 95.0	\$ 15.1	\$ 1.1	\$ 111.2

Year ended December 31, 2005

<i>(millions of US\$)</i>	Kyrgyz Republic	Mongolia	North America	Total
Revenue	\$ 213.8	\$ 124.8	\$ —	\$ 338.6
Expenses				
Cost of sales	134.6	51.6	—	186.2
Depreciation, depletion and amortization	34.1	24.1	0.4	58.6
Accretion and reclamation expense	1.1	0.2	—	1.3
Exploration and business development	14.6	8.6	6.7	29.9
Other income and expenses	3.9	0.6	(9.3)	(4.8)
Administration	2.8	0.8	14.4	18.0
Earnings (loss) before unusual items, income taxes and non-controlling interest	22.7	38.9	(12.2)	49.4
Unusual items				—
Earnings (loss) before income taxes and non-controlling interest				49.4
Income tax expense (recovery)				4.6
Non-controlling interest				2.4
Net earnings (loss)				\$ 42.4
Assets (excluding goodwill)	\$ 243.0	\$ 136.6	\$ 172.1	\$ 551.7
Goodwill	\$ 129.7	\$ 24.9	\$ —	\$ 154.6
Capital expenditures for the year	\$ 21.5	\$ 11.4	\$ 0.7	\$ 33.6

Geographic Segmentation of Revenue

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

Definitions

Mineral Reserve

A mineral reserve is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

Proven Mineral Reserve

A proven mineral reserve is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate at the time of reporting that economic extraction is justified.

Probable Mineral Reserve

A probable mineral reserve is the economically mineable part of an indicated, and in some circumstances a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate at the time of reporting that economic extraction can be justified.

Mineral Resource

A mineral resource is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such a grade or quality that has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

Measured Mineral Resource

A measured mineral resource is that part of a mineral resource for which quantity, grade or quality, density, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

Indicated Mineral Resource

An indicated mineral resource is that part of a mineral resource for which quantity, grade or quality, density, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

Inferred Mineral Resource

An inferred mineral resource is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed but not verified geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

In this mineral reserves and resources statement Centerra uses a definition of classes of mineralization taking into account a maximum number of parameters of various natures. These parameters are:

- the precision of the estimate;
- the economic feasibility of the project which relates not only to grades but to the volume of the reserves, the location, the chemistry of the expected ore, the price of the product, etc; and
- the legal status of the project and its possible evolution in the very near future.

Centerra's mineral reserves include allowances for dilution, and mining and/or metallurgical recovery. No allowances have been applied to mineral resources. Stated mineral reserves and resources have been reported based on estimated quantities of mineralized material recoverable by established mining methods. This includes only deposits with mineral values in excess of cutoff grades used in normal mining operations. Centerra's mineral reserves include material in place and on stockpiles. Only mineral reserves have demonstrated economic viability.

There are numerous uncertainties inherent in estimating mineral reserves and resources. The accuracy of any reserve and resource estimation is the function of the quality of available data and of engineering and geological interpretation and judgement. Results from drilling, testing and production, as well as material changes in gold prices, subsequent to the date of the estimate, may justify revision of such estimates.

Centerra's classification of mineral reserves and resources and the subcategories of each conforms to the definitions adopted by the CIM Council on August 20, 2000, which are incorporated by reference into NI 43-101, issued by the Canadian Securities Administrators. Centerra reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

Corporate Information

Directors

Patrick M. James^{(1), (2), (4), (6)}

Ian G. Austin^{(1), (2), (3)}

John S. Auston^{(1), (6)}

Almazbek S. Djakypov^{(4), (5)}

O. Kim Goheen⁽²⁾

Leonard A. Homeniuk

Terry V. Rogers⁽⁴⁾

Josef Spross^{(3), (4), (5)}

Anthony J. Webb^{(2), (3)}

(1) Member of the Audit Committee

(2) Member of the Nominating and Corporate Governance Committee

(3) Member of the Human Resources and Compensation Committee

(4) Member of the Safety, Health and Environmental Committee

(5) Member of the Reserves Committee

(6) Mr. James is Chair of the Board of Directors

Transfer Agent

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*Executive Vice President
and Chief Financial Officer*

Stephen A. Lang
*Vice President
and Chief Operating Officer*

Ian Atkinson
Vice President, Exploration

Ronald H. Colquhoun
*Vice President, Project Development
and Engineering*

Frank H. Herbert
*General Counsel and
Corporate Secretary*

Jeffrey S. Parr
Vice President, Finance

John A. Ross
Vice President, Human Resources

John Kazakoff
President, Boroo Gold Company

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Annual Meeting

The annual general meeting of shareholders of Centerra Gold Inc. is scheduled to be held on Wednesday, May 7, 2008 at 2:00 p.m. Eastern Time at the Esso Theatre Hockey Hall of Fame Brookfield Place 10 Front Street Concourse Level Toronto, Ontario Canada M5E 1X8



19 trees
preserved for
the future



2,191 lbs.
solid waste
not generated



6,824 gallons
waste water
flow saved



1,435 lbs. net
greenhouse
gases
prevented



14,000,000 BTUs
energy not
consumed

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