Centerra Gold Inc.
Management's Discussion and Analysis ("MD&A")
For the period ended March 31, 2012

The following discussion has been prepared as of May 15, 2012, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. ("Centerra" or the "Company") for the three-month period ended March 31, 2012 in comparison with the corresponding period ended March 31, 2011. This discussion should be read in conjunction with the unaudited interim consolidated financial statements and the notes of the Company for the three-month period ended March 31, 2012. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the two years ended December 31, 2011, the related MD&A and the 2011 Annual Information Form. The condensed interim financial statements of Centerra are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and the Company's accounting policies as described in note 3 of its annual consolidated financial statements for the year ended December 31, 2011. All dollar amounts are expressed in United States (US) dollars, except as otherwise indicated. In addition, this discussion contains forward-looking information regarding Centerra's business and operations. See "Risk Factors" in the Company's 2011 Annual Information Form and "Cautionary Note Regarding Forward-Looking Information" in this discussion. The Company's 2011 Annual Report and 2011 Annual Information Form are available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

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Consolidated Financial Results

Centerra's consolidated financial results for the three-month period ended March 31, 2012 reflect the Company's 100% interests in the Kumtor and Boroo mines, and the Gatsuurt project.

Highlights

	Three Months Ended March 31		
Financial and Operating Summary	**2012**	2011	**% Change**
Revenue - $ millions	**133.8**	250.2	(47%)
Cost of sales - $ millions (1)	**84.7**	61.8	37%
Abnormal mining costs - $ millions	**19.2**	-	100%
Net earnings (loss) - $ millions	**(14.7)**	136.6	(111%)
Earnings per common share - $ basic and diluted	**(0.06)**	0.58	(110%)
Cash provided by operations - $ millions	**10.2**	143.1	93%
Capital expenditures - $ millions	**128.9**	72.1	79%
Weighted average common shares outstanding - basic (thousands)	**236,354**	235,880	0%
Weighted average common shares outstanding - diluted (thousands)	**236,354**	236,314	0%
Average gold spot price - $/oz	**1,691**	1,386	22%
Average realized gold price - $/oz	**1,721**	1,385	24%
Gold sold – ounces	**77,720**	180,628	(57%)
Cost of sales - $/oz sold (1)	**1,090**	342	219%
Gold produced – ounces	**72,555**	180,716	(60%)
Total cash cost - $/oz produced(2)	**985**	370	166%
Total production cost - $/oz produced(2)	**1,179**	468	152%

(1) Cost of sales includes depreciation, depletion and amortization related to operations.
(2) Total cash cost and total production cost are non-GAAP measures and are discussed under "Non-GAAP Measures".

Three-Month Period Ended March 31, 2012 Compared with the Three-Month Period Ended March 31, 2011

Gold Production and Revenue

Revenue in the first quarter of 2012 decreased to $133.8 million from $250.2 million in the same period last year reflecting lower ounces sold, partially offset by higher realized gold prices. Ounces sold for the period totaled 77,720 compared to 180,628 in the first quarter of 2011 while gold production for the quarter was 72,555 ounces compared to 180,716 ounces, a 60% reduction year over year. The decreased gold production in the current quarter of 2012 reflects the Company's original production schedule for the 2012 year in which gold production is expected to be weighted to the fourth quarter, as well as the impact of the increased ice movement in the southeast section of the pit. In 2011 production was evenly distributed throughout the year and in the first quarter reflected the mining and processing at Kumtor of high grade material from the pit and from ore stockpiled in the fourth quarter of 2010. In the first quarter of 2012, mining of the higher grade ore at the bottom of cut-back 12B was delayed as ice movement above the planned cut-back made

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access unsafe. Equipment and efforts were re-directed during the quarter to unload ice and waste in the southeast section of the Kumtor pit. As a result, little ore was mined in the first quarter of 2012 resulting in the mill processing stockpiles of material with lower ore mill head grades and recoveries. In addition, Kumtor announced on March 27, 2012, that it would delay the further mining of cut-back 14A to allow for the unloading of the ice and waste in the southeast section of the pit to mitigate the accelerated movement experienced in the first quarter and to provide access to the high-grade SB Zone. See “Mine Operations – Kumtor”.

Mining operations at Boroo resumed in the first quarter of 2012 with the pre-stripping of Pit 6. The Boroo mill continued to process stockpiled pit and heap leach material with lower head grades than material processed in the first quarter of 2011, partially offset by higher recoveries. Heap leach operations at Boroo remained idle during the first quarter of 2012 pending issuance of a final operating permit by the government authorities. See “Mine Operations – Boroo and Gatsuurt”.

Centerra realized an average gold price of $1,721 per ounce for the first quarter of 2012, an increase from the $1,385 per ounce realized in the same quarter of 2011. The average realized gold price in the quarter reflects the continued strength of the spot gold price, which averaged $1,691 per ounce for the first quarter of 2012 ($1,386 per ounce for the same period in 2011).

Cost of Sales

In the first quarter of 2012 consolidated cost of sales, which includes non-cash depreciation, depletion and amortization (“DD&A”) associated with the ounces sold and excludes abnormal mining costs (described below), was $84.7 million compared to $61.8 million in the same quarter of 2011. Cost of sales at Kumtor was $68.5 million, higher than the comparative quarter of 2011 ($48.3 million) due primarily to increased depreciation costs from the expanded mining fleet and the higher mining costs associated with the combination of increased removal of ice and waste material and low ore extraction in the first quarter of 2012. Cost of sales at Boroo was also higher than the prior year mainly as a result of higher ounces sold and higher operating costs. Stripping activities in Pit 6 at Boroo were capitalized in the first quarter of 2012.

DD&A from mine operations for the first quarter of 2012 increased to $20.3 million from $14.8 million in the first quarter of the prior year. The higher depreciation resulted primarily from the expanded mining fleet at Kumtor. This was partially offset by decreased mill production and the impact of additional reserves announced at the start of 2012 which lengthens the depreciation period for assets depreciated on a unit-of-production basis, thereby resulting in a reduced depreciation charge in the first quarter 2012. DD&A from mine operations for the first quarter of 2012 was $261 per ounce sold compared to $82 per ounce sold in the same quarter of 2011. The principal reason for the increase is the lower ounces sold in the first quarter of 2012 and the increases described above.

Cost of sales per ounce sold increased to $1,090 in the first quarter of 2012 from $342 for the same period in 2011, reflecting significantly lower sold ounces and higher operating costs for labour, diesel, other consumables and the social fund payments at Kumtor. Cost of sales per ounce sold is a non-GAAP measure and is discussed under “Non-GAAP Measures”.

The Company’s total cash cost per ounce produced was $985, an increase from $370 in the first quarter of 2011. The increase is primarily a result of 63% lower production at Kumtor due to the lower grades and recovery from processing stockpiled ore and the increase in operating costs mainly as a result of higher labour cost, diesel, other consumables and social fund contributions. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures". See "Mine Operations – Kumtor" and "Mine Operations – Boroo and Gatsuurt".

Abnormal Mining Costs

The Company recorded an amount of $19.2 million of abnormal mining costs in the first quarter of 2012. There were no abnormal mining costs recorded in the comparative first quarter of 2011.

The mining plan for the first quarter of 2012 included stripping of waste material in the SB Zone and the continued normal mining of ice and waste in the southeast section of the pit to allow access to ore in the latter part of March.

The Company has, in the past, successfully managed the flow of ice and waste into the pit, treating this as a normal cost of operation. However, the increased level of mining of ice and waste necessary to maintain safe access to the pit during most of the first quarter of 2012, exacerbated by the ten day labour strike and the increased acceleration of this material resulted in a decision to stop mining cut-back 12B where ore for the quarter was to be released and stripping of cut-back 14A. The additional mining activity associated with the ice and waste during a period where little ore was mined resulted in an unusual amount of cost being added to existing stockpiled inventory. This further caused the inventory's recorded value to exceed what the Company believes can be realized after further processing and subsequent sale of the gold by $18.7 million. Under the circumstances, the Company does not consider these costs to be a cost of sale and has recorded the excess inventory cost over its net realizable value as an abnormal cost for the period.

In addition, as a result of the decision announced on March 27, 2012 to address the acceleration of ice and waste material in the high movement area above the SB Zone, access to the ore in this section of the pit was delayed and the mine plan for the year was revised. The area of ice and waste which needs to be removed is primarily outside of the current pit limits and will require significant effort and cost over the balance of 2012 and part of 2013 to provide access to mine the southeast section of the pit. This abnormal cost associated with the removal of ice and waste material from the high movement area from the date of the announcement to the end of the first quarter of 2012 was $0.5 million. See "Mine Operations – Kumtor".

Mine Standby Costs

Kumtor incurred standby costs of $4.6 million in the first quarter of 2012 as a result of the temporary suspension of operations due to a ten day illegal strike initiated by unionized employees.

Other operating expenses

Other operating expenses for the first quarter of 2012 of $1.5 million include $1.4 million contributed by the Company to social development programs in the Kyrgyz Republic. There were no other operating expenses reported in the comparative quarter of 2011.

Exploration

Exploration costs in the first quarter of 2012 increased to $7.8 million from $7.4 million in the same quarter of 2011 mainly reflecting increased drilling activity on exploration projects in Russia and increased spending on advanced project studies at the Altaan Tsagaan Ovoo ("ATO") project in Mongolia.

Corporate Administration

Corporate administration costs of $8.6 million were recorded in the first quarter of 2012, compared to $7.6 million recorded in the comparative quarter of 2011. The first quarter 2012 amount includes a provision of $1 million for the closure of the Company's Reno, Nevada exploration office as was announced by the Company on February 23, 2012.

Taxes

Revenue-based Tax Expense

Under the Restated Investment Agreement between Centerra, Kumtor Gold Company CJSC ("KGC"), Kumtor Operating Company CJSC ("KOC") and the Government of the Kyrgyz Republic dated as of June 6, 2009, Kumtor pays taxes on revenue, at a rate of 13% of gross revenue, with an additional contribution of 1% of gross revenue to the Issyk-Kul Oblast Development Fund. These revenue-based taxes totaled $15.1 million for the first quarter of 2012 compared to $32.2 million for the comparative quarter of 2011, reflecting the decrease in revenue from gold sales made by Kumtor.

Income Tax Expense

Income tax expense for the three-month period ended March 31, 2012 totaled $1.5 million compared to $0.1 million for the same period in 2011. These taxes were recorded in the Mongolian segment, primarily by Boroo. The income tax rate for Boroo is 25% of taxable income in excess of 3 billion tugriks (about $2.3 million at the March 31, 2012 end-of-day foreign exchange rate), and 10% for income up to that amount.

Net (Loss) Earnings

Net loss for the first quarter of 2012 was $14.7 million, or $0.06 per share, compared to earnings of $136.6 million or $0.58 per share for the same period in 2011, reflecting significantly lower ounces sold and produced at Kumtor, higher operating costs mainly for labour, consumables and the increased ice and waste removal at Kumtor, the abnormal costs to remedy the accelerated ice and waste movement in the unload zones at Kumtor and the provision for the closure of the Reno Nevada exploration office. These additional costs were partially offset by higher realized gold prices and higher ounces sold at Boroo.

Capital Expenditures

Capital expenditures spent and accrued of $128.9 million in the first quarter of 2012 included $6.1 million of sustaining capital and $122.8 million invested in growth capital. Growth capital at Kumtor totaled $119.5 million including spending on the purchase of new CAT 789 haul trucks ($72.0 million), pre-stripping capitalization ($30.2 million), the underground development phase I and II ($9.9 million), the purchase of larger Sandvik drills ($5.1 million), Stockwork delineation drilling

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($1.2 million) and numerous other projects ($1.1 million). At Boroo $3.3 million was spent on the pre-stripping of Pit 6 and $0.4 million on equipment overhauls. Capital expenditures in the comparative quarter of 2011 totaled $72.1 million, consisting of $6.8 million of sustaining capital and $65.3 million of growth capital.

Cash Flow

Cash provided by operations was $10.2 million for the first quarter of 2012 compared to $143.1 million in the same quarter of 2011, primarily reflecting decreased earnings as a result of lower volumes and higher operating costs.

Cash provided by investing activities in the first quarter of 2012 was $87.8 million reflecting the redemption of $220.2 million of short-term investments, partially offset by capital additions of $122 million. The cash component of capital additions include $6.1 million spent on sustaining capital projects and $115.9 million invested in growth projects as described above. Cash used in investing in the first quarter of 2011 was $131.2 million, representing the purchase of short-term investments of $69 million and the spending on capital projects of $61.7 million.

Cash used in financing activities in the first quarter of 2012 was $0.3 million, representing the payment of transaction costs relating to the Company's borrowing facility ($0.4 million), partially offset by proceeds received from the issuance of common shares for the exercise of stock options of $0.1 million. Minimal funds were provided by financing activities in the comparative quarter of 2011.

Centerra's cash and cash equivalents and short-term investments at the end of March 2012 decreased to $445.7 million, compared to cash and short-term investments of $568.2 million at December 31, 2011. At March 31, 2012, the Company had no debt outstanding and had an undrawn revolving credit facility of $150 million. Centerra believes, based on its current forecast, that it has sufficient cash and investments to carry out its business plan in 2012 (see "Outlook for 2012").

Credit and Liquidity

As at March 31, 2012, the Company had an undrawn revolving credit facility of $150.0 million.

The Company has entered into contracts to purchase capital equipment and operational supplies totaling $142.7 million for its Kumtor operation as at March 31, 2012. This commitment is primarily for the purchase of mobile equipment for future expansion. These contracts are expected to be settled over the next twelve months.

A significant factor in determining profitability and cash flow from the Company's operations is the price of gold. The spot market gold price based on the London PM fix was $1,663 per ounce on March 31, 2012. For the three months ending March 31, 2012, the gold price per ounce averaged $1,691 compared to $1,386 per ounce for the same period in 2011.

The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic and Mongolia, and its corporate head office is in Toronto, Canada. During the three-month period ending March 31, 2012, approximately $105.5 million of operating and capital costs were incurred by Centerra in currencies other than U.S. dollars out of a total of $271 million in cash outlays. For the first three months of 2012, the percentage of Centerra's non-U.S. dollar costs, by currency, was on average, as follows: 39% in Canadian dollars, 33% in Kyrgyz soms, 14% in Mongolian tugriks, 10% in Euro and 4% in other currencies. From December 31, 2011 to March 31, 2012, relative to the US dollar, the Canadian dollar appreciated by 2.0%, the Kyrgyz som depreciated by 0.9%, the Mongolian tugrik appreciated by 2.8% and the Euro depreciated by 1.2%. The estimated net impact of these movements over the three-month period to March 31, 2012 has been to increase costs by approximately $0.4 million.

Asset Retirement Obligations

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

The Company has estimated the net present value of the total asset retirement obligations to be $56.7 million as at March 31, 2012 (December 31, 2011 - $55.6 million). The expenditures under this obligation are continuing at Boroo and expected to start at the end of the mine's life at Kumtor currently estimated to be 2021, subject to further extension of mine life. At March 31, 2012, the Company used risk-free discount rates of 2% at Kumtor and 0.6% at Boroo to calculate the present value of the asset retirement obligations.

Share capital and share options

As of May 15, 2012, Centerra had 236,369,793 common shares issued and outstanding. In addition, at the same date, the Company had 1,053,770 share options outstanding under its share option plan with exercise prices between Cdn$4.81 and Cdn$22.28 per share, and with expiry dates between 2016 and 2020.

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Mine Operations

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

	Three Months Ended March 31			
Kumtor Operating Results	**2012**	2011	**Change**	**% Change**
Gold sold – ounces	**62,196**	166,145	(103,949)	(63%)
Revenue - $ millions	**107.7**	229.9	(122.2)	(53%)
Average realized gold price – $/oz	**1,732**	1,384	348	25%
Cost of sales - $ millions (1)	**68.5**	48.3	20.2	42%
Cost of sales - $/oz sold (1)	**1,101**	291	810	278%
Abnormal mining costs - $ millions	**19.2**	0.0	19	100%
Tonnes mined - 000s	**30,746**	36,508	(5,762)	(16%)
Tonnes ore mined – 000s	**63**	588	(525)	(89%)
Average mining grade - g/t (2)	**1.33**	7.14	(6)	(81%)
Tonnes milled - 000s	**1,252**	1,391	(139)	(10%)
Average mill head grade - g/t (2)	**1.98**	4.12	(2.14)	(52%)
Recovery - %	**72.6**	82.6	(10.0)	(12%)
Gold produced – ounces	**60,707**	164,167	(103,460)	(63%)
Total cash cost - $/oz produced (3)	**1,001**	342	659	193%
Total production cost - $/oz produced (3)	**1,202**	434	768	177%
Capital expenditures - $ millions	**125.0**	71.9	53.1	74%
Boroo Operating Results				
Gold sold – ounces	**15,524**	14,484	1,040	7%
Revenue - $ millions	**26.0**	20.3	5.8	28%
Average realized gold price - $/oz	**1,676**	1,399	277	20%
Cost of sales - $ millions (1)	**16.3**	13.5	2.8	21%
Cost of sales - $/oz sold (1)	**1,050**	933	116.7	13%
Total Tonnes mined - 000s	**1,920**	-	1,920	100%
Average mining grade - g/t (2)	-	-	-	-
Tonnes ore mined direct mill feed -000's	-	-	-	-
Tonnes ore milled - 000s	**587**	596	(9)	(2%)
Average mill head grade - g/t (2)	**0.77**	1.35	(0.58)	(43%)
Recovery - %	**79.2**	61.3	17.9	29%
Gold produced – ounces	**11,848**	16,549	(4,701)	(28%)
Total cash cost - $/oz produced (3)	**905**	643	262	41%
Total production cost - $/oz produced (3)	**1,059**	805	254.2	32%
Capital expenditures - $ millions (Boroo)	**3.7**	0.0	3.7	100%
Capital expenditures - $ millions (Gatsuurt)	**0.1**	0.1	(0.03)	(21%)

(1) Cost of sales includes depreciation, depletion and amortization related to operations.
(2) g/t means grams of gold per tonne.
(3) Total cash cost and total production cost are non-GAAP Measures and are discussed under "Non-GAAP Measures".

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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 over 8.4 million ounces of gold. During the first quarter 2012, Kumtor experienced no recordable injuries and no reportable environmental incidents.

In February 2012, the Company announced it had added 704,000 ounces of contained gold to its reserves at the Kumtor mine, before accounting for 2011 production. All of the increase in the Central Pit open pit reserves was a result of additional exploration drilling primarily on the Southwest Extension of the SB Zone. This drilling continued to outline a new zone of mineralization that lies immediately to the northwest of the Southwest Extension of the SB Zone. The drilling also increased the average reserve grade for the Central Pit to 3.7 g/t Au, compared to 3.4 g/t Au in 2010.

Kumtor Ice Movement

The upper portion of the southeast section of the pit wall above the SB Zone at Kumtor consists primarily of re-handled waste and ice. This material is active, with considerable seasonal fluctuations in the movement rates. The higher rates of movement have typically been observed in the warmer summer months. The rate of movement is not consistent and material may accelerate and decelerate on a daily basis. In the first quarter of 2012, higher than normal acceleration in the high movement area was experienced.

The original mining plan for the first quarter of 2012 included stripping of waste material in cut-back 12B which was scheduled to provide ore from March, pre-stripping of cut-back 14A and the continued normal mining of the ice and waste in the southeast section of the pit to allow access to ore in cut-back 12B.

However, virtually no ore was mined in cut-back 12B during the quarter as the unanticipated acceleration of ice and waste, in addition to the work stoppage in February, resulted in loss of access to cut-backs 12B and 14A.

On March 27, 2012, the Company announced that this increased ice movement in the southeast section of the pit would delay scheduled access to the high-grade SB Zone, thereby reducing its production guidance for the year by approximately one third. Production at Kumtor is dependent on successfully maintaining the mining rates of the waste and ice in the southeast section of the pit to gain access to the higher grade ore in the SB zone. The recent substantial acceleration of ice and waste movement now requires that cut-back 14A be delayed to allow for redeployment of equipment to unload the ice and waste in the southeast section of the pit. This will delay mining of ore in cut-back 14A from late 2012 to late 2013, resulting in the deferral of the associated ounces. The removal of this substantial amount of ice and waste began at the end of the first quarter and will continue for the balance of 2012 and into the first half of 2013.

To partially mitigate the impact of the movement and the resulting delay in cut-back 14A, the Company has accelerated its mining in the southwest portion of the Kumtor pit (cut-back 14B) to access ore in September 2012 included as part of the new reserves (announced February 9, 2012). This area is not below the high movement area.

A work stoppage at any time during the year could have a significant impact on this timing. See "Caution Regarding Forward Looking Information".

In the first quarter of 2012, Kumtor milled a combination of material mined and stockpiled during the second half of 2011.

The Company has commenced receiving the ordered 25 new CAT 789 haul trucks, 4 Hitachi shovels and 5 DR460 drills to meet the life of mine requirements and begin phasing out the older less efficient equipment. During the first quarter of 2012, the Company commissioned the first 4 large capacity drills.

The underground development at Kumtor continued in the first quarter of 2012 with a total advance of 474 metres. Decline #1 (SB Zone decline) advanced 223 metres while Decline #2 advanced 251 metres in the first quarter towards the SB Zone.

Kumtor experienced a 10 day labour disruption in February 2012 when its unionized employees began an illegal strike to protest against the introduction by the government of a mandatory social fund contribution by employees. The trade union was demanding that Kumtor pay this contribution on their behalf. A settlement was reached with the employees and work resumed.

Three-Month Period Ended March 31, 2012 Compared with the Three-Month Period Ended March 31, 2011

Revenue and Gold Production

Revenue in the first quarter of 2012 decreased to $107.7 million from $229.9 million in the comparative quarter of 2011, primarily as a result of lower sales volumes (62,196 ounces in the first quarter of 2012 compared to 166,145 ounces in the first quarter of 2011) that was partially offset by an increased average realized gold price at $1,732 per ounce compared to $1,384 per ounce in the same quarter of 2011.

Total tonnes mined in the first quarter of 2012 were 30.7 million tonnes compared to 36.5 million tonnes in the comparative quarter of 2011, a decrease of 16% due to a higher proportion of mined low density ice material and the ten day work stoppage with subsequent delays in re-starting the equipment due to the extremely cold weather. During the quarter the Company mined waste from cut-backs 14A and 12B however both of these activities were subsequently suspended as described above. The revised mining schedule of cut-back 14B in the southwest section of the pit and the progress with the ice and waste unload is expected to provide access to ore by the end of the third quarter of 2012.

Kumtor produced 60,707 ounces of gold in the first quarter of 2012 compared to 164,167 ounces of gold in the comparative quarter of 2011. Sequencing of ore in 2011 allowed for consistent quarterly production while planned 2012 production is weighted to the fourth quarter. Therefore, expected first quarter ounces were significantly reduced from the first quarter in 2011. The reduction from planned production resulted from lower ore mill head grades and recoveries, as the mill processed stockpiles with lower grades compared to the higher grade material from cut-back 12B that was planned to be available late in the quarter. In comparison Kumtor continued to mine the remaining

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high-grade benches of cut-back 12A in the first quarter of 2011 and processed the high grade material stockpiled in the fourth quarter of 2010 through the mill. Mill head grades for the first quarter of 2012 were 1.98 g/t with a recovery of 72.6%, versus 4.12 g/t and a recovery of 82.6% for the same quarter in 2011. Tonnes processed were 1.2 million for the first quarter of 2012, 10% lower than the same period in 2011 as a result of lower mill operating time due to the labour dispute and related ten day work stoppage that occurred during the quarter.

Cost of Sales

Cost of sales at Kumtor, which includes non-cash DD&A associated with the ounces sold and excludes abnormal mining costs (described below), was $68.5 million in the first quarter of 2012 which is an increase of $20.2 million or 42% compared to the same period of 2011. This is primarily due to the processing of higher cost ounces during the first quarter of 2012 due to the increasing depreciation costs from the expanded fleet, the higher operating costs described below and the higher costs associated with the increased removal of ice and waste in the first quarter of 2012.

DD&A associated with production in the first quarter increased by $6.0 million compared to the same period last year, mainly due to the increased depreciation of the expanded mining fleet in 2012. This was partially offset by decreased milled production and the impact of additional reserves announced at the start of 2012, which reduced the charge in the first quarter 2012 from the assets depreciated on a unit of production basis.

Operating cash costs at Kumtor increased in the first quarter of 2012 by $6.1 million before the capitalization of an additional $6.8 million for pre-stripping activities (net amount of $0.7 million lower) compared to the same quarter of 2011. This variance can be explained as follows:

Mining costs for the first quarter of 2012 were $50.1 million, an increase of $6.1 million or 14% compared to the same quarter in 2011. The cost increase is related to an increase in labour costs due to higher wages in accordance with the impact of inflation (as per the collective agreement) and to increases in social fund payments ($1.9 million), costs for diesel ($1.8 million) due to the price per litre increasing from US$0.82 to US$0.92 cents, tire costs ($1.8 million) due to increased tire requirements for the recently expanded 789 fleet, maintenance materials and supplies ($0.7 million), higher costs for explosives ($0.4 million) and other costs ($0.4 million).

Milling costs for the first quarter of 2012 were $13.4 million, a decrease of $1.1 million or 8% compared to the same quarter in 2011. Costs were lower due to the lower operating time as a result of the ten day work stoppage, lowering the consumption of reagents, electricity and grinding balls ($0.9 million) and lower consumption of sodium cyanide per unit ($0.6 million) due to lower content of gold in the mill feed ore. This was partially offset by an increase in other costs of $0.4 million.

Site administration costs for the first quarter of 2012 were $11.8 million, an increase of $1.1 million or 10% compared to the same quarter of 2011. This was primarily due to an increase in labour costs ($0.8 million) and higher insurance costs ($0.7 million).

The ultimate impact of these cost changes on the reported results for cost of sales is dependant on the relative levels of capital and operating activities and the buildup or drawdown of inventories during the periods presented.

Total cash cost per ounce produced in the first quarter of 2012 was $1,001 per ounce compared to $341 per ounce for the same period in 2011, primarily as a result of 63% lower production which increased cash costs by $587 per ounce and the increase in operating costs described above which increased cash costs by $72 per ounce. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Cost of sales per ounce sold for the first quarter of 2012 increased to $1,101 per ounce compared to $291 per ounce for the same period in 2011. The majority of the ounce production during the first quarter of 2012 came from low grade and low recovery stockpiled ore resulting in lower production, reduced sales and an increase of $901 in cost per ounce sold. The Company also processed higher cost material from stockpiles in the first quarter of 2012 due to costs associated with increased waste mining requirements and increased depreciation costs due to the expanded mining fleet.

Abnormal Mining Costs

Kumtor recorded an amount of $19.2 million of abnormal mining costs in the first quarter of 2012. As described above, the unanticipated acceleration of ice and waste, in addition to the work stoppage in February, resulted in the loss of access in the southeast part of the pit and a delay in accessing the ore planned for the first quarter. The resulting unplanned removal of the new ice and waste material compounded by the low amount of ore being mined in the first quarter of 2012 added a significant amount of costs to the existing inventory leading to a charge of $18.7 million of abnormal mining costs expensed in the quarter. See also "Consolidated Financial Results - Three-Month Period Ended March 31, 2012 Compared with the Three-Month Period Ended March 31, 2011 – Abnormal Mining Costs".

In addition as a result of the decision announced on March 27, 2012 to address the acceleration of ice and waste material in the high movement area above the SB Zone, access to the ore in this section of the pit was delayed and the mine plan for the year was revised. The area of ice and waste which needs to be removed is primarily outside of the current pit limits and will require significant effort and cost over the balance of 2012 and part of 2013 to provide access to mine the southeast section of the pit. The abnormal cost associated with the removal of ice and waste from the high movement area from the date of the announcement to the end of the first quarter of 2012 was $0.5 million.

Mine Standby Costs

Kumtor incurred standby costs of $4.6 million in the first quarter of 2012 as a result of the temporary suspension of operations due to a ten day illegal strike initiated by unionized employees on February 6, 2012.

Kumtor Regional Administration

Bishkek administration costs for the first quarter of 2012 were $3.4 million which is similar to the comparative quarter of 2011**.**

Exploration

Exploration costs at Kumtor for the first quarter 2012 were $2.2 million, a decrease of $1.8 million or 44% compared to the same quarter in 2011 due to the work stoppage in February and limited drill platforms within the Central Pit. Exploration activity focused on drilling of the SB and Saddle Zones from the Central Pit, underground drilling in the Stockwork Zone Drive, underground exploration drilling from Decline #1 and drilling at Sarytor.

Capital Expenditures

Capital expenditures in the first quarter of 2012 were $125 million compared to $71.9 million in the same quarter of 2011. The first quarter expenditures consisted of $5.5 million of sustaining capital, predominantly spent on the major overhaul program for heavy duty equipment ($3.4 million), the dewatering program ($1.1 million), the crusher plant replacement ($0.4 million) and numerous other projects ($0.6 million). Growth capital investment totaled $119.5 million which was spent to purchase new CAT 789 haul trucks ($72.0 million), pre-stripping capitalization ($30.2 million), the underground development phase I and II ($9.9 million), purchase of larger Sandvik drills ($5.1 million), Stockwork delineation drilling ($1.2 million) and numerous other projects ($1.1 million).

Boroo and Gatsuurt

The Boroo open pit mine, located in Mongolia, was the first hard rock gold mine in Mongolia. To date it has produced approximately 1.6 million ounces of gold since the beginning of its operation in 2004. During the first quarter of 2012, there were no lost-time accidents and two level I environmental incidents (non-reportable).

Mining activities in Pit 6 recommenced in January 2012 with the pre-stripping of waste rock. It is expected that capitalized pre-stripping work will continue until October 2012, when ore in the bottom of the pit is exposed. Milling of Pit 6 ore is expected to extend to January 2013.

The Gatsuurt project remained under care and maintenance in the first quarter of 2012 due to continued delays in permitting. Further development of the project is subject to receiving all required approvals and regulatory commissioning from the Mongolian Government.

The heap leach operation at Boroo remained idle during the first quarter 2012, pending issuance of the final permitting by the Mongolian government authorities. See “Other Corporate Developments-Mongolia”.

Revenue and Gold Production

Revenue in the first quarter of 2012 increased to $26.0 million from $20.3 million in the first quarter of 2011 primarily as a result of 7% higher ounces sold (15,524 in the first quarter of 2012 compared to 14,484 ounces sold in the same period of 2011) due to an increased number of ounces in inventory at the end of 2011. In addition a higher realized gold price was achieved. Boroo produced 11,848 ounces of gold in the first quarter of 2012 compared to 16,549 ounces of gold in the first quarter of 2011. The milling operation processed from stockpiles with lower ore grades.

The ore grades averaged 0.77 g/t with a recovery of 79.2% in the first quarter of 2012, compared to 1.35 g/t with a recovery of 61.3% in the same quarter of 2011. This results from processing the remaining Boroo pit low recovery ore.

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The average realized gold price per ounce in the first quarter of 2012 was $1,676 compared to $1,399 in the same period in 2011.

Cost of Sales

The cost of sales, which includes non-cash DD&A associated with the ounces sold, increased in the first quarter of 2012 to $16.3 million compared to $13.5 million in same period of 2011. The increase is primarily due to the higher ounces sold in the first quarter of 2012.

Depreciation, depletion, and amortization associated with production in the first quarter decreased by $0.5 million compared to the same period last year, mainly due to the impact of lower ounces poured in the first quarter of 2012 on assets depreciated on a units-of-production method compared to the same quarter of 2011.

Operating cash costs at Boroo increased in the first quarter of 2012 by $2.9 million before the capitalization of $2.7 million for pre-stripping activities (net increase of $0.2 million) compared to the same quarter of 2011. This variance can be summarized as follows:

Mining costs before capitalization of pre-stripping activities for the first quarter 2012 were $2.7 million, $2.2 million higher than the same quarter in 2011 resulting from the resumption of activities in Pit 6 beginning on January 1, 2012. The $2.7 million was fully capitalized as Pit 6 pre-strip for the first quarter of 2012. In the first quarter of 2011, $0.6 million of mining cost were incurred for mine overheads such as site supervision, road maintenance work and maintenance work on equipment.

Milling costs for the first quarter of 2012 were $5.9 million, $0.3 million or 6% higher than the same quarter in 2011. This is mainly due to increased electricity costs resulting from higher unit rates which became effective in the second quarter of 2011.

Costs for heap leaching activities were $0.1 million or 86% lower than the same period in 2011. This resulted from the operation discontinuing the rinsing of heap leach solution since August 2011. The heap leach facility has been put into care and maintenance pending the final approval of the heap leach operating permit.

Site administration costs for the first quarter 2012 were $2.0 million, $0.3 million or 15% higher than the same quarter in 2011, primarily due to higher analytical services cost incurred, and higher camp catering costs.

Royalties increased in the first quarter of 2012 by $0.3 million or 29% to $1.3 million as a result of the higher ounces sold and higher realized gold price.

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.

Total cash cost per ounce produced in the first quarter 2012 was $905 compared to $643 per ounce for the same period in 2011. Of the total decrease of $262 per ounce produced year over year, the impact of lower gold production increased unit cash costs by approximately $259 per ounce in the 2012 quarter. Total cash cost per ounce produced is a non-GAAP measure and is discussed under "Non-GAAP Measures".

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On a unit cost basis, cost of sales per ounce sold increased to $1,041 in the first quarter of 2012 compared to $831 in the same quarter of 2011 mainly reflecting the higher operating costs in the first quarter of 2012 described above, partially offset by the higher ounces sold as compared to the same quarter in 2011.

Boroo Regional Administration

Regional administration costs for the first quarter of 2012 remained consistent with 2011 costs of $1.4 million.

Exploration

Exploration expenditures in Mongolia increased to $2.1 million in the first quarter of 2012 from $0.8 million in the same period of 2011. This is primarily due to higher costs incurred for the ATO project amounting to $1.4 million in the first quarter of 2012 compared to the same period in 2011.

Capital Expenditures

Capital costs at Boroo in the first quarter of 2012 increased to $3.7 million compared to no expenditures in the same period of 2011. This is mainly due to $3.3 million of Pit 6 pre-strip capitalized during the first quarter of 2012 (including the non-cash component). No capital expenditures were incurred at Gatsuurt, pending resolution of permitting issues related to the Water and Forest Law as the project was put on care and maintenance. Since June 2011, Gatsuurt's care and maintenance costs, including security contractors, have been expensed ($98 thousand incurred in the first quarter of 2012). See "Other Corporate Developments – Mongolia".

Other Financial Information – Related Party Transactions

Kyrgyzaltyn JSC

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

The table below summarizes 100% of the management fees and concession payments paid and accrued by Kumtor Gold Company ("KGC"), a subsidiary of the Company, to Kyrgyzaltyn and the amounts paid and accrued by Kyrgyzaltyn to KGC according to the terms of a Restated Gold and Silver Sale Agreement between KGC, Kyrgyzaltyn and the Government of the Kyrgyz Republic dated June 6, 2009.

($ thousands)	**Three months ended March 31**	
	2012	**2011**
Management fees paid by KGC to Kyrgyzaltyn	**62**	166
Gross gold and silver sales from KGC to Kyrgyzaltyn	**108,026**	230,747
Deduct: refinery and financing charges	**(294)**	(835)
Net sales revenue received by KGC from Kyrgyzaltyn	**107,732**	229,912

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Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Gold and Silver Sale Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Pursuant to the Restated Gold and Silver Sale Agreement, Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of sale. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days.

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn, the value of which fluctuates with the market price of Centerra's shares. Based on movements of Centerra's share price and the value of individual or unsettled gold shipments over the course of three months ended March 31, 2012, there was no shortfall in the value of the pledged security as compared to the value of any unsettled shipments.

As at March 31, 2012, Kumtor had an amount of $34 million receivable from Kyrgyzaltyn under these agreements (December 31, 2011 - $47.4 million).

Quarterly Results – Last Eight Quarters

Over the last eight quarters, Centerra's results reflect the impact of rising gold prices as well as increasing cash costs. Non-cash costs have also progressively increased over 2011 and into 2012 as depreciation at Kumtor grew with its expanded mining fleet and the amortization of capitalized stripping. Cost of sales in the second and third quarters of 2011 included a charge for the settlement of the Kyrgyz Social Fund audit totaling $14.1 million and an increase to labour costs in the fourth quarter of 2011 resulting from the revised social fund calculation which now includes the high altitude premium (note that the Company paid both the employer and employee portions for the period of 2010-2011). In the first quarter of 2011 cost of sales was reduced due to the processing of low cost ore stockpiled in the fourth quarter of 2010 when Kumtor accessed and mined high grade material from the central pit. Cost of sales was also impacted by higher costs of labour and diesel in the second, third and fourth quarters of 2011 and into 2012. The first quarter of 2012 was impacted by the significant ice and waste removal costs which delayed the release of mined ore and added a significant amount of abnormal mining costs charged to expense of $18.7 million. Other charges for Kumtor in the third quarter of 2011 include $10 million for special funding of a school improvement program in the Kyrgyz Republic, while Boroo committed to funding and accrued for the construction of a maternity hospital totaling $6.4 million in the fourth quarter of 2010. The fourth quarter of 2011 includes other charges of $2.6 million for the resolution of a claim by the Mongolian authorities in relation to the sterilization of alluvial reserves at the Boroo property (see Annual Information Form – "Three Year History"). The results for the third quarter of 2010 include the gain on sale of the REN exploration property of $34.9 million. The quarterly financial results for the last eight quarters are shown below:

$ millions, except per share data	**2012**	**2011**				**2010**			
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	**134**	248	278	244	250	323	120	152	255
Net earnings (loss)	**(14.7)**	79	84	71	137	151	17	30	124
Earnings (loss) per share (basic and diluted)	**(0.06)**	0.34	0.35	0.30	0.58	0.64	0.07	0.13	0.53

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Other Corporate Developments

The following is a summary of corporate developments since the Company's annual MD&A filed on February 23, 2012 with respect to matters affecting the Company and its subsidiaries in the Kyrgyz Republic, Mongolia and Canada. Except as expressed below, no material changes have occurred with respect to the matters discussed in the "Other Corporate Development" section of the Company's annual MD&A published on February 23, 2012.

In particular, the following corporate matters remain outstanding:

- Heap Leach Permit: receipt of a permanent permit for the Boroo heap leach operation;

- Gatsuurt and the Impact of the Mongolian Water and Forest Law: the receipt of regulatory commissioning of the Gatsuurt development property, and determination of the impact of the Mongolian *Law to Prohibit Mineral Exploration and Mining Operations at River Headwaters, Protected Zones of Water Reservoirs and Forested Areas* (the "Water and Forest Law") on the Company's Mongolian operations. Centerra is reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the Water and Forest Law having a limited impact on the Company's Mongolian activities. There can be no assurance, however, that this will be the case. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the Gatsuurt project or Gatsuurt is designated as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources or eliminated entirely and the Company may be required to write-off the associated investment in Gatsuurt and Boroo. As at March 31, 2012, the Company had net assets recorded amounting to approximately $36 million related to the investment in Gatsuurt and approximately $25 million remaining capitalized for the Boroo mill facility and other surface structures which are expected to be utilized for the processing of ore from Gatsuurt. Although the Company expects to mine the Gatsuurt deposit, should this not be the case, the Company would be required to write-off these amounts. A revocation of the Company's mineral licenses, including the Gatsuurt mineral license, or the reclassification of mineral reserves or the write-off of assets could have an adverse impact on the market price of Centerra's shares, Centerra's future cash flows, earnings, results of operations or financial condition;

- Impact of the Graduated Royalty Fee on Boroo: the possibility that the graduated royalty fee introduced by the Mongolian Parliament in November 2010 may apply to the Boroo project, despite the existence of a stability agreement which provides legislative stabilization for the property. The Company believes that the Boroo Stability Agreement provides, among other things, fiscal stabilization for its Boroo operations and accordingly the graduated royalty fee is not applicable to Boroo's remaining operations. Despite this, the Company cannot provide any assurances that Boroo will not be made subject to the graduated royalty fee. If the graduated royalty fee does apply to Boroo, it may have an adverse impact on the market price of Centerra's shares, Centerra's future cash flows, earnings, results of operations or financial condition;

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- Enforcement Notice by Sistem: the impact on Centerra of an enforcement notice filed in an Ontario court by Sistem Muhenkislik Insaat Sanayi Ticaret ("Sistem") in March 2011 to seize shares and dividend in Centerra held by Kyrgyzaltyn JSC in satisfaction of an international arbitral award against the Kyrgyz Republic in favour of Sistem in the amount of $11 million with additional interest.

For a discussion relating these corporate matters affecting the Company and its operations, please see the Company's annual MD&A and the Company's most recently filed Annual Information Form dated March 15, 2012.

Kyrgyz Republic

On April 23, 2012, KGC signed an agreement with the Kyrgyz Government to fund $21 million into a national micro-credit financing program. This funding is part of an existing government program whose objective is to provide financing for small sustainable development projects throughout the Kyrgyz Republic. On signing of this agreement, the $21 million was transferred by KGC to the Government's micro credit agency. This funding is in support of the Company's commitment to invest in sustainable development projects in the communities where it works.

Mongolia

Regulatory Matters

In January 2012, Centerra's wholly owned subsidiary, Boroo Gold LLC, which owns the Boroo project, resolved the previously disclosed very significant claim for compensation that it received from the Mongolian General Department of Specialized Inspection ("SSIA") in October 2009 following the June 2009 inspection at the Boroo project. The claim related to certain mineral reserves, including state alluvial reserves, covered by the Boroo project licenses, that are recorded in the Mongolian state reserves registry, but for which there are no or incomplete records or reports of mining activity. Pursuant to the resolution, Boroo Gold LLC paid approximately $2.6 million. While this claim has been resolved, other regulatory issues remain outstanding in Mongolia, including the issuance of a final heap leach permit.

Corporate

Board and Management Changes

On March 14, 2012, Centerra announced changes to its board of directors (the "Board") and management scheduled to take effect immediately following the annual general shareholders meeting scheduled for May 17, 2012. Mr. Patrick James will retire as a director and Chair of the Board and Mr. Ian Austin will retire as a director. Mr. James and Mr. Austin have been on Centerra's Board since 2004. Mr. Stephen Lang, Centerra's current President and CEO is expected to replace Mr. James as Chair of the Board effective as of May 17, 2012. Mr. Lang has been with Centerra since December, 2007, was named President and CEO in June, 2008, and has been a member of the Board since that time. He has decided to retire from his current role concurrently with assuming the position of the Chair. As Mr. Lang will not be considered as an independent director for a three year period due to his historical role with Centerra, the Board will name an independent lead director.

In accordance with the succession plan previously established by the Board, Mr. Ian Atkinson (currently Centerra's Senior Vice President, Global Exploration) has been promoted to the position of President and CEO and Mr. David Groves has been promoted to the position of Vice President, Global Exploration. Both appointments are expected to be effective immediately following the annual general shareholders meeting.

The Board is currently recruiting a replacement for Mr. Austin who is expected to serve as the chair of the Board's audit committee. The Board expects to appoint such individual after the annual general shareholders meeting. The Board also expects that Mr. Atkinson will join the Board prior to the next annual general meeting of shareholders.

Critical Accounting Estimates

Centerra prepares its consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB"). In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented and in the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and various other factors believed to be reasonable under the circumstances. In reference to the Company's significant accounting policies, which were fully described in note 3 to the December 31, 2011 Audited Consolidated Annual Financial Statements, management believes that its critical accounting policies in the areas of share-based compensation, asset retirement obligations, reserves, depreciation, depletion and amortization for property plant and equipment, impairment of long-term assets, deferred income taxes and inventories of stockpiled ore (in-circuit and gold doré) reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements. These areas of significant estimates and judgments are described in more details in the Company's most recently filed annual MD&A dated December 31, 2011.

Changes in Accounting Policies

There were no new accounting policies adopted during the three months ended March 31, 2012.

New Pronouncements

As disclosed in the Company's 2011 annual MD&A and in note 5 to its annual financial statements of 2011, the following recently issued IFRS standards have not been adopted:

IFRS 7 *Financial Instruments – Disclosures* ("IFRS 7") The Company intends to adopt IFRS 7 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 7 to have a material impact on its financial statements.

The IASB has issued IFRS 9 *Financial Instruments* ("IFRS 9") which proposes to replace IAS 39 *Financial Instruments Recognition and Measurement*. This standard is effective for the Company's annual year end beginning January 1, 2015 (as amended from January 1, 2013 by the IASB in December 2011). The Company will evaluate the impact of the change to its consolidated financial statements based on the characteristics of its financial instruments at the time of adoption.

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IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), which replaces parts of IAS 27, *Consolidated and Separate Financial Statements* ("IAS 27") and all of SIC-12 *Consolidation – Special Purpose Entities*. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 10 to have a material impact on its financial statements.

IFRS 11 *Joint Arrangements* ("IFRS 11"), which replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. This new standard is applicable for accounting periods beginning January 1, 2013. The Company is assessing the impact of IFRS 11 on its results of operations and financial position and will adopt IFRS 11 in its financial statements effective from January 1, 2013.

IFRS 12 *Disclosure of Interests in Other Entities.* The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 12 to have a material impact on its financial statements except additional disclosure requirements.

IFRS 13 *Fair Value.* The Company intends to adopt IFRS 13 in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect IFRS 13 to have a material impact on its financial statements.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.* The Company intends to adopt IFRS 13 in its financial statements for the annual period beginning on January 1, 2013. The Company is assessing the impact of IFRIC 20 on its results of operations and financial position and will adopt the new standard in its financial statements effective from January 1, 2013.

Outlook for 2012

Production

Centerra's 2012 consolidated gold production is forecast to be 450,000 to 470,000 ounces, which reflects lower production guidance for the Kumtor mine as disclosed in the Company's news release of March 27, 2012.

The Kumtor mine is expected to produce 390,000 to 410,000 ounces in 2012. Production at Kumtor is dependent on successfully maintaining the mining rates of the waste and ice in the southeast section of the pit to gain access to the higher grade ore in the SB Zone. A substantial acceleration of ice and waste movement in the first quarter, which was exacerbated by the 10 day labour disruption which occurred in early February 2012, required that cut-back 14A be delayed to allow for the unloading of such ice and waste in the southeast section of the pit. This is expected to delay the ore release from the cut-back from late 2012 to late 2013, resulting in the deferral into 2013-2014 of production from the high-grade SB Zone otherwise expected in 2012. The Company is planning to focus on removal of ice in the high movement area by allocating more of the existing mining capacity to ice and waste unload activities.

The Company expects to partially mitigate the impact of the ice movement and the resulting delay in cut-back 14A on 2012 production by accelerating mining in the southwest portion of the Kumtor pit

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to access part of the new reserves (reported in its February 9, 2012 reserve and resource update) in September 2012 to provide higher grade ore for the Kumtor mill.

The Kumtor mill is expected to process stockpiled ore to the end of July 2012. There will be no milling activities in August until higher grade ore from the southwest portion of the SB Zone is accessed in September at which time the mill will process this high grade ore for the balance of the year. The planned downtime of the mill in August will be used to carry out the scheduled mill maintenance.

Kumtor's collective bargaining agreement expires at the end of 2012. A work stoppage at any time during the year would have a significant impact on Kumtor achieving its revised forecast production. Additionally, achieving the revised production is dependent on the delivery of new mining equipment on schedule and the Company satisfactorily managing the ice movement and unloading the ice and waste in the southeast portion of the pit.

At the Boroo mine, gold production is forecast to be approximately 60,000 ounces, which is unchanged from the previous guidance provided in the news release of January 17, 2012. Boroo resumed mining of Pit 6 from January 2012 and is forecast to expose ore by the end of the second quarter. The mining of Pit 6 ore is expected to be completed in the third quarter. During the first quarter the Boroo mill was processing mostly higher grade heap leach ore stockpiles and is expected to continue processing this material during the second quarter of 2012. During the third and fourth quarters, the Boroo mill is expected to process a mixture of higher grade Pit 6 ore and stockpiled heap leach material with grades between 0.67 – 0.76 g/t. The remaining ore from Pit 6 is refractory and recoveries are expected to be approximately 53%.

The 2012 forecast also assumes no production from the heap leach facility or the Gatsuurt project due to uncertainties with permitting. Receipt of the final heap leach operating permit would add approximately 2,000 ounces of gold a month. The Company does not expect the Mongolian Government to make any revisions to the Water and Forest Law prior to its elections in June 2012. At Gatsuurt, the project is ready to begin mining the oxide ore upon receipt of the final approvals and regulatory commissioning. See also "Other Corporate Developments" and other material assumptions set out below.

Total cash cost per ounce produced

The Company is revising its 2012 outlook for consolidated total cash cost per ounce produced to $590 to $615 from its prior outlook of $465 to $500 to reflect lower gold production at the Kumtor mine.

Total cash cost for 2012 for Kumtor is expected to be between $550 to $585 per ounce produced compared to the prior guidance of $430 to $465 per ounce produced disclosed in the January 17, 2012 news release reflecting lower gold production and lower cash costs due to the 10 day labour strike and removal of mining costs related to ice and waste unloading activities from the cash cost calculation. The mining costs related to the ice unloading activities will be recognized as a direct charge to earnings as abnormal expense.

Boroo's total cash cost is expected to be approximately $810 per ounce produced, which is unchanged from the previous guidance disclosed in the news release of January 17, 2012.

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

Centerra's Production and Unit Cost –2012 Forecast as follows:

	Production *Ounces of gold*	**Total Cash Cost** (1) *$ per ounce produced*
Kumtor	390,000 – 410,000	550 – 585
Boroo	approximately 60,000	Approximately 810
Total Consolidated	450,000 – 470,000	580 – 615

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

Kumtor – Forecast Production & Select Financial Information (2012 – 2014)

The announcement on March 27, 2012 to delay the scheduled access to the high-grade SB Zone at Kumtor as a result of the increased ice movement in the southeast section of the pit has necessitated the revising of the mine plan thereby affecting the production outlook for the current year and into 2013 and 2014.

The following table outlines the production estimate for the Kumtor operation for the three years from 2012 to 2014, highlighting the estimated tonnage to be moved for pre-stripping and abnormal removal of ice and waste from the unload zones, and presents select financial information including unit cost for gold in the revised Kumtor plan. While the Company's 2012 gold production forecast for Kumtor is 390,000 to 410,000 ounces for the purposes of the following table the mid-point of the range was used. The information provided in this table are estimates only and are subject to the material assumptions and risks set out below, under the heading "Caution Regarding Forward-looking Information" and set out in the Company's Annual Information Form dated March 15, 2012 and annual MD&A dated February 23, 2012.

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Kumtor Operation		Actual Q1 2012	Estimates: Forecast Q2 2012	Q3 2012	Q4 2012	2012 Year	2013 Year	2014 Year
Production								
Mine Tonnage (Ore + Waste):								
Operating	tx1000	16,559	5,179	14,277	23,967	59,982	63,622	104,436
Pre Strip Capital	tx1000	13,924	36,642	22,930	5,834	79,330	92,379	83,539
Ice/Waste Unloading	tx1000	263	2,373	6,943	13,759	23,338	25,741	-
Total Mining	tx1000	30,746	44,194	44,150	43,560	162,650	181,742	187,975
Milling	tx1000	1,252	1,456	669	1,526	4,903	5,970	5,970
Gold Produced	ozx1000	61	36	32	271	400	650	810
Unit Costs								
Total cash costs per ounce produced (1)	$	1,001	1,200	1,650	250	560	335	330
Total cash costs per ounce produced, including capitalized pre-strip and ice/waste unloading (1)	$	1,370	2,575	2,900	350	900	560	460
Select Financial Information (cash + non-cash)	$ millions							
Abnormal mining costs								
- Ice & waste unload		1	4	11	24	40		
- charges to inventory in excess of realizable value		19	7	7	-	33		
Mine standby costs		5	-	2	-	7		
DD&A (cost of sales)		17	14	16	80	128		
Capital (cash + non-cash)								
- Sustaining		6	14	10	3	32		
- Growth:								
- Capital pre-strip		30	64	42	12	147		
- Mining equipment etc.		89	41	30	31	191		
		119	105	71	43	338		
Total Capitalized		125	118	81	46	370		

(1) the above does not reflect the impact of the adoption of IFRIC 20, effective January 1, 2013, which could result in an increase in the capitalization of pre-strip and lower the cash cost per ounce produced

Under the revised mine plan at Kumtor, approximately 50 million tonnes (24 million tonnes in 2012 and 26 million tonnes in 2013) of ice and waste have been added to the life-of-mine plan and will need to be removed from the high movement unload areas to provide access to the ore in the high-grade SB Zone. With the re-sequencing of the mining plan, production for the next three years is expected to progressively increase from roughly 400,000 ounces estimated in 2012 to roughly 810,000 ounces in 2014, while total cash costs per ounce produced is expected to decrease from an estimated $560 in 2012 to $390 in 2014.

At Kumtor, the expense of abnormal mining costs for the ice and waste removal in the unload zones is expected to be approximately $40 million in 2012 and approximately $45 million in 2013. It is estimated that $147 million of pre-stripping costs will be capitalized in 2012 (see footnote in the table above for further details). Although approximately 50 million tonnes of additional ice and waste material was added to the life-of-mine plan, the new three-year mining plan has approximately the same number of tonnes being mined as outlined in the 2011 Kumtor technical report and approximately the same number of ounces of gold is expected to be produced over the 2012 – 2014 period.

2012 Exploration Expenditures

Exploration expenditures of $45 million are planned for 2012, which is unchanged from the previous guidance in the January 17, 2012 news release. The 2012 program includes an aggressive program of surface and underground drilling at the Kumtor mine site and exploration on regional licenses in the greater Kumtor district. Planned expenditures are expected to be about $15 million. In Mongolia, planned exploration expenditures have increased to $9 million to fund exploration and advanced project studies on the ATO project and to advance exploration on other projects along the Onon Trend in eastern Mongolia.

Drilling programs will continue on the Kara Beldyr and Dvoinoy projects in Russia, and expenditures for the two projects are expected to be approximately $6 million. Drilling programs will also continue in Turkey on the Company's joint venture projects with expenditures expected to be approximately $6 million. Exploration of the Laogouxi project in China is expected to commence as soon as the exploration license is renewed by regulatory authorities. In addition, generative programs will continue in Central Asia, Russia, China, and Turkey to increase the pipeline of projects that the Company is developing to meet the longer term growth targets of Centerra.

2012 Capital Expenditures

The capital expenditures for 2012 are estimated to be $384 million, including $36 million of sustaining capital and $348 million of growth capital, which is $5 million lower than the prior guidance provided in the January 17, 2012 news release.

Capital expenditures include:

Projects	**2012 Growth Capital** ($ millions)	**2012 Sustaining Capital** ($ millions)
Kumtor mine	$338	$32
Mongolia	$10	$3
Corporate	-	$1
Consolidated Total	$348	$36

Kumtor

At Kumtor, 2012 total capital expenditures are forecast to be $370 million including $32 million of sustaining capital. The largest sustaining capital spending will be the major overhaul maintenance of the heavy duty mine equipment ($11 million), expenditures for dewatering and infrastructure ($9 million), effluent treatment plant relocation ($5 million), tailings dam construction works ($4 million) and for equipment replacement and other items ($3 million).

Growth capital investment at Kumtor for 2012 is forecast at $338 million, which includes pre-strip costs related to the development of the open pit ($147 million), purchase of new mining equipment including 25 CAT 789 haul trucks, 4 drills and 4 Hitachi 3600 shovels ($126 million), and other items ($9 million). The growth capital investment includes $56 million for the underground project to continue to develop the SB and Stockwork Zones, as well as for delineation drilling and capital purchases in 2012.

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Boroo & Gatsuurt (Mongolia)

At Boroo, 2012 sustaining capital expenditures are expected to be about $3 million primarily for component change-outs and mill maintenance. Growth capital is forecast at $12 million, which includes capitalized pre-stripping costs of Pit 6 at Boroo ($9 million).
No capital for the development of the deeper sulphide ores at Gatsuurt has been forecast and will only be invested following successful regulatory commissioning of the Gatsuurt oxide project. The engineering and construction of the bio-oxidation facility to be located at the Boroo mill, which is needed to treat Gatsuurt sulphide ores, will also be restarted only after the approval to begin mining at Gatsuurt has been received from the Government of Mongolia.

2012 Corporate Administration and Community Investment

Corporate and administration expenses for 2012 are forecast at $41 million, which is unchanged from the prior guidance.

Total community investments for 2012 are forecast at $28 million, which is an increase of $2 million from the prior guidance reflecting additional projects supported by Centerra in the communities it operates and explores in (including the Kyrgyz Republic, Mongolia, Turkey and Russia). This investment includes $5 million for donations and sustainable development projects in the various communities Centerra operates in and $23 million for strategic community investment projects, including the Company's funding in the second quarter of 2012 of $21 million in the micro-credit financing program in the Kyrgyz Republic discussed in "Other Corporate Developments – Kyrgyz Republic". Note that these costs are not included in cash cost per ounce. Centerra has a history of investing in various community sustainable development and strategic investment projects in the countries and communities where it operates. For example in 2010, Boroo invested $6.4 million towards the construction of a new maternity hospital in Ulaanbaatar and in 2011 Kumtor contributed $10 million for the construction and repair of 27 schools throughout the Kyrgyz Republic.

Taxes

Pursuant to the Restated Investment Agreement, Kumtor's operations are not subject to corporate income taxes. The Agreement replaced the prior tax regime applicable to the Kumtor project with a simplified regime effective January 1, 2008. This simplified regime, which assesses tax at 13% on gross revenue (plus 1% for the Issyk-Kul Oblast Development Fund effective January 2009), was approved and enacted by the Parliament of the Kyrgyz Republic on April 30, 2009.

The corporate income tax rate for Centerra's Mongolian subsidiary, Boroo Gold Company, is 25% for taxable income over 3 billion Mongolian tugriks (approximately $2.3 million at the March 31, 2012 end-of-day foreign exchange rate) with a tax rate of 10% for taxable income up to that amount. These tax rates will continue to apply until the termination of the Boroo Stability Agreement in July 2013, after which Boroo's operations will be subject to prevailing taxes and royalty fees.

Production, cost and capital forecasts for 2012 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings "Material Assumptions & Risks" and "Caution Regarding Forward-Looking Information" and under the heading "Risk Factors" in the Company's most recently filed Annual Information Form ("AIF").

Sensitivities

Centerra's revenues, earnings and cash flows for the last nine months of 2012 are sensitive to changes in certain variables and the Company has estimated their impact on revenues, net earnings and cash flow from operations.

	Change	Impact on *($ millions)*			
		Costs	**Revenues**	**Cash flow**	**Earnings before Income tax**
Gold Price	**$50/oz**	3.2	19.8	16.6	16.6
Diesel Fuel (1)	**10%**	7.5	-	7.5	7.5
Kyrgyz som	**1 som per USD**	1.6	-	1.6	1.6
Mongolian tugrik	**25 tugrik per USD**	0.5	-	0.5	0.5
Canadian dollar	**10 cents per USD**	2.5	-	2.5	2.5

(1) a 10% change in diesel fuel price equals $19/oz produced

Material Assumptions & Risks

Material assumptions or factors used to forecast production and costs for the second to fourth quarters of 2012 include the following:

- a gold price of $1,650 per ounce,
- exchange rates:
  - $1USD:$1.01 CAD
  - $1USD:46 Kyrgyz som
  - $1USD:1,235 Mongolian tugriks
  - $1USD:0.74 Euro
- diesel fuel price assumption:
  - $0.79/litre at Kumtor
  - $1.15/litre at Boroo

The assumed diesel price of $0.79/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic.

Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was approximately $102 per barrel.

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Other important assumptions include the following:

- any recurrence of political and civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine,
- grades and recoveries at Kumtor will remain consistent with the life-of-mine plan to achieve the forecast gold production,
- the dewatering program at Kumtor continues to produce the expected results and the water management system works as planned,
- the Company is able to satisfactorily manage the ice movement and to unload the ice and waste in the southeast portion of the pit,
- no labour related disruptions occur at any of the Company's operations,
- no unplanned delays in or interruption of scheduled production from our mines, including due to civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks,
- certain issues at Boroo raised by the General Department of Specialized Inspection ("SSIA") concerning the production and sale of gold from the Boroo heap leach facility and other outstanding matters will be resolved through negotiation without material adverse impact on the Company, see "Other Corporate Developments ",
- no further suspension of Boroo's operating licenses, and
- all necessary permits, licences and approvals are received in a timely manner.

Production and cost forecasts and capital estimates are forward-looking information and are based on key assumptions and subject to material risk factors. If any event arising from these risks occurs, the Company's business, prospects, financial condition, results of operations or cash flows and the market price of Centerra's shares could be adversely affected. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect the Company's business operations, prospects, financial condition, results of operations or cash flows and the market price of Centerra's shares. See the section entitled "Risk Factors" in the Company's most recently filed AIF, available on SEDAR at www.sedar.com and see also the discussion below under the heading "Caution Regarding Forward-looking Information".

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Non-GAAP Measures

This MD&A presents information about total cash cost of production of an ounce of gold and total production cost per ounce of gold for the operating properties of Centerra. Except as otherwise noted, total cash cost per ounce produced is calculated by dividing total cash costs by gold ounces produced for the relevant period. Total production cost per ounce produced includes total cash cost plus depreciation, depletion and amortization divided by gold ounces produced for the relevant period. Cost of sales per ounce sold is calculated by dividing cost of sales by gold ounces sold for the relevant period. Total cash cost and total production cost per ounce produced, as well as cost of sales per ounce sold, are non-GAAP measures.

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

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TOTAL CASH COST & TOTAL PRODUCTION COST RECONCILIATION (unaudited)	Three months ended March 31,	
($ millions, unless otherwise specified)	**2012**	**2011**
Centerra:		
Cost of sales, as reported	**$ 84.8**	$ 61.8
Less: Non-cash component	**20.3**	14.8
Cost of sales - Cash component	**$ 64.5**	$ 47.0
Adjust for: Refining fees & by-product credits	**(0.2)**	(0.9)
Regional Office administration	**4.8**	4.8
Mine standby costs	**4.6**	-
Non-operating costs	**-**	-
Inventory movement	**(2.3)**	16.0
Total cash cost - 100%	**$ 71.4**	$ 66.9
Depreciation, Depletion, Amortization and Accretion	**20.4**	14.8
Inventory movement - non-cash	**(6.3)**	2.9
Total production cost - 100%	**$ 85.5**	$ 84.6
Ounces poured - 100% (000)	**72.6**	180.7
Total cash cost per ounce	**$ 985**	$ 370
Total production cost per ounce	**$ 1,179**	$ 468
Kumtor:		
Cost of sales, as reported	**$ 68.5**	$ 48.3
Less: Non-cash component	**17.7**	11.7
Cost of sales - Cash component	**$ 50.8**	$ 36.6
Adjust for: Refining fees & by-product credits	**(0.2)**	(0.9)
Regional Office administration	**3.4**	3.3
Mine standby costs	**4.6**	-
Non-operating costs	**-**	-
Inventory movement	**2.2**	17.2
Total cash cost - 100%	**$ 60.7**	$ 56.2
Depreciation, Depletion, Amortization and Accretion	**$ 17.8**	$ 11.7
Inventory movement - non-cash	**$ (5.5)**	$ 3.4
Total production cost - 100%	**$ 73.0**	$ 71.3
Ounces poured - 100% (000)	**60.7**	164.2
Total cash cost per ounce	**$ 1,001**	$ 342
Total production cost per ounce	**$ 1,202**	$ 434
Boroo:		
Cost of sales (cash), as reported	**$ 16.3**	$ 13.5
Less: Non-cash component	**2.6**	3.1
Cost of sales - Cash component	**$ 13.7**	$ 10.4
Adjust for: Refining fees & by-product credits	**-**	-
Regional Office administration	**1.4**	1.5
Mine standby costs	**-**	-
Non-operating costs	**-**	-
Inventory movement	**(4.4)**	(1.2)
Total cash cost - 100%	**$ 10.7**	$ 10.7
Depreciation, Depletion, Amortization and Accretion	**$ 2.6**	3.1
Inventory movement - non-cash	**$ (0.8)**	(0.5)
Total production cost - 100%	**$ 12.5**	$ 13.3
Ounces poured - 100% (000)	**11.8**	16.5
Total cash cost per ounce	**$ 905**	$ 643
Total production cost per ounce	**$ 1,059**	$ 803

Qualified Person & QA/QC

The exploration information and related scientific and technical information in this MD&A were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and were prepared, reviewed, verified and compiled by Centerra's geological and mining staff under the supervision of David Groves, Certified Professional Geologist, Centerra's Vice-President, Exploration, who is the qualified person for the purpose of NI 43-101. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the exploration drilling programs are done consistent with industry standards and independent certified assay labs are used with the exception of the Kumtor project as described in its technical report.

The production information and related scientific and technical information in this MD&A, including the production estimates for Kumtor under heading "Kumtor – Forecast Production & Select Financial Information (2012 – 2014)" were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and were reviewed, verified and compiled by Centerra's geological and mining staff under the supervision of Dan Redmond, Ontario Professional Geoscientist, Centerra's Director, Technical Services – Mining, who is the qualified person for the purpose of NI 43-101.

The Kumtor deposit is described in Centerra's most recently filed AIF and a technical report dated March 22, 2011 prepared in accordance with NI 43-101. The technical report has been filed on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Kumtor deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kumtor site are described in the technical report.

Caution Regarding Forward-Looking Information

Information contained in this MD&A which are not statements of historical facts, and the documents incorporated by reference herein, may be "forward looking information" for the purposes of Canadian securities laws. 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. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things, the statements made under the heading, "Outlook for 2012" and "Kumtor – Forecast Production & Select Financial Information (2012 – 2014)", includes the Company's expectations regarding future production, cash cost per ounce produced and expected milling plan; Centerra's statements regarding future growth, results of operations, future production and sales, operating capital expenditures, and performance; expected trends in the gold market, including with respect to costs of gold production; capital and operational expenses; exploration plans and the success thereof; mining plans at each of the Company's operations; the receipt of permitting and regulatory approvals at the Company's Gatsuurt development property; the impact of the Water and Forest Law on the Company's Mongolian activities; permitting of the Company's heap leach activities at the Boroo mine; anticipated delays and approvals and regulatory commissioning of the Company's Gatsuurt development property as a result of the Water and Forest Law; the Company's ability to successfully mange the ice and waste movement at Kumtor and to access reserves in the southwest portion of the Kumtor pit in September 2012; the Company's business and political environment and business prospects; and the timing and development of new deposits.

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 under the heading "Outlook for 2012" and "Kumtor – Forecast Production & Select Financial Information (2012 – 2014)". Factors that could cause actual results or events to differ materially from current expectations include, among other things: the sensitivity of the Company's business to the volatility of gold prices; the political risks associated with the Company's principal operations in the Kyrgyz Republic and Mongolia; the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates; the effect of the Water and Forest Law on the Company's operations in Mongolia; ground movements at the Kumtor project; waste and ice movement at the Kumtor project; the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities; competition for mineral acquisition opportunities; the adequacy of the Company's insurance to mitigate operational risks; the effect of the 2006 Mongolian Minerals Law on the Company's Mongolian operations; the effect of the November 2010 amendments to the 2006 Mongolian Minerals Law on the royalties payable in connection with the Company's Mongolian operations; the impact of continued scrutiny from Mongolian regulatory authorities on the Company's Boroo project; the impact of changes to, or the increased enforcement of, environmental laws and regulations relating to the Company's operations; the Company's ability to replace its mineral reserves; the occurrence of any labour unrest or disturbance and the ability of the Company to successfully re-negotiate collective agreements when required; litigation; the imprecision of the Company's mineral reserves and resources estimates and the assumptions they rely on; the accuracy of the Company's production and cost estimates; environmental, health and safety risks; defects in title in connection with the Company's properties; the impact of restrictive covenants in the Company's revolving credit facility; the Company's ability to successfully negotiate an investment agreement for the Gatsuurt project to complete the development of the mine and the Company's ability to obtain all necessary permits and commissions needed to commence mining activity at the Gatsuurt project; seismic activity in the vicinity of the Company's operations in the Kyrgyz Republic and Mongolia; long lead times required for equipment and supplies given the remote location of the Company's properties; illegal mining on the Company's Mongolian properties; the Company's ability to enforce its legal rights; the Company's ability to accurately predict decommissioning and reclamation costs; the Company's ability to obtain future financing; the impact of global financial conditions; the impact of currency fluctuations; the effect of market conditions on the Company's short-term investments; the Company's ability to attract and retain qualified personnel; the Company's ability to make payments including any payments of principal and interest on the Company's debt facilities depends on the cash flow of its subsidiaries; risks associated with the conduct of joint ventures; risks associated with having a significant shareholder; and possible director conflicts of interest. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See "Risk Factors" in the Company's most recently filed AIF available on SEDAR at www.sedar.com.

Furthermore, market price fluctuations in gold, as well as increased capital or production costs or reduced recovery rates may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. Economic and technological factors which may change over time always influence the evaluation of reserves or resources. Centerra has not adjusted mineral resource figures in consideration of these risks and, therefore, Centerra can give no assurances that any mineral resource estimate will ultimately be reclassified as proven and probable reserves.

Reserve and resource figures 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 these reserve and resource estimates 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 analysis of drilling results and statistical inferences which may ultimately prove unreliable.

Centerra has not adjusted resource figures 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 or incorporated into future production guidance. If Centerra's reserve or resource estimates or production guidance for its gold properties are inaccurate or are reduced in the future, this could have an adverse impact on the market price of Centerra's shares, Centerra's future cash flows, earnings, results of operations and financial condition. Centerra estimates the future mine life of its operations and provides production guidance in respect of its mining operations. Centerra can give no assurance that mine life estimates will be achieved or that actual production will not differ materially from its guidance. Failure to achieve estimates or production guidance could have an adverse impact on the market price of Centerra's shares, Centerra's future cash flows, earnings, results of operations and financial condition.

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. Interred 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.

There can be no assurances that forward looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward looking information is as of May 15, 2012.

Centerra assumes no obligation to update or revise forward looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward looking information, except as required by applicable law.

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Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

For the Quarter Ended March 31, 2012
(Unaudited)

(Expressed in United States Dollars)

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Centerra Gold Inc.

Condensed Consolidated Statement of Financial Position

(Unaudited)

(Expressed in Thousands of United States Dollars)	Notes	March 31 2012	December 31 2011
Assets			
Current assets			
Cash and cash equivalents		**$ 293,267**	$ 195,539
Short-term investments		**152,469**	372,667
Restricted cash		**239**	179
Amounts receivable	**3**	**44,287**	56,749
Inventories	**4**	**253,082**	279,944
Prepaid expenses		**17,190**	26,836
		760,534	931,914
Property, plant and equipment	**5**	**695,004**	590,151
Goodwill		**129,705**	129,705
Long-term receivables and other		**35,147**	24,674
Long-term inventories	**4**	**12,174**	12,174
		872,030	756,704
Total assets		**$ 1,632,564**	$ 1,688,618
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	**6**	**$ 38,636**	$ 76,385
Revenue-based taxes		**8,261**	15,178
Taxes payable		**2,750**	1,074
Current portion of provision		**3,665**	1,848
		53,312	94,485
Provision		**53,024**	53,777
Deferred income tax liability		**1,761**	1,897
		54,785	55,674
Shareholders' equity			
Share capital	**13**	**660,352**	660,117
Contributed surplus		**34,420**	33,994
Retained earnings		**829,695**	844,348
		1,524,467	1,538,459
Total liabilities and shareholders' equity		**$ 1,632,564**	$ 1,688,618

Commitments and contingencies (note 14)

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements

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Centerra Gold Inc.
Condensed Consolidated Statements of (Loss) Earnings and Comprehensive Income (Loss)
(Unaudited)

		Three months ended	
		March 31 2012	March 31 2011
(Expressed in Thousands of United States Dollars, except per share amounts)	**Notes**		
Revenue from Gold Sales		**$ 133,753**	$ 250,179
Cost of sales	7	**84,754**	61,794
Abnormal mining costs	8	**19,228**	-
Mine standby costs	9	**4,584**	-
Regional office administration		**4,797**	4,766
Earnings from mine operations		**20,390**	183,619
Revenue based taxes		**15,083**	32,188
Other operating expenses	10	**1,468**	47
Exploration and business development		**8,345**	7,557
Corporate administration		**8,546**	7,768
(Loss) earnings from operations		**(13,052)**	136,059
Other (income) and expenses	11	**(777)**	(1,048)
Finance costs	12	**916**	390
(Loss) earnings before income taxes		**(13,191)**	136,717
Income tax expense		**1,462**	94
Net (loss) earnings and comprehensive (loss) income		**$ (14,653)**	$ 136,623
Basic and diluted (loss) earnings per common share	13	**$ (0.06)**	$ 0.58

Centerra Gold Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(Expressed in Thousands of United States Dollars)	Notes	Three months ended March 31 2012	March 31 2011
Operating activities			
Net (loss) earnings		**$ (14,653)**	$ 136,623
Items not requiring (providing) cash:			
Depreciation, depletion and amortization		**22,788**	14,956
Finance costs		**916**	390
Loss on disposal of plant and equipment		**57**	109
Stock - based compensation expense		**513**	324
Change in long-term inventory		**-**	183
Income tax expense		**1,462**	94
Other operating items		**485**	(29)
		11,568	152,650
Change in operating working capital		**(1,409)**	(8,437)
Income tax paid		**76**	(1,092)
Cash provided by operations		**10,235**	143,121
Investing activities			
Additions to property, plant and equipment	**16**	**(121,986)**	(61,685)
Redemption (purchase) of short-term investments		**220,198**	(68,966)
Use of restricted cash		**60**	-
Increase in long-term other assets		**(10,473)**	(559)
Cash provided by (used in) in investing		**87,799**	(131,210)
Financing activities			
Payment of transaction costs related to borrowing		**(454)**	(127)
Proceeds from common shares issued for cash		**148**	171
Cash provided by (used in) financing		**(306)**	44
Increase in cash during the period		**97,728**	11,955
Cash and cash equivalents at beginning of the period		**195,539**	330,737
Cash and cash equivalents at end of the period		**$ 293,267**	$ 342,692
Cash and cash equivalents consist of:			
Cash		**$ 68,973**	$ 45,074
Cash equivalents		**224,294**	297,618
		$ 293,267	$ 342,692

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements

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Centerra Gold Inc.
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)

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

	Number of Common Shares	Amount	Contributed Surplus	Retained Earnings	Total
Balance at January 1, 2011	235,869,397	$ 655,178	$ 33,827	$ 572,792	$ 1,261,797
Share-based compensation expense	-	-	324	-	324
Shares issued on exercise of stock options	34,498	269	(98)	-	171
Net earnings for the period	-	-	-	136,623	136,623
Balance at March 31, 2011	235,903,895	$ 655,447	$ 34,053	$ 709,415	$ 1,398,915
Balance at January 1, 2012	236,339,041	$ 660,117	$ 33,994	$ 844,348	$ 1,538,459
Share-based compensation expense	-	-	513	-	513
Shares issued on exercise of stock options	30,752	235	(87)	-	148
Net loss for the period	-	-	-	(14,653)	(14,653)
Balance at March 31, 2012	236,369,793	$ 660,352	$ 34,420	$ 829,695	$ 1,524,467

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements

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(Expressed in thousands of United States Dollars)

1. General business description

Centerra Gold Inc. ("Centerra" or the "Company") was incorporated under the Canada Business Corporations Act on November 7, 2002. Centerra has common shares listed on the Toronto Stock Exchange ("TSX"). The Company is domiciled in Canada and the registered office is 1 University Avenue, Suite 1500, Toronto, Ontario, M5J 2P1.

2. Basis of Preparation and Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and using the accounting policies consistent with accounting policies used in its consolidated financial statements as at and for the year ending December 31, 2011. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued IASB, have been omitted or condensed.

These financial statements are presented in U.S. dollars with all amounts rounded to the nearest thousand, except for share and per share data, or as otherwise noted. These financial statements should be read in conjunction with the Company's 2011 annual financial statements.

These financial statements were authorized for issuance by the Board of Directors of the Company on May 15, 2012.

3. Amounts receivable

(Thousands of U.S. Dollars)	**March 31, 2012**	**December 31, 2011**
Gold sales receivable from related party	**$ 34,040**	$ 47,366
Gold sales receivable from third party	**581**	-
Other receivables	**9,666**	9,383
	$ 44,287	$ 56,749

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4. Inventories

(Thousands of U.S. Dollars)	**March 31, 2012**	December 31, 2011
Stockpiles	**$ 75,793**	$ 105,635
Gold in-circuit	**22,278**	16,343
Heap leach in circuit	**3,359**	3,359
Gold doré	**7,924**	10,645
	109,354	135,982
Supplies	**155,902**	156,136
Total Inventories (net of provision)	**265,256**	292,118
Less: Long-term inventory (heap leach stockpiles)	**(12,174)**	(12,174)
Total Inventories-current portion	**$ 253,082**	$ 279,944

Stockpiled inventory was written down to net realizable value at March 31, 2012 resulting from a significant increase in cost due to unplanned removal of ice and waste material compounded by a low amount of ore being mined in the first quarter of 2012. The impaired value was $18.7 million and included in abnormal mining costs which is disclosed in note 8

The provision for mine supplies obsolescence was increased for the three months ended March 31, 2012 by $0.2 million (March 31, 2011- $0.2 million) which was charged to cost of sales and is disclosed in note 7.

The table below summarizes the impairment and provision for obsolescence charges to inventory:

(Thousands of U.S. Dollars)	**March 31, 2012**	December 31, 2011
Total inventories	**$ 286,369**	$ 294,319
Less: Abnormal mining costs	**(18,694)**	-
Less : Provisions for obsolescence	**(2,419)**	(2,201)
Total Inventories (net of write down and provision)	**265,256**	292,118
Less: Long-term inventory (heap leach stockpiles)	**(12,174)**	(12,174)
Total Inventories-current portion	**$ 253,082**	$ 279,944

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5. Property, plant and equipment

The following is a summary of the carrying value of property, plant and equipment:

(Thousands of U.S. Dollars)	Mine buildings	Pland and equipment	Mineral properties	Capitalized stripping costs	Mobile Equipment	Construction in progress ("CIP")	Total
Cost							
Balance Jan 1, 2012	$ 53,836	$ 322,775	$ 187,434	$ 116,198	$ 346,927	$ 178,541	$ 1,205,711
Additions	-	876	-	33,437	5,319	90,504	130,136
Disposals	-	(554)	-	-	(3,020)	-	(3,574)
Reclassification	-	4,646	-	-	344	(4,990)	-
Balance Mar 31, 2012	**$ 53,836**	**$ 327,743**	**$ 187,434**	**$ 149,635**	**$ 349,570**	**$ 264,055**	**$ 1,332,273**
Accumulated depreciation							
Balance Jan 1, 2012	$ 34,238	$ 208,456	$ 123,910	$ 75,747	$ 173,209	$ -	$ 615,560
Charge for the year	259	1,670	1,675	116	21,503	-	25,223
Disposals	-	(513)	-	-	(3,001)	-	(3,514)
Balance Mar 31, 2012	**$ 34,497**	**$ 209,613**	**$ 125,585**	**$ 75,863**	**$ 191,711**	**$ -**	**$ 637,269**
Net book Value							
Balance Jan 1, 2012	19,598	114,319	63,524	40,451	173,718	178,541	590,151
Balance Mar 31, 2012	**$ 19,339**	**$ 118,130**	**$ 61,849**	**$ 73,772**	**$ 157,859**	**$ 264,055**	**$ 695,004**

The net movement in construction in progress during the three months ended March 31, 2012 includes $77.1 million of mobile equipment and $11 million of costs incurred on the underground development. During the first quarter of 2012, the Company took title of 25 CAT 789, 5 Hitachi shovels and 4 DR460 drills at Kumtor.

6. Accounts payable and accrued liabilities

(Thousands of U.S. Dollars)	**March 31, 2012**	**December 31, 2011**
Trade creditors and accruals	**$ 26,428**	$ 34,411
Liability for share-based compensation	**12,208**	41,974
Total	**$ 38,636**	$ 76,385

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7. Cost of sales

	Three Months Ended	
(Thousands of U.S. Dollars)	**March 31, 2012**	**March 31, 2011**
Operating costs:		
Salaries and benefits	**$ 17,313**	$ 15,263
Consumables	**38,638**	42,207
Third party services	**1,064**	910
Other operating costs	**3,890**	3,470
Royalties, levies & production taxes	**1,393**	1,100
Changes in inventories	**1,956**	(16,222)
	64,254	46,728
Inventories obsolescence and impairment (note 4)	**218**	235
Depreciation, depletion and amortization	**20,282**	14,831
	$ 84,754	$ 61,794

8. Abnormal mining costs

	Three Months Ended	
(Thousands of U.S. Dollars)	**March 31, 2012**	**March 31, 2011**
Abnormal mining costs (i)	**$ 18,694**	$ -
Unloading of abnormal waste (ii)	**534**	-
	$ 19,228	$ -

(i) The mining plan for the first quarter of 2012 included stripping of waste material in the SB Zone and the continued normal mining of ice and waste in the southeast section of the pit to allow access and mining of ore in the latter part of March. The increased level of mining of ice and waste necessary to maintain access to the pit during most of the quarter, exacerbated by the ten day labour strike and the acceleration of this material resulted in a decision to stop mining in the production cut-back where ore for the quarter was planned to be released. The additional mining activity associated with the ice and waste during a period where little ore was mined resulted in a significant amount of cost being added to existing stockpiled inventory. This caused the inventory's recorded value to exceed what the Company believes can be realized after further processing and subsequent sale of the gold by $18.7 million, which was expensed in the first quarter of 2012.

(Expressed in thousands of United States Dollars)

8. Abnormal mining costs (continued)

(ii) As a result of the decision announced on March 27, 2012 to address the acceleration of ice and waste material in the high movement area above the SB Zone, access to the ore in the southeast section of the pit was delayed and the mine plan for the year was revised. The area of ice and waste which needs to be removed is primarily located outside of the current pit limits and will require significant effort and cost over the balance of 2012 and part of 2013 to provide access to mine the southeast section of the pit. This abnormal cost associated with the removal of ice and waste material from the high movement area from the date of the announcement to the end of the first quarter of 2012 was $0.5 million.

9. Mine Standby Costs

Over a period of ten days ended February 16, 2012 the Company's operations at Kumtor were temporarily suspended due to a labour dispute initiated by unionized workers at Kumtor. The Company incurred and expensed $4.6 million in labour, maintenance and mine support costs directly as a result of the labour dispute at Kumtor for the three months ended March 31, 2012.

10. Other Operating expenses

	Three Months Ended	
(Thousands of U.S. Dollars)	**March 31, 2012**	**March 31, 2011**
Social development contributions	**$ 1,418**	$ 47
Net alluvial production (income) expenses	**(48)**	-
Project care and maintenance	**98**	-
	$ 1,468	$ 47

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11. Other (income) and expenses

(Thousands of U.S. Dollars)	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011	
Interest income	**$**	**(291)**	$	(227)
Loss on disposal of assets		**25**		17
Bank charges		**21**		18
Other (income) and expenses		**(15)**		77
Foreign exchange loss		**(517)**		(933)
Net	**$**	**(777)**	$	(1,048)

12. Finance Costs

(Thousands of U.S. Dollars)	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011	
Transaction costs related to Revolver facilities	**$**	**726**	$	127
Accretion of provision for reclamation		**190**		263
	$	**916**	$	390

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13. 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 computation:

(Thousands of U.S. Dollars)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Net (loss) earnings attributable to shareholders	**$ (14,653)**	$ 136,623
Weighted average number of common shares outstanding (thousands)	**236,354**	235,880
Effect of potential dilutive securities:		
Stock options (thousands)	**-**	434
Diluted weighted average common shares outstanding (thousands)	**236,611**	236,314
Basic and diluted (loss) earnings per common share	**$ (0.06)**	$ 0.58

In the following table, all securities were excluded from the calculation of diluted earnings per share as they would have been anti dilutive as a result of the net loss for the three months ended March 31, 2012.

For the three months ended March 31, 2011 certain potentially dilutive securities were excluded from the calculation of diluted earnings per share due to the exercise prices of certain stock options being greater than the average market price of the Company's ordinary shares for the three months then ended and the effect of the assumed potential conversion of the performance share units and restricted share units to equity was anti-dilutive.

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Stock options (thousands)	**390**	50
Restricted share units (thousands)	**35**	-
Performance share units (thousands)	**634**	1,641
	1,059	1,691

(Expressed in thousands of United States Dollars)

13. Shareholders' Equity (continued)

c. Share-Based Compensation

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

(Millions of U.S. dollars except as indicated)	Number outstanding Mar 31/12	Expense/(Income) Mar 31/12	Expense/(Income) Mar 31/11	Liability Mar 31/12	Liability Dec 31/11
(i) Stock options	**1,055,557**	**$ 0.4**	$ 0.3	**$ -**	$ -
(ii) PSU [1]	**619,258**	**0.5**	1.5	**6.2**	33.0
(iii) Annual-PSU [2]	**80,823**	**0.3**	0.3	**0.3**	1.9
(iv) Deferred share units	**355,311**	**(1.1)**	(0.7)	**5.1**	6.2
(v) Restricted share units	**56,517**	**0.3**	0.2	**0.8**	0.9
		$ 0.4	$ 1.6	**$ 12.4**	$ 42.0

1) Performance share units.
2) Annual performance share units

Movements in the number of options and units for the first quarter 2012 are summarized as follows:

	Number outstanding Dec 31/11	Issued	Exercised	Expired/ Forfeited	Number outstanding March 31/12	Number Vested March 31/12
(i) Stock options	752,448	333,861	(30,752)	-	**1,055,557**	459,626
(ii) PSU	1,314,134	198,247	(892,456)	(667)	**619,258**	-
(iii) Annual- PSU	77,013	82,311	(77,013)	(1,488)	**80,823**	20,206
(iv) Deferred share units	354,516	795	-	-	**355,311**	355,311
(v) Restricted share units	49,659	18,912	(12,054)	-	**56,517**	42,333

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13. Shareholders' Equity (continued)

c. Share-Based Compensation

(i) Stock Options

On March 6, 2012, Centerra granted 333,861 stock options at an exercise price of Cdn $19.48 per share. The fair value of the stock options was determined using the Black-Scholes valuation model, assuming a weighted average expected life of 3-years, 49.03% volatility, dividend yield of 2.26% and a risk-free rate of return of 1.18%. The resulting weighted average fair value per option granted was Cdn $4.68. The estimated fair value of the options is expensed over their graded vesting periods, which range from 1 year to 3 years.

(ii) Performance Share Unit Plan

Centerra granted 198,247 performance share units during the first quarter of 2012, at a grant price of Cdn $20.37 per share. The fair value of the performance share unit was determined using the Monte Carlo option pricing model.

The principal assumptions used in applying the Monte Carlo option pricing model as at March 31, 2012 were as follows:

Share price	$ 17.74
S&P/TSX Global Gold Index	$ 398.75
Expected life (years)	1.71
Expected volatility- Centerra's share price	49.53%
Expected volatility- S&P/TSX Global Gold Index	30.94%
Risk-free rate of return	1.39%
Forfeiture rate	1.69%

The resulting weighted average fair value per performance share unit as of March 31, 2012 was Cdn $17.08.

(Expressed in thousands of United States Dollars)

13. Shareholders' Equity (continued)

c. Share-Based Compensation – (continued)

(iii) Annual Performance Share Unit Plan

Centerra granted 82,311 annual performance share units during the first quarter of 2012, at a grant price of Cdn $20.37 per share. The fair value of the annual performance share unit was determined using the Monte Carlo option pricing model.

The principal assumptions used in applying the Monte Carlo option pricing model as at March 31, 2012 were as follows:

Share price	$ 17.74
S&P/TSX Global Gold Index	$ 398.75
Expected life (years)	0.76
Expected volatility- Centerra's share price	50.32%
Expected volatility- S&P/TSX Global Gold Index	31.96%
Risk-free rate of return	1.24%
Forfeiture rate	11.57%

The resulting weighted average fair value per annual performance share unit as of March 31, 2012 was Cdn $19.09.

(iv) Deferred Share Unit Plan

During the quarter ended March 31, 2012, Centerra granted 795 deferred share units, which vest immediately, at a grant price of Cdn $14.30 per unit to eligible members of the Board of Directors.

(v) Restricted Share Unit Plan

During the quarter ended March 31, 2012, Centerra granted 18,912 restricted share units, which vest immediately, at a grant price of Cdn $14.30 per unit to eligible members of the Board of Directors.

14. Commitments and Contingencies

Commitments

As at March 31, 2012, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $142.9 million (Kumtor - $142.7 million and Boroo - $0.2 million) these are expected to be settled over the next twelve months.

Contingencies

Various legal and tax matters are outstanding from time to time due to the complexity and nature of the Company's operations.

Except as noted below, no material changes have occurred with respect to the matters discussed in the "contingencies" section of the Company's 2011 annual consolidated financial statements published on February 23, 2012 and no new contingencies have occurred that are material to Centerra. In particular, the following corporate matters remain outstanding:

(a) ***Heap Leach Permit***: receipt of a permanent permit for the Boroo heap leach operation;

(b) ***Gatsuurt and the Impact of the Mongolian Water and Forest Law***: the receipt of regulatory commissioning of the Gatsuurt development property, and determination of the impact of the Mongolian Law to *Prohibit Mineral Exploration and Mining Operations at River Headwaters, Protected Zones of Water Reservoirs and Forested Areas* (the "Water and Forest Law") on the Company's Mongolian operations.

Centerra is reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the Water and Forest Law having a limited impact on the Company's Mongolian activities. There can be no assurance, however, that this will be the case. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the Gatsuurt project or Gatsuurt is designated as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources or eliminated entirely and the Company may be required to write-off the associated investment in Gatsuurt and Boroo. As at March 31, 2012, the Company had net assets recorded amounting to approximately $36 million related to the investment in Gatsuurt and approximately $25 million remaining capitalized for the Boroo mill facility and other surface structures which are expected to be utilized for the processing of ore from Gatsuurt. Although the Company expects to mine the Gatsuurt deposit, should this not be the case, the Company would be required to write-off these amounts. A revocation of the Company's mineral licenses, including the Gatsuurt mineral license, or the reclassification of mineral reserves or the write-off of assets could have an adverse impact on the market price of Centerra's shares, Centerra's future cash flows, earnings, results of operations or financial condition;

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14. Commitments and Contingencies (continues)

Contingencies (continued)

(c) ***Impact of the Graduated Royalty Fee on Boroo***: the possibility that the graduated royalty fee introduced by the Mongolian Parliament in November 2010 may apply to the Boroo project, despite the existence of a stability agreement which provides legislative stabilization for the property. The Company believes that the Boroo Stability Agreement provides, among other things, fiscal stabilization for its Boroo operations and accordingly the graduated royalty fee is not applicable to Boroo's remaining operations. Despite this, the Company cannot provide any assurances that Boroo will not be made subject to the graduated royalty fee. If the graduated royalty fee does apply to Boroo, it may have an adverse impact on the market price of Centerra's shares, Centerra's future cash flows, earnings, results of operations or financial condition;

(d) ***Enforcement Notice by Sistem***: the impact on Centerra of an enforcement notice filed in an Ontario court by Sistem Muhenkislik Insaat Sanayi Ticaret ("Sistem") in March 2011 to seize shares and dividend in Centerra held by Kyrgyzaltyn JSC in satisfaction of an international arbitral award against the Kyrgyz Republic in favour of Sistem in the amount of $11 million with additional interest.

(Expressed in thousands of United States Dollars)

15. Related Party Transactions

Kyrgyzaltyn JSC

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

The table below summarizes 100% of the management fees and concession payments paid and accrued by Kumtor Gold Company (“KGC”), a subsidiary of the Company, to Kyrgyzaltyn and the amounts paid and accrued by Kyrgyzaltyn to KGC according to the terms of a Restated Gold and Silver Sale Agreement between KGC, Kyrgyzaltyn and the Government of the Kyrgyz Republic dated June 6, 2009.

The breakdown of the sales transactions and expenses with the related parties are as follows:

Related parties

(Thousands of U.S.Dollars)	Three Months Ended March 31, 2012	March 31, 2011
Management fees to Kyrgyzaltyn	**$ 62**	$ 166
Gross gold and silver sales to Kyrgyzaltyn	**$ 108,026**	$ 230,747
Deduct: refinery and financing charges	**(294)**	(835)
Net sales revenue received from Kyrgyzaltyn	**$ 107,732**	$ 229,912

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15. Related Party Transactions (continued)

Kyrgyzaltyn JSC (continued)

Related party balances
The assets and liabilities of the Company include the following amounts due from and to related parties:

(Thousands of U.S.Dollars)		**March 31, 2012**		**December 31, 2011**
Prepaid	**$**	**80**	$	143
Amounts receivable		**34,040**		47,366
Total related party assets	**$**	**34,120**	$	47,509

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to a Gold and Silver Sale Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Pursuant to the Agreement on New Terms, entered into in April 2009, the Gold and Silver Sale Agreement was amended and restated in June 2009 with new terms. Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days.

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn.

Based on movements of Centerra's share price and the value of individual or unsettled gold shipments over the course of the first quarter of 2012, there was no shortfall in the value of the pledged security as compared to the value of any unsettled shipments. The highest value receivable from unsettled shipments during the quarter was $48.7 million.

(Expressed in thousands of United States Dollars)

16. Supplemental cash flow disclosure

Investment in property, plant and equipment (PP&E)

	Three months ended	
(Thousands of U.S.Dollars)	**March 31 2012**	**March 31 2011**
Additions to PP&E during the period ended	**$ (130,136)**	$ (72,168)
Depreciation and amortization included in additions to PP&E	**9,435**	5,411
Reduction (increase) in accruals included in additions to PP&E	**(1,285)**	5,072
Cash investment in PP&E	**$ (121,986)**	$ (61,685)

17. Subsequent events

On April 23, 2012, KGC signed an agreement with the Kyrgyz Government to fund $21 million into a national micro-credit financing program. This funding is part of an existing government program whose objective is to provide financing for small sustainable development projects throughout the Kyrgyz Republic. On signing of this agreement, the $21 million was transferred by KGC to the Government's micro credit agency and will be expensed in second quarter of 2012. This funding is in support of the Company's commitment to invest in sustainable development projects in the communities where it works.

18. Segmented Information

In accordance with IFRS 8, *Operating Segments*, the Company's operations are segmented on a regional basis and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The Chief Executive Officer has authority for resource allocation and assessment of the Company's performance and is therefore the CODM.

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 Corporate and other segment involve the head office located in Toronto and other international exploration projects. The segments' accounting policies are the same as those described in the summary of significant accounting policies in the Company's 2011 annual financial statements except that inter-company loan interest income and expenses, which eliminate on consolidation, are presented in the individual operating segments where they are generated when determining earnings or loss.

Geographic Segmentation of Revenue

The Company's only product is gold doré, produced from mines located in the Kyrgyz Republic and Mongolia. 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 Auramet Trading, LLC or Johnson Matthey Limited; the latter also refines the gold for Boroo at its refinery located in Ontario, Canada.

The following table reconciles segment operating profit per the reportable segment information to operating profit per the consolidated income statement.

(Expressed in thousands of United States Dollars)

18. Segmented Information (continued)

Three months ended March 31, 2012

(Millions of U.S. Dollars)	Kygyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	**$ 107.8**	**$ 26.0**	**$ -**	**$ 133.8**
Cost of sales	**68.5**	**16.3**	**-**	**84.8**
Abnormal mining costs	**19.2**	**-**	**-**	**19.2**
Mine standby costs	**4.6**	**-**	**-**	**4.6**
Regional office administration	**3.4**	**1.4**	**-**	**4.8**
Earnings from mine operations	**12.1**	**8.3**	**-**	**20.4**
Revenue based taxes	**15.1**	**-**	**-**	**15.1**
Other operating expenses	**1.4**	**0.1**	**-**	**1.5**
Exploration and business development	**2.3**	**2.1**	**3.9**	**8.3**
Corporate administration	**0.6**	**0.1**	**7.9**	**8.6**
Earnings (loss) from operations	**(7.3)**	**6.0**	**(11.8)**	**(13.1)**
Other (income) and expenses				**(0.8)**
Finance costs				**0.9**
Loss before income taxes				**(13.2)**
Income tax expense				**1.5**
Net loss and comprehensive loss				**(14.7)**
Capital expenditure for the period	**$ 126.2**	**$ 3.8**	**$ 0.1**	**$ 130.1**
Assets (excluding Goodwill)	**$ 1,001.3**	**$ 326.1**	**$ 175.5**	**$ 1,502.9**

Three months ended March 31, 2011

(Millions of U.S. Dollars)	Kygyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ 229.9	$ 20.3	$ -	$ 250.2
Cost of sales	48.3	13.5	-	61.8
Regional office administration	3.3	1.5	-	4.8
Earnings from mine operations	178.3	5.3	-	183.6
Revenue based taxes	32.2	-	-	32.2
Exploration and business development	4.1	0.8	2.6	7.5
Corporate administration	0.5	0.2	7.1	7.8
Earnings (loss) from operations	141.5	4.3	(9.7)	136.1
Other (income) and expenses				(1.0)
Finance costs				0.4
Earnings before income taxes				136.7
Income tax expense				0.1
Net earnings and comprehensive income				$ 136.6
Capital expenditure for the period	$ 71.9	$ 0.1	$ 0.2	$ 72.2
Assets(excluding Goodwill)	$ 845.2	$ 278.6	$ 254.6	$ 1,378.4

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