

centerra**GOLD**



NEWS RELEASE

Centerra Gold Records Second Quarter 2018 Net Earnings of \$43.5 million; Closes Sale of Royalty Portfolio; and Öksüt Construction on Track for First Gold Pour in Early 2020

This news release contains forward-looking information that is subject to the risk factors and assumptions set out under “Caution Regarding Forward-looking Information”. It should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements and the notes thereto for the three and six month periods ended June 30, 2018. The consolidated financial statements of Centerra Gold Inc. are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. All figures are in United States dollars and all production figures are on a 100% basis, unless otherwise stated.

All references in this document denoted with ^{NG}, indicate a non-GAAP term which is discussed under “Non-GAAP Measures”, included in the Company’s MD&A herein, and reconciled to the most directly comparable GAAP measure.

Toronto, Canada, August 1, 2018: Centerra Gold Inc. (“Centerra” or “Company”) (TSX: CG) today reported net earnings of \$43.5 million or \$0.15 per common share (basic) on revenues of \$243.3 million in the second quarter of 2018. The second quarter of 2018 results include a pre-tax gain of \$28.0 million on the sale of the Company’s royalty portfolio and \$9.4 million on the recognition of the final instalments from the sale of the Altan Tsagaan Ovoo property (“ATO property”). Excluding these items, adjusted earnings^{NG} in the second quarter of 2018 were \$1.0 million or nil per common share (basic). During the same period in 2017, the Company reported net earnings of \$23.4 million or \$0.08 per common share (basic) on revenues of \$279.2 million. Excluding the write-down of the Company’s Mongolian assets of \$41.3 million (\$39.7 million after tax), adjusted earnings^{NG} in the second quarter of 2017 were \$63.1 million or \$0.22 per common share (basic).

2018 Second Quarter Highlights

- Produced a total of 130,183 ounces of gold, including 83,803 ounces at Kumtor and 46,380 ounces at Mount Milligan.
- Sold a total of 140,427 ounces of gold in the quarter, including 90,620 ounces at Kumtor and 49,807 ounces at Mount Milligan.
- Mount Milligan produced 16.5 million pounds of copper during the period and sold 12.7 million pounds of copper.
- Company-wide all-in sustaining costs on a by-product basis per ounce sold^{NG} were \$996, excluding revenue-based tax in the Kyrgyz Republic and income tax.
- Progressed construction of the Öksüt Project providing main road access and initiating site preparation.

- All conditions precedent on the \$150 million Öksüt credit facility were satisfied on June 26, 2018 with an initial draw of \$15 million occurring on June 29, 2018.
- Construction permit received for the Kemess Project on July 6, 2018. Pre-construction activities continue. No construction decision has yet been made.
- Sold the Company's gold royalty portfolio for \$155 million, recognizing a gain of \$28.0 million.
- Recognized the final instalments of the purchase price receivable from the sale of the ATO property with an additional \$9.4 million after tax gain recognized in the quarter on the sale; the total gross proceeds increased to \$19.8 million and a total after tax gain recognized on the sale of \$16.3 million.
- Sold a silver stream on the Kemess Project for \$45 million with first of four stream payments to be received when a construction decision is made on the project.
- Cash provided by operating activities before changes in working capital^{1NG} of \$47.6 million.
- Cash, cash equivalents, restricted cash and short-term investments at June 30, 2018 were \$215.5 million.

Mount Milligan Water Matters

Mount Milligan continues to face potential limitations due to water supply, a situation exacerbated by minimal inflow from snow melt and less than expected precipitation experienced in 2018. Centerra has applied to British Columbia regulators to access additional water sources through July 2020. While the Company fully expects to receive the necessary approvals, the timing of such approval is uncertain and outside the control of the Company.

In addition to these water matters, throughput in the third quarter of 2018 will be reduced as a result of a 10-day unscheduled shutdown of the primary crusher for maintenance in July and a scheduled 5-day BC Hydro maintenance shutdown in September.

If regulatory approvals to access water sources are not received as expected and given the expected maintenance shutdowns, the Mount Milligan mill would need to operate only one ball mill to conserve water and throughput would be reduced to approximately 30,000 tpd for the fourth quarter. At that rate, the outlook for 2018 production at Mount Milligan would be reduced to 175,000-195,000 payable ounces of gold and 40-47 million payable pounds of copper.

If however the Company receives approval to access short-term water sources in the fourth quarter of 2018, second half throughput could be increased.

See "Operating Mines and Facilities – Mount Milligan Mine – Water Availability" and "2018 Outlook" for further details.

Sale of Royalty Portfolio and Kemess silver stream

On May 17, 2018, the Company announced that its wholly-owned subsidiary, AuRico Metals Inc. ("AuRico" or "AMI"), entered into agreements to sell AMI's royalty portfolio (the "Royalty Sale") and a silver stream on the Kemess Project (the "Kemess Stream") for combined aggregate proceeds of \$200 million. The Royalty Sale, for up-front cash proceeds of \$155 million, was subject to customary adjustments, including an economic effective date of April 1, 2018. The Royalty Sale was completed and funds received on June 27, 2018. A pre-tax gain of \$28.0 million was recorded in the Company's second quarter 2018 results.

The Kemess Stream consists of the sale of 100% of the silver production from the Kemess Project for cash consideration of \$45 million as advance payments, payable in tranches starting on the public announcement

by Centerra that its board of directors has approved a construction decision with respect to the Kemess underground development project and the three succeeding anniversaries of such date. Accounting for this sale will commence once conditional payments are received.

Sale of ATO Property – Remaining Instalments

On January 31, 2017, the Company entered into a definitive agreement to sell the ATO property, located in Eastern Mongolia for gross proceeds of \$19.8 million. Upon closing of the agreement in September 2017, the Company received a first instalment and recorded a pre-tax gain of \$9.8 million (\$6.9 million after-tax).

The remaining balance is scheduled to be received in payments of \$5 million on each of September 30, 2018 and September 30, 2019. At the time of closing, the Company delayed recognition of the gain on the final two instalments of the sale due to payment uncertainties. Following completion of the purchaser's initial public offering in the second quarter of 2018, the Company recorded an after-tax gain of \$9.4 million in the current quarter.

Subsequent to June 30, 2018

On July 6, 2018 the Company's subsidiary, AuRico Metals Inc., received the amended Mines Act Permit from the Province of British Columbia Ministry of Energy, Mines & Petroleum Resources approving the mine plan and reclamation program for the Kemess Underground Project. Subject to certain conditions on future reclamation and bonding requirements, this permit allows the Company to commence construction activities associated with the water treatment and water discharge system, and would allow the Company to commence construction if a decision to proceed with the development of the project is made by the Company's board of directors. The Company is still awaiting receipt of other permits, including the Effluent Discharge Permit and the Air Emissions Permit. No construction decision has, as yet, been made on the Kemess Project. See "Other Corporate Developments" and "Development Projects – Kemess Underground Project".

Commentary

Scott Perry, President and Chief Executive Officer of Centerra stated, "We had another safe quarter at our operations and construction sites as our employees embrace our Work Safe – Home Safe program. We continue to roll out phase two of the program as we drive to zero harm within the work place."

"The operations produced a total of 130,183 ounces of gold and 16.5 million pounds of copper in the quarter. Kumtor's gold production was lower as expected but Mount Milligan achieved better than expected mill throughput which led to higher than planned gold and copper production. At Mount Milligan, the additional volumes of water from the spring melt allowed us to ramp up mill throughput quicker enabling the mill to achieve an average of 52,081 tonnes per operating day during the quarter. The mill performed very well during the quarter with little to no unplanned downtime and achieved an average throughput of greater than 60,000 tpd over a 30 consecutive day period. As a matter of fact, it achieved a record daily throughput in excess of 75,000 tonnes per day for 2 days in a row."

"Company-wide our all-in sustaining costs (before taxes)^{NG} were \$996 per ounce for the quarter bringing year-to-date to \$963 per ounce. The higher cost quarter was planned due to the processing of lower grade materials at Kumtor. Kumtor remains on track to access the higher grade material in the fourth quarter."

“Construction activity also continued at the Öksüt Project in Turkey with main access road construction, site road construction and the clearing of top soil for various installations including the heap leach pad site and other site infrastructure. The Company met all conditions of the \$150 million OMAS credit facility with the initial draw occurring in the quarter.”

“Another significant milestone was achieved just after the quarter end with the Kemess Project receiving the amendment to its Mines Act Permit, thereby approving the underground mine plan and reclamation program for the Kemess Underground Project. We are still waiting receipt of other permits, but are very pleased with the overall progress at Kemess. ”

“Financially, the business delivered approximately \$48 million of consolidated cash provided by operations before changes in working capital^{NG} in the quarter. Kumtor and Mount Milligan generated \$52 million and \$21 million respectively, before working capital changes.”

Exploration Update

Exploration expenditures in the second quarter of 2018 totaled \$4.8 million compared to \$2.4 million in the same quarter of 2017. Exploration activities during the second quarter included drilling, trenching, surface sampling, geological mapping and geophysical surveying at the Company’s various projects.

Kyrgyz Republic

Kumtor Mine

Kumtor has designed and initiated a two-year 60,000 metre drill program to test potential extensions of gold mineralization along the Kumtor trend. The program is focused within the Central, South-West and Sarytor pits and the North-East Target area. A new budget of \$18 million has been allocated to the program with \$6.5 million for 2018 and \$11.5 million budgeted for 2019.

Drilling in 2018 is planned to test near surface targets, including the Hockey Stick Zone, the north-west periphery of the Central Pit and the corridor between the Central Pit and South-West Pit.

During the second quarter of 2018 five diamond drill holes were completed for a total of 824 metres at the southwest end of the Central Pit (Hockey Stick Zone). The first two holes failed due to poor ground conditions and were terminated well above the inferred mineralized zone. Assay results have returned for one hole which intersected similar mineralization style to the ore body near the surface of the current open pit. A significant intercept was identified:

D1783: 9.9 metres @ 5.75 g/t Gold (“Au”) from 207.8 metres.

Drilling will continue in the Central Pit in the Hockey Stick Zone followed up with a 1,700 metre program in the South-West Area.

The above mineralized intercept was calculated using a cut-off grade of 1.0 g/t Au, minimum interval of 4.0 m and a maximum internal dilution interval of 5.0 metres. Drill collar locations and associated graphics are available at the following link:

<http://resource.globenewswire.com/Resource/Download/e538193a-2842-4a0c-9ee7-0117eb4ffc94>

A listing of the drill results, drill hole locations and plan map for the Kumtor Mine have been filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and are available at the Company's web site www.centerragold.com.

Canada

Mount Milligan Mine

Exploration activities in the second quarter of 2018 at Mount Milligan included near-pit infill and expansion drilling in multiple zones of the porphyry copper-gold deposit, the start of brownfield exploration drilling (within the mine lease), start of greenfield exploration drilling (outside the mine lease) and geophysical surveying.

The near-pit diamond drilling program was completed in the second quarter for a total of 10,595 metres in 28 drill holes. Assay results continue to demonstrate significant intervals of copper and gold in under-drilled areas within and under the ultimate pit. Selected best results include:

- 18-1064: 42.9 metres @ 0.54 g/t Au, 0.12% Copper ("Cu") from 111.9 metres;
- 18-1067: 28.7 metres @ 0.58 g/t Au, 0.09% Cu from 534.0 metres;
- 18-1068: 97.3 metres @ 0.41 g/t Au, 0.18% Cu from 225.0 metres;
- 18-1069: 100.8 metres @ 0.42 g/t Au, 0.36% Cu from 23.0 metres;
- 18-1071: 102.0 metres @ 0.30 g/t Au, 0.25% Cu from 184.0 metres;
- 18-1072: 75.0 metres @ 0.24 g/t Au, 0.16% Cu from 237.0 metres;
- 18-1074: 124.0 metres @ 0.41 g/t Au, 0.33% Cu from 57.5 metres;
- 18-1075: 43.8 metres @ 0.28 g/t Au, 0.28% Cu from 15.2 metres;
- 18-1076: 22 metres @ 0.28 g/t Au, 0.48% Cu from 123.6 metres.

The 2018 brownfield exploration drilling program is focused on three target areas within the mine lease up to a kilometre west of the ultimate pit. Drilling was initiated and is targeting coincident geophysical anomalies and copper-gold grades similar to those in the current resource at Mount Milligan. Four drill holes have been completed for 2,037 metres. Assay results are pending.

The 2018 greenfield exploration (off mine lease) was initiated in the second quarter and included a ground-based Induced Polarization (IP) geophysical survey east of the mine lease and the start of a helicopter supported drilling program. The drill program is testing coincident geophysical targets in two areas outside the mine lease, being the D2 target about 3 kilometres to the west and the Mitzi Target 3 kilometres north of the mine. Two drill holes for 977 metres have been completed in the D2 zone west of the mine lease. Assay results are pending.

The above mineralized intercepts were calculated using a cut-off grade of 0.1 g/t Au and a maximum internal dilution interval of 4 metres. Drill collar locations and associated graphics are available at the following:

<http://resource.globenewswire.com/Resource/Download/e538193a-2842-4a0c-9ee7-0117eb4ffc94>

A listing of the drill results, drill hole locations and plan map for the Mount Milligan Mine have been filed on the System for Electronic Document Analysis and Retrieval ('SEDAR') at www.sedar.com and are available at the Company's web site www.centerragold.com.

Turkey

Öksüt Gold Project

At the Öksüt Gold Project, drilling activities commenced in the second quarter with one drill rig at Keltepe NW and then continued to the western edge of the Keltepe Pit. Five drill holes were completed totaling 1,110 metres. The 2018 drilling program is designed to upgrade resources and test for supergene copper mineralization at depth in the immediate area west of the Keltepe Pit, as well as to target gold and porphyry style Cu-Au mineralization in the surrounding prospects at Keltepe NW, Yelibelen and Büyüktepe and Boztepe.

All the drill holes completed so far have intercepted Au mineralization, with some of the better intervals being:

Keltepe (Testing western pit wall for resource expansion/conversion)

ODD0307: 24 metres @ 0.93 g/t Au from 66 metres;
Including 8.9 metres @ 1.77 g/t Au from 72.6 metres;

Keltepe NW (Exploration, testing oxide gold)

ODD0304A: 25.9 metres @ 0.41 g/t Au from 76.5 metres.

These intercepts warrant additional drilling and a second drill rig is scheduled to be on site at the beginning of the third quarter of 2018.

The above mineralized intercepts were calculated using a cut-off grade of 0.2 g/t Au and a maximum internal dilution interval of 5.0 metres. Drill collar locations and associated graphics are available at the following link:

<http://resource.globenewswire.com/Resource/Download/e538193a-2842-4a0c-9ee7-0117eb4ffc94>

A listing of the drill results, drill hole locations and plan map for the Öksüt Gold Project have been filed on the System for Electronic Document Analysis and Retrieval ('SEDAR') at www.sedar.com and are available at the Company's web site www.centerragold.com.

Greenfields Exploration

Yamaç Project

Exploration activities at the Yamaç Project in Turkey during the second quarter of 2018 included a 360 line kilometres aeromagnetic survey, a 1.4 square kilometre 3D IP survey in the northern area of previous drilling and detailed geological mapping. The permitting process is ongoing for further step-out drill testing at 200 metre step-outs which is anticipated to start in the third quarter of 2018.

Other Projects

During the second quarter of 2018, exploration programs targeting gold and copper were ongoing in Turkey, Armenia, Canada, Mexico, Nicaragua and Sweden.

Qualified Person & QA/QC - Exploration

Exploration information and other related scientific and technical information in this news release regarding the Kumtor Mine were prepared in accordance with the standards of National Instrument 43-101 (“NI 43-101”) and were prepared, reviewed, verified and compiled by Boris Kotlyar, a member with the American Institute of Professional Geologists (AIPG), Chief Geologist, Global Exploration with Centerra Gold Inc., 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. The Kumtor deposit is described in Centerra’s most recently filed Annual Information Form and a technical report dated March 20, 2015 (with an effective date of December 31, 2014), which are both filed on SEDAR at www.sedar.com.

Exploration information and other related scientific and technical information in this news release regarding the Mount Milligan Mine were prepared in accordance with the standards of National Instrument 43-101 (“NI 43-101”) and were prepared, reviewed, verified and compiled by C. Paul Jago, Member of the Engineers and Geoscientists British Columbia, Exploration Manager at Centerra’s Mount Milligan Mine, 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. The Mount Milligan deposit is described in Centerra’s most recently filed Annual Information Form and a technical report dated March 22, 2017 (with an effective date of December 31, 2016) prepared in accordance with NI 43-101, both of which are available on SEDAR at www.sedar.com.

Exploration information and other related scientific and technical information in this news release regarding the Öksüt Project were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 (NI 43-101) and were prepared, reviewed, verified and compiled by Mustafa Cihan, Member of the Australian Institute of Geoscientists (AIG), Exploration Manager at Centerra’s Turkish subsidiary Öksüt Madencilik A.Ş., 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. The Öksüt deposit is described in Centerra’s most recently filed Annual Information Form and in a technical report dated September 3, 2015 (with an effective date of June 30, 2015) prepared in accordance with NI 43-101 both of which are available on SEDAR at www.sedar.com.

This Management Discussion and Analysis (“MD&A”) has been prepared as of July 31, 2018, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. (“Centerra” or the “Company”) for the three and six months ended June 30, 2018 in comparison with the corresponding periods ended June 30, 2017. This discussion should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements and the notes thereto for the three and six months ended June 30, 2018 prepared in accordance with International Financial Reporting Standards (“IFRS”). This MD&A should also be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended December 31, 2017 and 2016, the related MD&A and the Annual Information Form for the year ended December 31, 2017 (the “2017 Annual Information Form”). The Company’s unaudited condensed consolidated interim financial statements and the notes thereto for the three and six months ended June 30, 2018, 2017 Annual Report and 2017 Annual Information Form are available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com. In addition, this discussion contains forward-looking information regarding Centerra’s business and operations. Such forward-looking statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward looking statements. See “Risk Factors” and “Caution Regarding Forward-Looking Information” in this discussion. All dollar amounts are expressed in United States dollars (“USD”), except as otherwise indicated.

1. Overview

Centerra is a Canadian-based gold mining company focused on operating, developing, exploring and acquiring gold properties worldwide and is one of the largest Western-based gold producers in Central Asia. Centerra’s principal operations are the Kumtor Gold Mine located in the Kyrgyz Republic and the Mount Milligan Gold-Copper Mine located in British Columbia, Canada.

The Company’s significant wholly-owned subsidiaries include Kumtor Gold Company (“KGC” or “Kumtor”) in the Kyrgyz Republic, Thompson Creek Metals Company Inc. (“Thompson Creek”) and AuRico Metals Inc. (“AuRico”) in Canada, Langeloth Metallurgical Company LLC (“Langeloth”) and Thompson Creek Mining Co. in the United States of America, Öksüt Madencilik Sanayi vi Ticaret A.Ş. (“OMAS”) in Turkey and Boroo Gold LLC and Centerra Gold Mongolia LLC (“CGM”) in Mongolia. Additionally, the Company holds, through Thompson Creek, a 75% joint venture interest in the Endako Mine in British Columbia, Canada. The Company also owns a 50% partnership interest in Greenstone Gold Mines LP (the “Greenstone Partnership”) which owns the Greenstone Gold development property including the Hardrock deposit, located in Ontario, Canada. See “Operating Mines and Facilities”, “Development Projects” and “Other Corporate Developments” for further details.

The Company has also entered into agreements to earn an interest in joint venture exploration properties located in Mexico, Sweden and Nicaragua. In addition, the Company has exploration properties in Armenia, Canada and Turkey.

Centerra’s common shares are listed for trading on the Toronto Stock Exchange under the symbol CG. As of July 31, 2018, there are 291,937,809 common shares issued and outstanding and options to acquire 6,136,396 common shares outstanding under its stock option plan.

2. Market Conditions

Gold Price

During the second quarter of 2018, the gold price decreased by 7%, falling from \$1,341 as at March 31 to \$1,253 per ounce as at June 30. The average gold price for the second quarter was \$1,306 per ounce, \$48

higher than the second quarter of 2017 (\$1,258 per ounce) and \$24 lower per ounce than the first quarter of 2018 (\$1,330 per ounce).

Copper Price

The price of copper decreased 2% in the quarter, from \$3.07 to \$3.00 per pound. The average spot copper price for the second quarter of 2018 was \$3.12 per pound, a \$0.55 per pound increase when compared to the second quarter of 2017 (\$2.57 per pound), and a \$0.04 per pound decrease compared to the first quarter of 2018 average (\$3.16 per pound).

Molybdenum Price

The molybdenum price during the second quarter of 2018 started at \$12.63 and closed at \$10.60, a drop of 16%. The average molybdenum price for the quarter was \$11.73 per pound, a \$3.62 per pound increase compared to the second quarter of 2017 average (\$8.11 per pound) and a \$0.49 per pound decrease when compared to the first quarter of 2018 average (\$12.22 per pound).

Foreign Exchange Rates

USD to CAD

The Canadian dollar averaged \$1.29 in the second quarter of 2018, with rates ranging from \$1.26 to \$1.34, representing a strengthening by 4% when compared to the average of the second quarter of 2017 (\$1.34). When comparing the second quarter of 2018 to the average of the first quarter of 2018 (1.26), the Canadian dollar weakened by 2%.

USD to Kyrgyz Som

The average U.S. dollar exchange rate for the second quarter of 2018 (68.50) was consistent with the average of the second quarter of 2017 (68.12) and similar to the first quarter of 2018 (69.2), with rates in the second quarter of 2018 ranging from 68.07 to 69.25. The Kyrgyz som continues to be sensitive to currencies of the Kyrgyz Republic's main trading partners – mainly Russia.

Foreign Exchange Transactions

The Company receives its revenues through the sale of gold, copper and molybdenum in U.S. dollars. The Company has operations and projects in the Kyrgyz Republic, Turkey, Mongolia, United States of America and Canada. During the first six months of 2018, the Company incurred combined expenditures (excluding the purchase of AuRico and including capital) totaling approximately \$923 million. Approximately \$304 million of this (33%) was in currencies other than the U.S. dollar. The percentage of Centerra's non-U.S. dollar costs, by currency was as follows: 50% in Canadian dollars, 40% in Kyrgyz soms, 4% in Euros, and 4% in Turkish lira. The average value of the Turkish Lira and Canadian Dollar depreciated against the U.S. dollar by approximately 8% and 2% from its value at December 31, 2017, respectively. The Euro and Kyrgyz Som both appreciated against the U.S. dollar by approximately 1% from their value at December 31, 2017. The net impact of these movements in the six months ended June 30 2018, after taking into account currencies held at the beginning of the year and settlement of foreign exchange derivatives, was to reduce the annual costs by \$2.5 million (increase of \$2.7 million in the six months ended June 30 2017). The net impact in the first half of 2018 was predominately due to currency movements experienced in the second quarter of 2018, while the net impact in the same period of 2017 was more evenly distributed over the two first quarters.

3. Consolidated Financial and Operational Highlights

<i>Unaudited (\$ millions, except as noted)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017 ⁽⁵⁾	% Change
Financial Highlights						
Revenue	\$ 243.3	\$ 279.2	(13%)	\$ 478.7	\$ 564.6	(15%)
Cost of sales	187.4	165.2	13%	340.2	337.1	1%
Standby costs	-	-	-	10.8	-	100%
Earnings from mine operations	52.5	108.5	(52%)	121.4	216.4	(44%)
Asset Impairment (net of tax)	1.6	41.3	(96%)	1.6	41.3	(96%)
Finance costs	6.0	7.3	(17%)	20.8	15.0	39%
Net earnings	\$ 43.5	\$ 23.4	86%	\$ 52.6	\$ 80.4	(35%)
Adjusted earnings ⁽³⁾	1.0	63.1	(98%)	14.5	120.1	(88%)
Cash provided by (used in) operations	(68.0)	142.8	(148%)	28.3	211.1	(87%)
Cash provided by operations before changes in working capital ⁽³⁾	47.6	121.9	(61%)	114.1	244.7	(53%)
Capital expenditures (sustaining) ⁽³⁾	20.5	19.0	8%	44.8	39.0	15%
Capital expenditures (growth) ⁽³⁾	5.9	4.9	22%	9.4	5.8	63%
Capital expenditures (stripping)	47.8	64.3	(26%)	86.3	126.9	(32%)
Total assets	\$ 2,850.5	\$ 2,667.4	7%	\$ 2,850.5	\$ 2,667.4	7%
Long-term debt and lease obligation	257.5	358.1	(28%)	257.5	358.1	(28%)
Cash, cash equivalents and restricted cash	215.5	401.4	(46%)	215.5	401.4	(46%)
Per Share Data						
Earnings per common share - \$ basic ⁽¹⁾	\$ 0.15	\$ 0.08	85%	\$ 0.18	\$ 0.28	(35%)
Earnings per common share - \$ diluted ⁽¹⁾	\$ 0.15	\$ 0.08	85%	\$ 0.18	\$ 0.28	(35%)
Adjusted earnings per common share - \$ basic ⁽¹⁾⁽³⁾	\$ -	\$ 0.22	(100%)	\$ 0.05	\$ 0.41	(88%)
Adjusted earnings per common share - \$ diluted ⁽¹⁾⁽³⁾	\$ -	\$ 0.22	(100%)	\$ 0.05	\$ 0.41	(88%)
Per Ounce Data (except as noted)						
Average gold spot price - \$/oz ⁽²⁾	1,306	1,257	4%	1,318	1,238	7%
Average copper spot price - \$/lbs ⁽²⁾	3.12	2.57	21%	3.14	2.61	20%
Average realized gold price (Kumtor) - \$/oz ⁽³⁾	1,294	1,247	4%	1,302	1,233	6%
Average realized gold price (Mount Milligan - combined) - \$/oz ⁽³⁾	962	957	1%	979	1,006	(3%)
Average realized gold price (Consolidated) - \$/oz ⁽³⁾	1,176	1,165	1%	1,225	1,169	5%
Average realized copper price (Consolidated) - \$/lbs ⁽³⁾	2.23	1.90	17%	2.23	2.00	12%
Operating Highlights						
Gold produced – ounces	130,183	195,719	(33%)	259,947	368,364	(29%)
Gold sold – ounces	140,427	188,225	(25%)	272,859	376,139	(27%)
Payable Copper Produced (000's lbs)	16,449	15,062	9%	22,591	27,658	(18%)
Copper Sales (000's payable lbs)	12,668	14,358	(12%)	17,174	27,970	(39%)
Operating costs (on a sales basis) ⁽³⁾⁽⁴⁾	143.9	114.2	26%	255.4	231.8	10%
Unit Costs						
Adjusted operating costs on a by-product basis - \$/oz sold ⁽³⁾⁽⁴⁾	\$ 529	\$ 337	57%	\$ 489	\$ 338	45%
Gold - All-in sustaining costs on a by-product basis – \$/oz sold ⁽³⁾⁽⁴⁾	\$ 996	\$ 740	34%	\$ 963	\$ 745	29%
Gold - All-in sustaining costs on a by-product basis (including taxes) – \$/oz sold ⁽³⁾⁽⁴⁾	\$ 1,157	\$ 856	35%	\$ 1,128	\$ 868	30%
Gold - All-in sustaining costs on a co-product basis (before taxes) – \$/oz sold ⁽³⁾⁽⁴⁾	\$ 1,027	\$ 789	30%	\$ 967	\$ 792	22%
Copper - All-in sustaining costs on a co-product basis (before taxes) – \$/pound sold ⁽³⁾⁽⁴⁾	\$ 1.87	\$ 1.58	18%	\$ 2.17	\$ 1.68	29%

- (1) As at June 30, 2018, the Company had 291,891,382 common shares issued and outstanding (291,937,809 common shares as of July 31, 2018). As of July 31, 2018, Centerra had 6,136,396 share options outstanding under its share option plan with exercise prices ranging from US\$2.83 per share to Cdn\$22.28 per share, with expiry dates between 2018 and 2026.
- (2) Average for the period as reported by the London Bullion Market Association (US dollar Gold P.M. Fix Rate) and London Metal Exchange (LME). This is a non-GAAP measure and is discussed under “Non-GAAP Measures”.
- (3) Non-GAAP measure. See discussion under “Non-GAAP Measures”.
- (4) Excludes Molybdenum business.

4. Overview of Consolidated Results

Second Quarter 2018 compared to Second Quarter 2017

The Company recorded net earnings of \$43.5 million in the second quarter of 2018, compared to \$23.4 million in the same period of 2017. The higher earnings in the second quarter of 2018 include a pre-tax gain of \$28.0 million as a result of the sale of AuRico’s royalty portfolio and a gain of \$9.4 million to recognize the final instalments to be paid on the ATO sale. Excluding these gains, adjusted earnings for the second quarter of 2018 were \$1.0 million reflecting lower gold production at Kumtor, due primarily to processing complex Sarytor ore with lower average mill gold head grades and lower recoveries, lower throughput at Mount Milligan following the ramp-up of milling operations and processing of lower gold grades and lower gold recoveries, partially offset by higher realized gold and copper prices.

Production:

Gold production in the second quarter of 2018 totaled 130,183 ounces compared to 195,719 ounces in the same period of 2017. Gold production at Kumtor was 83,803 ounces in 2018, 40% lower than the 138,623 ounces produced in 2017. The decrease in ounces poured at Kumtor is a result of milling lower grade and lower recovery ore from stockpiles (2.27 g/t and 70.3% recovery compared to 3.53 g/t and 79.3% recovery) compared to second quarter of 2017. During the second quarter of 2018, Mount Milligan produced 46,380 ounces of gold and 16.4 million pounds of copper, compared to 57,096 ounces of gold and 15.1 million pounds of copper in the second quarter of 2017. The lower gold production at Mount Milligan in the second quarter of 2018 is due to lower throughput as a result of the mill ramp-up and processing of lower gold grades and lower gold recoveries.

Safety and Environment:

Centerra had four reportable injuries in the second quarter of 2018, all of which were lost time injuries.

During the second quarter of 2018 there were no reportable release to the environment.

Financial Performance:

Revenue decreased to \$243.3 million in the second quarter of 2018 compared to \$ 279.2 million in the same period of 2017, as a result of lower sales at Mount Milligan (49,807 gold ounces compared to 52,990 gold ounces and 12.7 million pounds of copper compared to 14.4 million pounds of copper) and 33% fewer gold doré ounces sold at Kumtor. The decrease in sales in the second quarter of 2018 reflects lower production at both mining operations, as described above. However, the decrease in overall revenue was partially offset by higher combined average realized prices^{NG} for gold (1%) and copper (17%) during the second quarter of 2018 (gold - \$1,204/oz compared to \$1,154/oz; copper - \$2.23/lb compared to \$1.90/lb, in the second quarter of 2017). Revenue in the molybdenum business increased 53% to \$49.9 million in the second quarter of 2018 compared to the same period of 2017, due mainly to higher molybdenum prices.

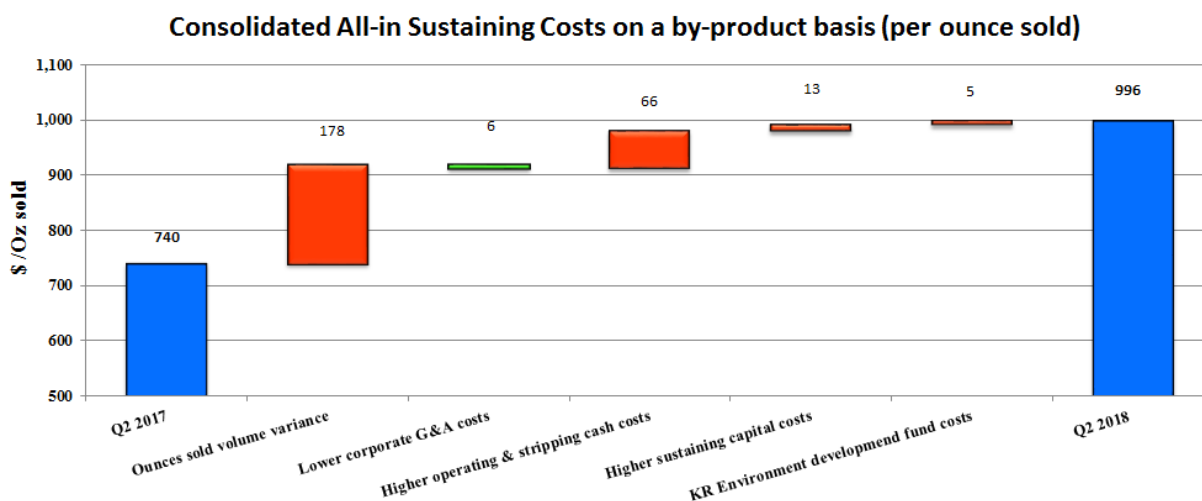
Cost of sales increased in the second quarter of 2018 to \$187.4 million compared to \$165.2 million in the same period of 2017, mainly resulting from higher sales volumes in the molybdenum business and higher operating costs at Mount Milligan, partially offset by lower volumes at Kumtor. Depreciation, depletion and amortization associated with production was \$43.9 million in 2018 as compared to \$51.0 million in the second quarter of 2017 due to lower sales volumes in the second quarter of 2018.

Financing costs in the second quarter of 2018 totalled \$6.0 million compared to \$7.3 million in the comparative quarter of 2017, representing interest paid and amortization of deferred financing costs on the Company's credit facilities.

Operating Costs:

Operating costs (on a sales basis)^{NG} increased to \$143.9 million in the second quarter of 2018 compared to \$114.2 million in the same period of 2017. The increase in costs is primarily due to higher diesel costs and lower stripping capitalization at Kumtor and higher molybdenum sales and prices.

Centerra's all-in sustaining costs on a by-product basis per ounce of gold sold^{NG}, which excludes revenue-based tax and income tax, increased to \$996 in 2018 from \$740 in the comparative period mainly as a result of 25% fewer gold ounces sold, higher sustaining capital^{NG}, partially offset by lower capitalized stripping costs at Kumtor and lower administration costs.



First Half 2018 compared to First Half 2017

Production:

Gold production in the first half of 2018 totaled 259,947 ounces compared to 368,364 ounces in the same period of 2017. Gold production at Kumtor was 184,023 ounces in 2018, 31% lower than the 266,024 ounces produced in 2017. The decrease in ounces poured at Kumtor is a result of milling lower grade and lower recovery ore from stockpiles (2.43 g/t and 71.4% recovery compared to 3.53 g/t and 77.6% recovery) compared to the same period of 2017. During the first half of 2018, Mount Milligan produced 75,924 ounces of gold and 22.6 million pounds of copper, compared to 102,340 ounces of gold and 27.7 million pounds of copper in the same period of 2017. The lower production at Mount Milligan is mainly due to the temporary shutdown of milling operations and operating the mill at partial capacity for a period of time during the first quarter of 2018 due to the lack of water resources available for processing.

Safety and Environment:

Centerra had eleven reportable injuries which included six lost time injuries, four medical aid injuries and one restricted work injury in the first half of 2018.

During the first half of 2018 there were no reportable release to the environment.

Financial Performance:

Revenue decreased to \$478.7 million in the first half of 2018 from \$564.6 million, as a result of lower sales volumes for both gold and copper (gold - 272,859 ounces compared to 376,139 ounces; copper – 17.2 million pounds compared to 28.0 million pounds in the first half of 2017), partially offset by a 5% higher combined average realized prices^{NG} for gold (5%) and for copper (12%) during the first half of 2018. The decrease in gold ounces sold at Kumtor (207,539 ounces compared to 269,917 ounces in the same period of 2017) reflects the processing of complex Sarytor ore with lower average mill gold head grades and lower recoveries. Mount Milligan sold 65,320 ounces of gold and 17.2 million pounds of copper during the first half of 2018 (both 39% lower than the prior period in 2017) reflecting the production difficulties explained above. The molybdenum business contributed \$106.2 million in revenues during the first half of 2018, an increase of 54% over the prior period of 2017, mainly due to higher molybdenum prices.

Cost of sales increased slightly in the first half of 2018 to \$340.2 million compared to \$337.1 million in the first half of 2017. The reduced sales volumes explained above were offset by higher mining costs at Kumtor mainly as a result of higher diesel prices. Depreciation, depletion and amortization (“DD&A”) associated with production was \$85.2 million in the first half of 2018 as compared to \$105.2 million in the same period of 2017 as a result of lower sales.

Standby costs of \$10.8 million were recorded in the first quarter and year-to-date in 2018 representing overhead costs at Mount Milligan during the mill shutdown and ramp-up period that were unrelated to normal processing volumes.

Financing costs in the first half of 2018 totalled \$20.8 million, including a charge of \$4.9 million for the write-off of the unamortized deferred financing costs associated with the Centerra B.C. Facility, EBRD Facility and the AuRico Acquisition Facility settled in the first quarter of 2018. Financing costs in the comparative period of 2017 totalled \$15.0 million, representing interest paid and amortization of deferred financing costs on the Centerra B.C. Facility and the EBRD Facility.

Operating Costs:

Operating costs (on a sales basis) increased to \$255.4 million in the first half of 2018 compared to \$231.8 million in the same period of 2017, reflecting increased mining costs and lower stripping capitalization at Kumtor and higher molybdenum sales and prices.

Centerra’s all-in sustaining costs on a by-product basis per ounce of gold sold^{NG}, which excludes revenue-based tax and income tax, for the first half of 2018 increased to \$963 from \$745 in the comparative period mainly as a result of as a result of 27% fewer gold ounces sold, higher sustaining capital^{NG}, increased administration costs, as a result of the acquisition of AuRico, partially offset by lower capitalized stripping costs at Kumtor.

5. Liquidity and Capital Resources

The Company believes its cash on hand and working capital as at June 30, 2018, together with future cash flows from operations and cash provided by the Company's existing credit facilities will be sufficient to fund its anticipated operating cash requirements, although there can be no assurance of this.

As at June 30, 2018, the Company held cash, cash equivalents, restricted cash and short-term investments of \$215.5 million and had undrawn credit facilities of \$386 million.

Cash generation and capital management:

Cashflow

<i>Unaudited (\$ millions, except as noted)</i>	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Cash provided by operations before changes in working capital^{NG}	47.6	121.9	(61%)	114.1	244.7	(53%)
- Changes in working capital	20.5	20.8	(2%)	(85.8)	(33.7)	155%
Cash provided by operating activities	68.0	142.8	(52%)	28.3	211.1	(87%)
Cash used in investing activities:						
- Capital additions (cash)	(72.8)	(77.3)	(6%)	(131.8)	(146.3)	(10%)
- Net purchase of short-term investments	-	(35.0)	(100%)	-	(60.0)	(100%)
- Acquisition of AuRico Metals Inc., net of cash acquired	-	-	-	(226.8)	-	100%
- Proceeds from sale of royalty assets	155.5	-	100%	155.5	-	100%
- (Increase) decrease in restricted cash	(24.6)	11.3	(317%)	(26.9)	8.6	(412%)
- Other investing items	(2.5)	7.1	(135%)	(8.5)	3.1	(373%)
Cash provided by (used in) investing activities	55.5	(93.8)	(159%)	(238.6)	(194.5)	23%
Cash received from (used in) financing activities:						
- Net repayment of debt	(51.0)	(22.5)	127%	(1.9)	(60.0)	(97%)
- Proceeds from equity offering (net)	0.6	-	100%	0.6	-	100%
- Payment of interest and borrowing costs	(5.7)	(6.6)	(13%)	(16.4)	(15.3)	7%
Cash used in financing activities	(56.1)	(29.1)	93%	(17.7)	(75.3)	(76%)
Increase (decrease) in cash and cash equivalents	67.5	19.9	239%	(228.0)	(58.8)	288%

Cash provided by operations decreased to \$68.0 million in the second quarter of 2018, compared to \$142.8 million in the comparative period, as a result of lower operating earnings in the current year. Comparing the second quarter of 2018 versus 2017, Kumtor generated \$52.9 million compared to \$94.0 million, while Mount Milligan generated \$24.3 million compared to \$54.5 million, decreases mainly related to lower production at both operations. Working capital changes were similar in both the second quarter of 2018 and 2017.

Investing activities generated \$55.5 million in the second quarter of 2018 as compared to \$93.8 million used in investing activities in the same period of 2017. The second quarter of 2018 included receipt of proceeds of \$155.5 million on the sale of the royalty portfolio, an increase in restricted cash related to the OMAS Facility, partially offset by lower capital additions and lower purchases of short-term investments.

Cash used in financing activities of \$56.1 million in the second quarter of 2018 represents the net repayment of \$66 million under the Corporate Facility (repayment of \$150 million net of \$84 million drawdown), a drawdown of \$15 million under the OMAS Facility, as an initial draw to fund the Öksüt construction project, and payment of interest and borrowing costs \$11.7 million. The Company repaid \$22.5 million on its debt and paid interest and borrowing costs of \$6.6 million in the comparative quarter of 2017.

Cash, cash equivalents, restricted cash and short-term investments at June 30, 2018 totalled \$215.5 million, as compared to \$416.6 million at December 31, 2017, before the AuRico acquisition.

Credit Facilities

Centerra was in compliance with the terms of all of its credit facilities at June 30, 2018.

Centerra Revolving Term Corporate Facility

In the first quarter of 2018, the Company entered into a new \$500 million four-year senior secured revolving credit facility (the "Corporate Facility"). The Corporate Facility is an amendment and restatement of a credit facility entered into by Centerra B.C. Holdings Inc. (the "Centerra B.C. Facility"), and also replaced the AuRico Acquisition Facility and the EBRD Facility (defined below). The Corporate Facility is for general corporate purposes, including working capital, investments, acquisitions and capital expenditures. Funds drawn under the Corporate Facility are available to be re-drawn on a quarterly basis, at the Company's discretion, and repayment of the loaned funds may be extended until February 2022.

As at June 30, 2018, the Corporate Facility had a drawn balance of \$249 million.

OMAS Facility

In the second quarter of 2018, OMAS, a wholly-owned subsidiary of the Company that hold the Öksüt Project, satisfied all conditions precedent required under the \$150 million five-year revolving credit facility (the "OMAS Facility"). The purpose of the OMAS Facility is to assist in financing the construction of the Company's Öksüt Project.

As a condition of the OMAS Facility, the Company placed \$25 million in restricted accounts with the lender during the second quarter of 2018, including \$15 million which is restricted until the Öksüt Project mining lease has been extended and \$10 million which is restricted during the construction phase.

In June 2018, the Company drew \$15 million under the OMAS Facility, which together with cash on hand, will be used to fund Öksüt construction costs for the third quarter of 2018. The OMAS Facility expires on March 31, 2024 and as at June 30, 2018 had a balance of \$15 million in principal outstanding. As at June 30, 2018, \$5.6 million (December 31, 2017 - \$4.8 million) of deferred financing fees are being amortized over the term of the OMAS Facility.

As part of the April 2018 amendment to the OMAS Facility, OMAS agreed to apply all of its excess cash flow towards debt prepayment under the OMAS Facility until the Öksüt Project's mining license is extended beyond its current expiry date of January 16, 2023. OMAS intends to apply for the extension of its mining license as soon as permitted under Turkish legislation, which is two years prior to expiry of the mining license. In addition, Centerra will provide a limited guarantee of a portion of OMAS' obligations under the OMAS Facility (amount outstanding as of January 16, 2023) and will agree to comply with certain covenants which are consistent with the covenants under the Corporate Facility. The lenders under the OMAS Facility may call on Centerra's guarantee under certain limited circumstances – in particular if the Öksüt mining license is not extended beyond January 16, 2023.

Capital Expenditure (spent and accrued)

\$ millions	Three months ended June 30,			Six months ended June 30,		
	2018	2017	Change	2018	2017	Change
Consolidated:						
Sustaining capital ^{NG}	20.5	19.0	8%	44.8	38.6	16%
Capitalized stripping ⁽¹⁾	47.8	64.3	(26%)	86.3	126.9	(32%)
Growth capital ^{NG}	5.9	4.9	22%	9.4	5.8	63%
Öksüt Project development	10.1	2.2	357%	15.9	4.3	269%
Greenstone Gold Property capital ⁽²⁾	3.4	1.4	146%	5.1	2.4	114%
Kemess Underground Project development	5.5	-	100%	5.5	-	100%
Gatsuurt Project development	-	1.3	(100%)	-	1.8	(100%)
Total	93.2	93.0	0%	167.0	179.7	(7%)

⁽¹⁾Includes cash component of \$36.6 million and \$65.3 million in the three and six months ended June 30, 2018 (\$47.4 million and \$97.2 million in the comparative periods of 2017, respectively)

⁽²⁾In accordance with the Company's accounting policy, the 50% share paid on behalf of Premier Gold Mines Limited in the project is capitalized as part of mineral properties in Property, Plant & Equipment.

Capital expenditures in the second quarter of 2018 totaled \$93.2 million compared to \$93.0 million in the same period of 2017, resulting mainly from reduced spending on capitalized stripping at Kumtor, higher spending on the Company's development projects (mainly at Öksüt and at Kemess), partially offset by higher sustaining capital^{NG} for equipment rebuilds and overhauls.

For the first half of 2018, capital expenditures decreased by \$12.7 million, to \$167.0 million, mainly from lower capitalized stripping as Kumtor was developing both cut-back 18 and the Sarytor pit in the comparative period of 2017. This is partially offset by higher spending on development projects in the first half of 2018.

6. Financial Instruments

The Company seeks to manage its exposure to fluctuations in diesel fuel prices, commodity prices and foreign exchange rates by entering into derivative financial instruments from time-to-time.

Fuel Hedges:

In 2016, the Company established a diesel fuel price hedging strategy using derivative instruments to manage the risk associated with changes in diesel fuel prices to the cost of operations at the Kumtor Mine. The diesel fuel hedging program is a 24-month rolling program and the Company targets to hedge up to 50% of monthly diesel purchases. The Company hedges its exposure with crude oil futures contracts, as the price of diesel fuel closely correlates to the price of crude oil.

Gold and Copper Derivative Contracts:

The Company must satisfy its obligation under the Mount Milligan Streaming Arrangement by delivering refined physical gold and London Metal Exchange (LME) copper warrants to Royal Gold at the time of receiving payment from third-party purchasers who purchase concentrate from the Mount Milligan Mine. In order to hedge the metal price risk that arises when physical purchase and concentrate sales pricing periods do not match, the Company has entered into certain forward gold and copper purchases and forward sales contracts pursuant to which it purchases gold or copper at an average price during a future quotational period and sells gold or copper at the current spot price. These derivative contracts are not designated as hedging instruments.

Mount Milligan Gold and Copper Facility Hedges:

In 2017, the Company entered in a gold and copper hedge program as a condition precedent to draw on the extension of the Centerra B.C. Facility.

As part of the amendment of the Corporate Facility in the first quarter of 2018, the hedging program is no longer required. In early April 2018, the Company unwound a selection of hedges that were scheduled to settle in the second quarter of 2018. The unwound hedges included copper forward contracts with an average strike price of \$2.95 per pound, copper zero-cost collars with a ceiling of \$2.73 per pound and gold forward contracts with an average strike price of \$1,285 per oz.

The hedge positions for each of these programs as at June 30, 2018 are summarized as follows:

Program	Instrument	Unit	Average strike price	Type	Settlement		As at June 30, 2018	
					2018	2019	Total position	Fair value gain (loss) ('000')
Fuel Hedges	Crude oil options ⁽¹⁾	Barrels	\$65	Fixed	134,000	72,000	206,000	\$2,853
Fuel Hedges	Zero-cost collars ⁽²⁾	Barrels	\$46/\$59	Fixed	-	23,000	23,000	\$385
Centerra B.C. Facility Hedging Program (Strategic Hedges):								
Copper Hedges	Zero-cost collars ⁽²⁾	Pounds	\$2.50/\$3.30	Fixed	27.6 million	27.5 million	55.1 million	\$(2,021)
Gold Hedges	Zero-cost collars ⁽²⁾	Ounces	\$1,250/\$1,362	Fixed	38,506	36,799	75,305	\$982
Gold/Copper Hedges (Royal Gold deliverables):								
Gold Derivative Contracts	Forward contracts ⁽³⁾	Ounces	(4)	Float	10,710	-	10,710	\$(461)
Copper Derivative Contracts	Forward contracts ⁽³⁾	Pounds	(4)	Float	1.6 million	-	1.6 million	\$(100)
FX Hedges								
USD/CAD Derivative Contracts	Zero-cost collars ⁽²⁾	CAD Dollars	1.23/1.303	Fixed	27 million	-	27 million	\$(254)

(1) Under crude oil options, the Company can buy fuel contracts, at a specified price at a certain future date.

(2) Under the zero-cost collar: (i) the Company can put the number of gold ounces or copper pounds to the counterparty at the minimum price, if the price were to fall below the minimum, and (ii) the counterparty has the option to require the Company to sell to it the number of gold ounces or copper pounds at the maximum price, if the price were to rise above the maximum.

(3) Under the Royal Gold forward contracts, the Company must sell specified quantities of gold or copper, at a specified contract price at a future date.

(4) Royal Gold hedging program with a market price determined on closing of the contract.

On July 20, 2018, the Company unwound collars representing 26.7 million pounds of copper (11.9 million pounds due to settle in the second half of 2018 and 14.8 million pounds due to settle in the first half of 2019).

Centerra does not enter into off-balance sheet arrangements with special purpose entities in the normal course of its business, nor does it have any unconsolidated affiliates.

7. Operating Mines and Facilities

Kumtor Mine

The Kumtor open pit mine, located in the Kyrgyz Republic, is one of the largest gold mines in Central Asia. It has been in production since 1997 and has produced over 11.6 million ounces of gold to June 30, 2018.

Developments in 2018

- The Company continued to work with the Government of the Kyrgyz Republic to satisfy the conditions precedent to completion of the comprehensive settlement agreement entered into with the Government on September 11, 2017. The longstop date for completion of all conditions precedent was further extended by agreement of all parties to August 24, 2018. See “Other Corporate Developments – Kyrgyz Republic”.
- In the quarter, the Board of Directors approved a two-year 60,000 metre drill program to test potential extensions of gold mineralization along the Kumtor trend. The program is focused within the Central, South-West and Sarytor pits and the North-East Target area. A budget of \$18 million has been allocated to the program with \$6.5 million for 2018 and \$11.5 million budgeted for 2019.

Kumtor Operating Results

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Financial Highlights:						
Revenue - \$ millions	117.3	168.6	(30%)	270.3	332.8	(19%)
Cost of sales (cash)	44.4	39.3	13%	87.0	74.4	17%
Cost of sales (non-cash)	31.4	41.0	(23%)	67.1	78.2	(14%)
Cost of sales (total)	75.8	80.3	(6%)	154.1	152.6	1%
Cost of sales - \$/oz sold ⁽¹⁾	836	593	41%	742	566	31%
Cash provided by operations	52.9	93.7	(44%)	95.9	184.7	(48%)
Cash provided by operations before changes in working capital ⁽¹⁾	52.0	102.6	(49%)	136.6	205.0	(33%)
Operating Highlights:						
Tonnes mined - 000s	43,493	42,855	1%	90,807	81,857	11%
Tonnes ore mined - 000s	957	12	7571%	2,361	12	18830%
Average mining grade - g/t	1.72	1.63	5%	1.90	1.63	16%
Tonnes milled - 000s	1,571	1,537	2%	3,239	3,072	5%
Average mill head grade - g/t	2.27	3.53	(36%)	2.43	3.53	(31%)
Mill Recovery - %	70.3%	79.3%	(11%)	71.4%	77.6%	(8%)
Mining costs - total (\$/t mined material)	1.23	1.13	9%	1.15	1.17	(2%)
Milling costs (\$/t milled material)	10.55	10.75	(2%)	9.89	10.40	(5%)
Gold produced - ounces	83,803	138,623	(40%)	184,023	266,024	(31%)
Gold sold - ounces	90,620	135,235	(33%)	207,539	269,917	(23%)
Average realized gold price ⁽¹⁾ - \$/oz sold	\$ 1,294	\$ 1,247	4%	\$ 1,302	\$ 1,233	6%
Capital Expenditures (sustaining) ⁽¹⁾ - cash	9.9	13.5	(27%)	21.2	28.7	(26%)
Capital Expenditures (growth) ⁽¹⁾ - cash	5.9	4.9	22%	9.4	5.8	63%
Capital Expenditures (stripping) - cash	36.6	47.4	(23%)	65.3	94.2	(31%)
Capital Expenditures (stripping) - non-cash	11.2	16.9	(34%)	21.0	32.7	(36%)
Capital expenditures (total)	63.6	82.7	(23%)	116.9	161.3	(28%)
Operating Costs (on a sales basis) ⁽²⁾	44.4	39.3	13%	87.0	74.4	17%
All-in sustaining costs (including taxes) ⁽¹⁾	97.2	105.5	(8%)	185.6	208.1	(11%)
Adjusted operating costs ⁽¹⁾ - \$/oz sold	\$ 555	\$ 329	69%	\$ 475	\$ 315	51%
Operating Costs (on a sales basis) - \$/oz sold ⁽¹⁾	\$ 495	\$ 288	72%	\$ 421	\$ 274	53%
Gold - All-in sustaining costs on a by-product basis - \$/oz sold ⁽¹⁾	\$ 1,071	\$ 782	37%	\$ 895	\$ 773	16%
Gold - All-in sustaining costs on a by-product basis (including taxes) - \$/oz sold ⁽¹⁾	\$ 1,254	\$ 959	31%	\$ 1,078	\$ 947	14%

(1) Non-GAAP measure. See discussion under "Non-GAAP Measures"

(2) Operating costs (on a sales basis) is a non-GAAP measure and is comprised of mine operating costs such as mining, processing, administration, royalties and production taxes (except at Kumtor where revenue-based taxes are excluded), but excludes reclamation costs and depreciation, depletion and amortization.

Production:

During the second quarter of 2018, Kumtor focused on developing the Central Pit through mining cut-backs 18, 19 and unloading of ice. In addition, Kumtor carried out advanced work to access cut-back 20B.

Total waste and ore mined in the second quarter of 2018 was 43.5 million tonnes compared to 42.9 million tonnes in the second quarter of 2017, a small increase due to higher equipment mechanical availability compared to 2017.

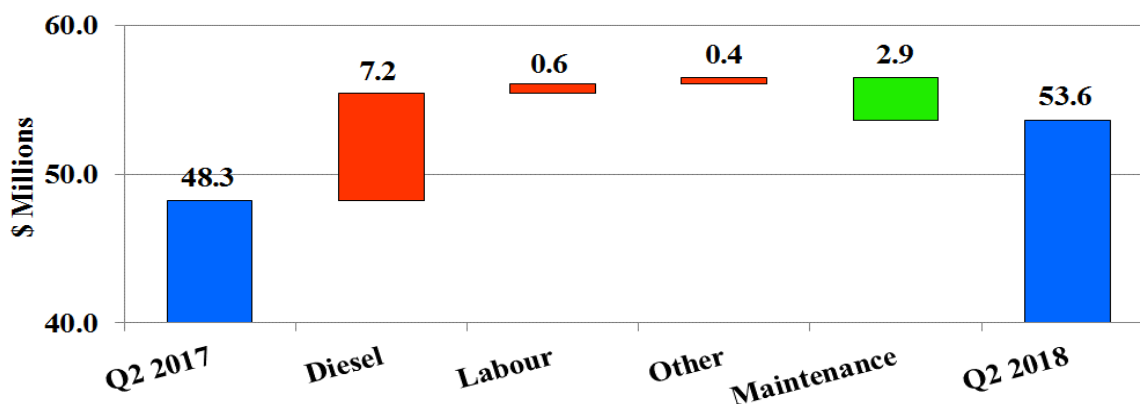
Kumtor produced 83,803 ounces of gold in the second quarter of 2018 compared to 138,623 ounces of gold in the same period of 2017. The decrease in ounces poured is a result of processing the stockpiled ore from the Sarytor Pit which is lower in grade and recovery, as compared to the stockpiled ore processed from cut-back 17 in the comparative period of 2017. During the second quarter of 2018, Kumtor's average mill head

grade was 2.27 g/t with a recovery of 70.3% compared to 3.53 g/t and a recovery of 79.3% for the same period in 2017.

Operating costs and All-in Measures:

Operating costs (on a sales basis)^{NG}, including capitalized stripping, decreased in the second quarter of 2018 by \$5.7 million to \$81.0 million compared to \$86.7 million in the same period of 2017. The movements in the major components of operating costs (mining, milling and site support), including capitalized stripping but before changes in inventory, is explained below:

Mining Costs, including capitalized stripping (Second Quarter 2018 compared to Second Quarter 2017):



Mining costs, including capitalized stripping, totaled \$53.6 million in the second quarter of 2018, which was \$5.3 million higher than the comparative quarter in 2017. Increased costs for second quarter of 2018 includes higher diesel costs (\$7.2 million), which was due to higher fuel prices and higher consumption resulting from increased haulage distance and heavy equipment productivity hours, and higher labour costs (\$0.6 million) mainly due to unfavorable exchange rate fluctuation. Higher costs were partially offset by lower maintenance costs (\$2.9 million) resulting from more repairs on the haul trucks and Liebherr shovels conducted in the second quarter of 2017, as compared to the same period of 2018.

Milling Costs (Second Quarter 2018 compared to Second Quarter 2017):

Milling costs amounted to \$16.6 million in the second quarter of 2018 compared to \$16.5 million in the comparative quarter of 2017. Higher mill reagents costs (\$1.1 million) primarily resulting from increased mill throughput, were partially offset by lower maintenance activities performed during the second quarter of 2018.

Site support Costs (Second Quarter 2018 compared to Second Quarter 2017):

Site support costs in the second quarter of 2018 totalled \$12.8 million compared to \$11.3 million in 2017. The increase is attributable primarily to higher costs for food and other supplies, partially offset by lower insurance premiums.

Other Cost movements:

Depreciation, depletion and amortization (“DD&A”) associated with sales decreased to \$31.4 million in the second quarter of 2018 from \$41.0 million in the comparative period, mainly due to fewer ounces sold.

All-in sustaining costs on a by-product basis per ounce sold^{NG}, which excludes revenue-based tax, was \$1,071 in the second quarter of 2018 compared to \$782 in the same period of 2017. The increase was mainly due to lower ounces sold, that was partially offset by lower capitalized stripping costs.

Including revenue-based taxes, all-in sustaining costs on a by-product basis per ounce sold^{NG} was \$1,254 in the second quarter of 2018 compared to \$959 in the same period of 2017. The increase was mainly due to higher all-in sustaining costs^{NG} (explained above), partially offset by lower revenue-based taxes resulting from lower sales revenue in the second quarter of 2018.

First Half 2018 compared to First Half 2017

Production:

During the first half of 2018, Kumtor focused on developing the Central Pit, through mining cut-backs 18, 19 and unloading of ice, and advancing access to cut-back 20B.

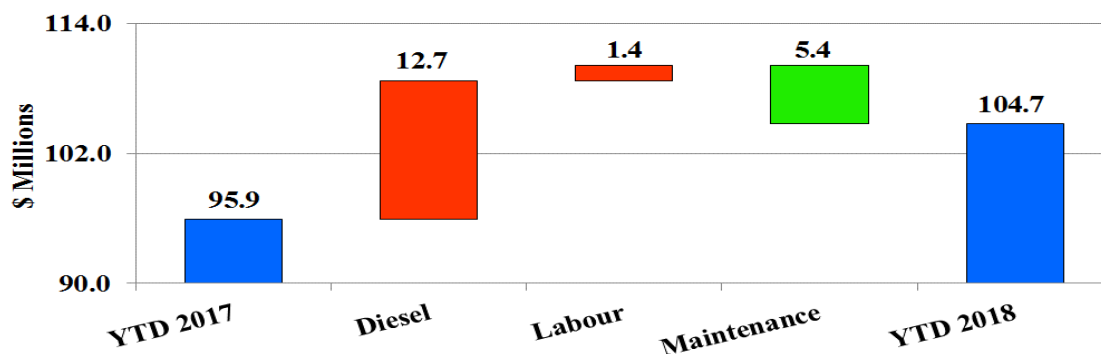
Total waste and ore mined in the first half of 2018 was 90.8 million tonnes compared to 81.9 million tonnes in the comparative period of 2017, representing an increase of 11%. The main reasons for this increase were due to favourable weather conditions in 2018 compared to 2017, which resulted in fewer delays and higher mechanical availability and utilization of haul trucks as compared to 2017.

During the first half of 2018, the Company processed ore from stockpiles, including the lower grade stockpiled ore remaining from cut-back 17 and stockpiled ore from the Sarytor pit. Kumtor produced 184,023 ounces of gold in the first half of 2018 compared to 266,023 ounces of gold in the first half of 2017. The decrease in ounces produced results from milling hard ore from stockpiles with high preg-robbing index coming from the Sarytor ore in the first half of 2018, compared with processing of stockpiled ore from cutback 17 with higher grade and recovery in the comparative period of 2017. During the first half of 2018, Kumtor's average mill head grade was 2.43 g/t with a recovery of 71.4%, compared with 3.53 g/t and a recovery of 77.6% for the same period in 2017.

Operating costs and All-in Measures:

Operating costs (on as sales basis), including capitalized stripping, decreased by \$15.9 million to \$152.7 million as compared to \$168.6 million in the first half of 2017. The movements in the major components of operating costs (mining, milling and site support) before changes in inventory are explained below.

Mining Costs, including capitalized stripping (First Half 2018 compared to First Half 2017):



Mining costs, including capitalized stripping, totaled \$104.7 million in the first half of 2018 compared to \$95.9 million in the comparative period of 2017. Increased costs for the first half of 2018 includes higher diesel costs (\$12.7 million), which was due to higher fuel prices and higher consumption resulting from increased haulage distance and heavy equipment productivity hours, and higher labour costs (\$1.4 million) mainly due to unfavorable exchange rate fluctuation. These were partially offset by lower maintenance costs (\$5.4 million) resulting from lower maintenance activities on haul trucks and shovels conducted in the first half of 2018, as compared to the first half of 2017.

Milling Costs (First Half 2018 compared to First Half 2017):

Milling costs of \$32.0 million in the first half of 2018 were consistent with the comparative period of 2017. Higher mill reagents costs (\$1.4 million) resulting from increased mill throughput, were partially offset by lower maintenance and liners replacement requirements during the first half of 2018.

Site support Costs (First Half 2018 compared to First Half 2017):

Site support costs in the first half of 2018 totaled \$25.7 million compared to \$22.0 million in the comparative year. The increase is attributable primarily to higher costs for food and other supplies, partially offset by lower insurance premiums.

Other Cost movements:

Depreciation, depletion and amortization (“DD&A”) associated with sales decreased to \$67.1 million in the first half of 2018 from \$78.2 million in the comparative period, mainly due to fewer ounces sold.

All-in sustaining costs on a by-product basis per ounce sold^{NG}, which excludes revenue-based tax, was \$895 in the first half of 2018 compared to \$773 in the same period of 2017, representing an increase of 16%. The increase was mainly due to lower ounces sold, that was partially offset by lower capitalized stripping costs and decreased sustaining capital expenditures.

Including revenue-based taxes, all-in sustaining costs on a by-product basis per ounce sold^{NG} was \$1,078 in the first half of 2018 compared to \$947 in the same period of 2017. The increase was mainly due to higher all-in sustaining costs (explained above).

Mount Milligan Mine

The Mount Milligan Mine is an open pit mine located in north central British Columbia, Canada producing a gold and copper concentrate. Production at Mount Milligan is subject to a streaming arrangement with Royal Gold, Inc. and RGLD GOLD AG (collectively, “Royal Gold”) referred to hereafter as the “Mount Milligan Streaming Arrangement” pursuant to which Royal Gold is entitled to purchase 35% of the gold produced and 18.75% of the copper production at the Mount Milligan mine for \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered.

Water Availability

Background

Water availability in the short-term continues to be a challenge for Mount Milligan. As background, Mount Milligan’s tailings storage facility (TSF) is licensed to contain 10 million cubic metres of water and is designed to operate at a water volume that varies between 5 million and 8 million cubic metres of water. Currently, there is approximately 1.0 million cubic metres of water in the TSF. The water balance is currently low because in 2018 Mount Milligan received less than half the amount of water from the spring melt compared to historical averages. It captured only 2.1 million cubic metres of runoff water plus an additional 1 million cubic metres of water pumped from Meadows Creek and Philip Lake. In addition, the mine has experienced very dry (low precipitation) months in May, June and July and a significant amount of captured water (approximately 1.5 million cubic metres) has seeped into the sands and gravels underlying the TSF. This is because portions of the loose, higher-permeable sandy gravel beneath the TSF have not yet been covered by tailings or water and some water is being absorbed in these exposed areas. As the TSF rises, tailings will eventually cover the exposed, sands and gravels and these water losses are expected to diminish. That increased flow of water to sands and gravels is expected to continue until all of the exposed loose, higher permeability sandy gravel in the TSF is covered by tailings which should be substantially completed by early 2020.

To process an average of 55,000 tonnes of material per day, the mill consumes approximately 21,000 cubic metres of water per day. While Mount Milligan recycles 100% of the water used in the mill process, some of that water is lost to the tailing voids.

Mount Milligan is permitted to draw water from Philip Lake at up to 5,000 cubic metres per day subject to the withdrawal rate not exceeding 15% of the base flow. Currently Mount Milligan is pumping water from Philip Lake at a rate of approximately 2,500 cubic metres per day to supplement water stored in the TSF. This rate varies, dependent on the natural outflows from the lake, and is only permitted to the end of October 2018, subject to the regulatory process described above.

Mount Milligan’s mill throughput is highly dependent on the availability of water and throughput estimates for the second half of 2018 will vary subject to the quantum of continued seepage of water to the sands and gravels, timing of regulatory approval to access groundwater and surface water sources, the flows from such newly accessed water sources are as expected, and the volume of precipitation captured in the second half of the year.

As previously disclosed, the Company has filed a formal request with the British Columbia Environmental Assessment Office and relevant ministries for an amendment to Mount Milligan’s environmental assessment certificate to provide additional short term water sources through to July 2020, and to initiate the development of a longer term water supply plan for subsequent years. With respect to short term water sources, the amendment request specifically seeks permission for Mount Milligan to access additional water

from groundwater wells as well as from surface water sources at Philip Lake, Meadows Creek and Rainbow Creek, in each case, in a manner that is protective of the environment. Amendment to Mount Milligan's environmental assessment certificate and related permitting is subject to consultation with relevant regulatory bodies and Indigenous groups. The Company is in the process of carrying out such consultation and expects the process to be concluded by the end of 2018.

If regulatory approvals to access short-term water sources are not received as expected and given expected mill shutdowns in the third quarter of 2018 (as noted earlier), the Mount Milligan mill would need to operate only one ball mill to conserve water and throughput would be reduced to approximately 30,000 tpd for the fourth quarter.

If however approvals to access short-term water sources are received in the fourth quarter of 2018, second half throughput could be increased.

Mount Milligan Operating Results

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017	% Change
Financial Highlights:						
Gold sales	47.9	50.7	(6%)	64.0	106.8	(40%)
Copper sales	28.2	27.3	3%	38.2	55.9	(32%)
Total Revenues	76.1	78.0	(2%)	102.2	162.7	(37%)
Cost of sales (cash)	50.7	44.7	14%	70.6	95.4	(26%)
Cost of sales (non-cash)	11.2	8.2	38%	15.5	23.2	(33%)
Cost of sales (total)	62.0	52.9	17%	86.2	118.6	(27%)
Cash provided by (used in) operations	24.3	54.5	(55%)	(17.0)	41.3	(141%)
Cash provided by operations before changes in working capital ⁽¹⁾	20.7	29.9	(31%)	15.6	60.8	(74%)
Operating Highlights:						
Tonnes mined - 000s	9,029	10,541	(14%)	16,601	21,722	(24%)
Tonnes ore mined - 000s	4,140	5,855	(29%)	6,370	11,720	(46%)
Tonnes milled - 000s	4,311	4,686	(8%)	6,049	9,430	(36%)
Mill Head Grade Copper (%)	0.22%	0.19%	16%	0.22%	0.18%	21%
Mill Head Grade Gold (g/t)	0.56	0.61	(9%)	0.62	0.57	10%
Copper Recovery - %	82.7%	81.2%	2%	82.8%	78.8%	5%
Gold Recovery - %	61.7%	63.4%	(3%)	64.1%	61.1%	5%
Mining costs - total (\$/t mined material)	\$ 1.96	\$ 1.73	13%	\$ 2.14	\$ 1.69	27%
Milling costs - total (\$/t milled material)	\$ 6.17	\$ 5.21	18%	\$ 5.82	\$ 4.78	22%
Concentrate Produced (dmt)	35,479	34,020	4%	49,015	61,771	(21%)
Payable Copper Produced (000's lbs) ⁽⁴⁾	16,449	15,062	9%	22,591	27,658	(18%)
Payable Gold Produced (oz) ⁽⁴⁾	46,380	57,096	(19%)	75,924	102,340	(26%)
Gold Sales (payable oz) ⁽⁴⁾	49,807	52,990	(6%)	65,320	106,222	(39%)
Copper Sales (000's payable lbs) ⁽⁴⁾	12,668	14,358	(12%)	17,174	27,970	(39%)
Average Realized Price - Gold (combined) - \$/oz ⁽¹⁾⁽³⁾	\$ 962	\$ 957	1%	\$ 979	\$ 1,006	(3%)
Average Realized Price - Copper (combined) - \$/lb ⁽¹⁾⁽³⁾	\$ 2.23	\$ 1.90	17%	\$ 2.23	\$ 2.00	11%
Capital Expenditures (sustaining) ⁽¹⁾ - cash	10.4	5.1	103%	23.1	9.7	139%
Capital expenditures (total)	10.4	5.1	103%	23.1	9.7	139%
Operating Costs (on a sales basis) ('000s)⁽²⁾	50.7	44.7	14%	70.6	95.4	(26%)
Adjusted Operating costs- \$/oz sold⁽¹⁾	483	355	36%	535	399	34%
Gold - All in Sustaining costs on a by-product basis - \$/oz sold⁽¹⁾	700	467	50%	903	499	81%
Gold - All in Sustaining costs on a by-product basis (including taxes) - \$/oz sold⁽¹⁾	720	486	48%	921	518	78%
Gold - All in Sustaining costs on a co-product basis - \$/oz sold⁽¹⁾	790	638	24%	917	662	39%
Copper - All in Sustaining costs on a co-product basis - \$/pound sold⁽¹⁾	1.87	1.58	18%	2.17	1.68	29%

(1) Non-GAAP measure. See discussion under "Non-GAAP Measures"

(2) Operating costs (on a sales basis) is comprised of mine operating costs such as mining, processing, site and regional office administration, royalties and production taxes, but excludes reclamation costs and depreciation, depletion and amortization.

(3) The average realized price of gold is a combination of market price paid by third parties and \$435 per ounce paid by Royal Gold, while the average realized price of copper is a combination of market price paid by third parties and 15% of the spot price per metric tonne of copper delivered paid by Royal Gold, in each case under the Mount Milligan Streaming Arrangement.

(4) Mount Milligan payable production and sales are presented on a 100% basis (the Mount Milligan Streaming Agreement entitles it to 35% and 18.75% of gold and copper sales, respectively). Under the Mount Milligan Streaming Arrangement, Royal Gold will pay \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered. Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters. The current payable percentage applied is approximately 95% for copper and 97.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.

Second Quarter 2018 compared to Second Quarter 2017

Production:

During the second quarter of 2018, mining continued to focus on phases 3 and 4. Stripping of topsoil and overburden waste material from phase 8 started in the second quarter of 2018 as well as bench development. Total waste and ore mined in the second quarter of 2018 was 9.0 million tonnes and total tonnes moved was 9.4 million, compared to 10.5 million tonnes and 11.1 million tonnes respectively in the same period

of 2017. The lower mine throughput in the current quarter of 2018 was due to lower than planned truck availability and poor road conditions through the spring break up, along with the limitations caused from the overall lower mill throughput in the current quarter. Mine production averaged 103,400 tpd while 115,835 tpd was recorded in the comparative quarter of 2017.

Total mill throughput was 4.3 million tonnes in the second quarter of 2018 compared to 4.7 million tonnes in the same quarter of 2017. After the restart of the second ball mill on March 23, 2018, the mill throughput levels were increased as additional water became available. For the quarter ended June 30, 2018, mill throughput averaged 47,000 tonnes per calendar day (roughly 52,000 tonnes per operating day), compared to 52,000 tonnes per day (or 55,000 tonnes per operating day) in the same quarter of 2017. During the quarter, the process plant operated for 30 consecutive days averaging greater than 60,000 tpd.

The mill performance during the quarter is due to improved maintenance practices which has achieved the target of 80% planned/20% unplanned maintenance, running the SAG mill at a higher average speed, and improvements made in the SAG mill liner and SAG discharge chute designs.

AVG Throughput	Jan	Feb	Mar	Apr	May	Jun	Q1 2018	Q2 2018	YTD
Calendar Days	0	25,903	32,670	32,996	55,231	53,645	19,312	47,378	33,422
Operating Days	0	31,301	33,631	42,065	56,472	55,627	32,618	52,081	44,459
Min		17,587	14,274	9,341	21,428	17,805	0	9,341	0
Max		37,390	41,920	53,720	66,583	75,122	41,920	75,122	75,122

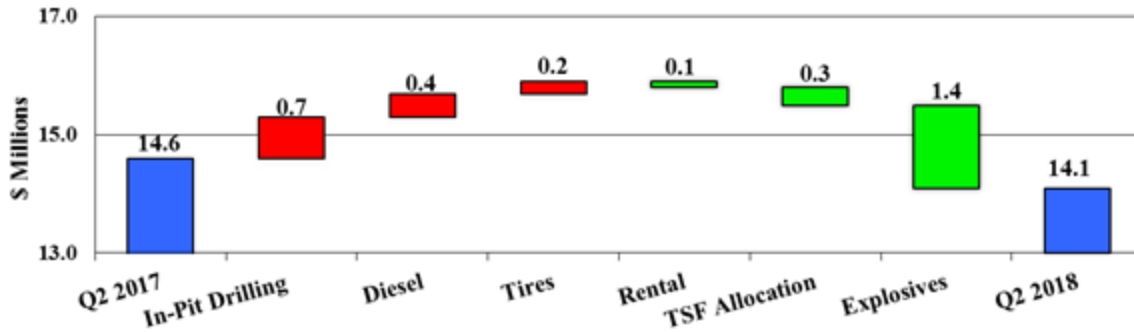
For the second quarter of 2018, total payable gold production was 46,380 ounces compared to 57,096 ounces in the comparative quarter of 2017. Total payable copper was 16.4 million pounds in the second quarter of 2018 compared to 15.1 million pounds in the same quarter of 2017.

Operating costs and All-in Measures:

Operating cost (on a sales basis)^{NG}, including standby costs, in the second quarter of 2018 was \$50.7 million compared to \$44.7 million in the same quarter of 2017. Operating costs in the second quarter of 2018 were lower than the same quarter of 2017 mainly due to lower sales volumes.

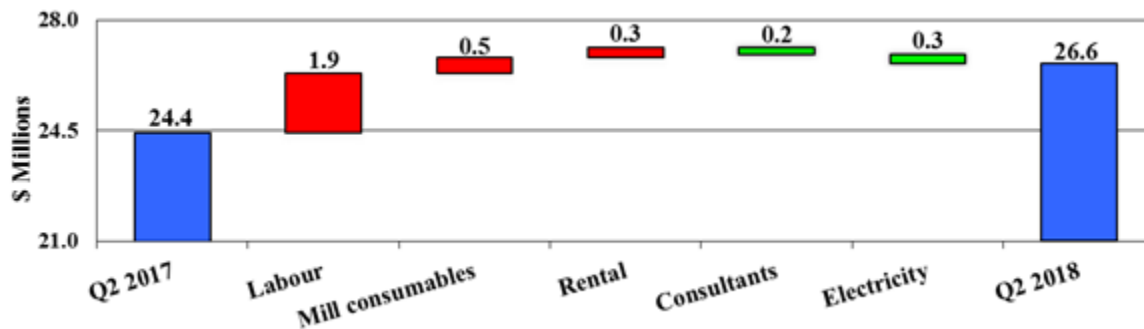
The movements in the major components of operating costs (mining, milling and site support), before changes in inventory, is explained below:

Mining Costs (Second Quarter 2018 compared to Second Quarter 2017):



Mining costs totalled \$14.1 million in the second quarter of 2018, which was \$0.5 million lower than the comparative quarter of 2017. The decrease in costs for the second quarter of 2018 includes lower explosive costs (\$1.4 million) due to lower tonnes mined (9.0 million tonnes versus 10.5 million tonnes) and the impact from a reduced powder factor, partially offset by higher in-pit drilling services cost (\$0.7 million) associated with long-term mine planning process improvements and higher diesel costs (\$0.4 million) due to higher prices.

Milling Costs, including standby costs (Second Quarter 2018 compared to Second Quarter 2017):



Milling costs (including standby costs) totalled \$26.6 million in the second quarter of 2018 compared to \$24.4 million in the comparative quarter of 2017. The increase in operating costs was due to higher labour costs (\$1.9 million) due to an increase in manpower with the addition of a maintenance night shift crew, higher mill consumables costs (\$0.5 million) due to higher grinding media prices and higher rental costs (\$0.3 million) due to additional pumps and generators to improve with water resources management. This was partially offset by lower electricity costs due to lower consumption and lower costs for consultants.

Other Cost movements:

Site support costs in the second quarter of 2018 totalled \$10.6 million versus \$9.0 million in comparative quarter of 2017. The increase in site support costs include higher labour costs (\$0.9 million) due to increased manpower and higher environmental consultants' costs (\$0.7 million) associated with environment assessment and the request for an EA amendment.

DD&A was \$11.2 million in the second quarter of 2018 compared \$8.2 million in the comparative quarter of 2017, reflecting an increase in depreciation cost per ounce due to acquiring and capitalizing additional mining and milling equipment.

All-in sustaining costs before tax on a by-product basis per ounce sold^{NG} was \$700 for the second quarter of 2018 compared to \$467 in the second quarter of 2017. The unit cost increase results from higher operating, higher capital expenditures and fewer gold ounces sold in the second quarter of 2018 compared to the same period of 2017.

All-in sustaining costs after tax on a by-product basis per ounce sold^{NG} was \$720 for the second quarter of 2018 compared to \$486 in the second quarter of 2017.

Capital expenditure in the second quarter of 2018 was \$10.4 million which includes developing the tailings storage facility (\$3.9 million), major repair of mining equipment (\$3.3 million), purchase of milling equipment and capital spares (\$1.9 million), development of additional water wells (\$0.8 million) and other projects (\$0.6 million). Sustaining capital^{NG} expenditures in the comparative quarter of 2017 was \$4.6 million including spending on the tailings storage facility (\$3.6 million), major repair of mining equipment (\$0.4 million), purchase of mining equipment (\$0.4 million) and other projects (\$0.2 million).

First Half 2018 compared to First Half 2017

Production:

During the first half of 2018, mining activities were focused on phases 3 and 4, with the majority of ore mined from phase 3 and the majority of waste mined from phase 4. Initial stripping of waste from phase 8 was started late in the second half of 2018 and the first mining benches were developed. Total waste and ore mined in the first half of 2018 was 16.6 million tonnes and total tonnes moved was 17.5 million. Mine production for the first half of 2018 was lower than the comparative period in 2017 due to overall lower mill throughput, TSF road conditions, along with lower than planned truck availability. The comparative period of 2017 resulted in higher total waste and ore mined of 21.7 million tonnes and higher total tonnes moved of 22.9 million. Mine production averaged 96,900 tpd while 120,011 tpd was recorded in the comparative period of 2017.

Total mill throughput was 6.0 million tonnes in the first half of 2018 compared to 9.4 million tonnes in the same period of 2017. In the first half of 2018, mill throughput averaged roughly 33,500 tonnes per calendar day (44,500 tonnes per operating day), compared to 52,000 tonnes per calendar day (56,000 tonnes per operating day) in the first half of 2017, reflecting the total mill shutdown in January 2018, processing with one ball mill only from early February 2018 to March 2018, and the gradual ramp up during the freshet.

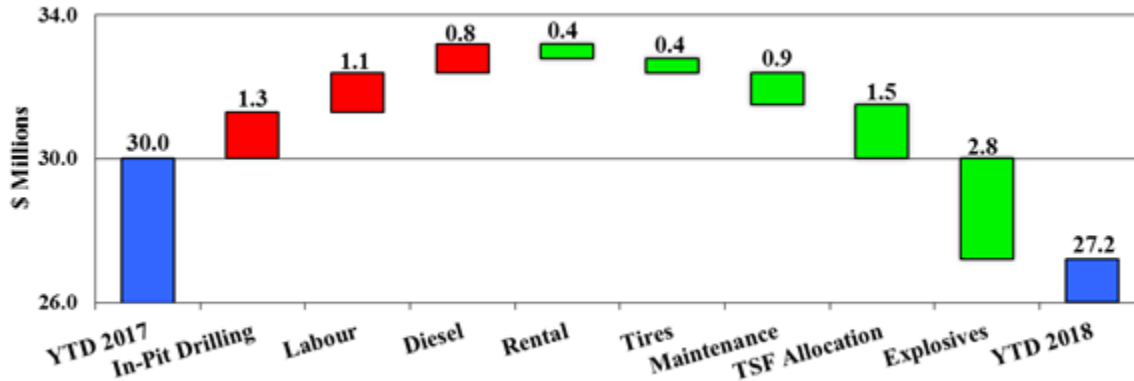
In the first half of 2018, total payable gold and copper production was 75,924 ounces and 22.6 million pounds, respectively, compared to 102,340 ounces of gold and 27.7 million pounds of copper in the first half of 2017.

Operating costs and All-in Measures:

Operating cost (on a sales basis)^{NG}, including standby costs, in the first half of 2018 was \$70.6 million compared to \$95.4 million in the same period of 2017. Operating costs in the first half of 2018 were lower than the same period of 2017 mainly due to lower sales volumes.

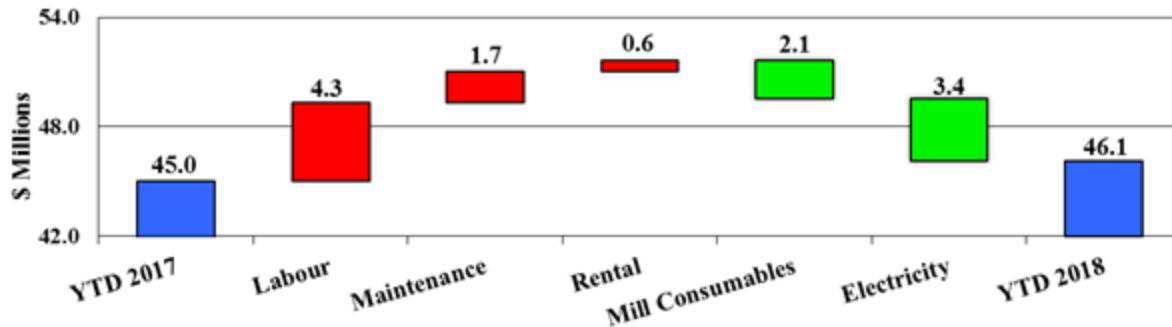
The movements in the major components of operating costs (mining, milling and site support), before changes in inventory, is explained below:

Mining Costs, including capitalized stripping (First Half 2018 compared to First Half 2017):



Mining costs totalled \$27.2 million in the first half of 2018, which was \$2.8 million lower than the comparative quarter of 2017. The decrease in costs for the first half of 2018 includes lower explosive costs (\$2.8 million) due to lower tonnes mined (16.6 million tonnes versus 21.7 million tonnes) and impact of a reduced powder factor, higher allocation to the tailings facility (\$1.5 million) due to higher mining cost per tonne and lower maintenance cost (\$0.9 million) resulting from a settlement of a long term maintenance agreement. This was partially offset by higher in-pit drilling services costs (\$1.3 million) associated with long-term mine planning process improvements, higher labour costs (\$1.1 million) due to an increase in manpower and higher diesel costs (\$0.8 million) due to higher prices.

Milling Costs (First Half 2018 compared to First Half 2017):



Milling costs (including standby costs) totalled \$46.1 million in the first half of 2018 compared to \$45.0 million in the comparative period of 2017. The increase in operating costs was due to higher labour costs (\$4.3 million) due to an increase in manpower with the addition of a maintenance night shift crew, higher maintenance materials costs (\$1.7 million) as the opportunity was taken to bring forward maintenance work during the temporary mill shutdown at the beginning of the year. This was partially offset by lower electricity costs (\$3.4 million) and milling consumable costs (\$2.1 million) due to lower production.

Other Cost movements:

Site support costs in the first half of 2018 totaled \$21.1 million versus \$18.8 million in the comparative period of 2017. The increase in site support costs include higher labour costs (\$1.5 million) due to increased manpower, higher administration costs for materials and supplies (\$1.2 million) and higher environmental

consultants costs (\$1.1 million) associated with environmental assessments. This was partially offset by lower royalties costs (\$1.5 million) resulting from lower product sales.

DD&A was \$15.5 million in the first half of 2018 compared \$23.2 million in the comparative period of 2017, reflecting decreased production and sales levels.

All-in sustaining costs before tax on a by-product basis per ounce sold^{NG} was \$903 for the first half of 2018 compared to \$499 in the first half of 2017. The unit cost increase results mainly from lower sales where four concentrate shipments were recorded in the first half of 2018 (due to the reduced mill production) compared to six concentrate shipments in the same period of 2017 (65,320 gold ounces sold versus 106,222 gold ounces sold).

All-in sustaining costs after tax on a by-product basis per ounce sold^{NG} was \$921 for the first half of 2018 compared to \$518 in the first half of 2017.

Capital expenditure in the first half of 2018 was \$23.1 million which includes developing the tailings storage facility (\$8.5 million), major repair of mining equipment (\$6.8 million), purchase of milling equipment (\$2.9 million), Philip Lake water infrastructure development (\$2.1 million), development of additional water wells (\$1.3 million) and site infrastructure development and other projects (\$1.5 million). Sustaining capital expenditures in the comparative period of 2017 was \$9.0 million including spending on the tailings storage facility (\$7.0 million), major repair of mining equipment (\$0.8 million), purchase of mining equipment (\$0.4 million), purchase of milling equipment (\$0.2 million) and other projects (\$0.6 million).

Molybdenum Business

The molybdenum business includes two North American primary molybdenum mines that are currently on care and maintenance: the Thompson Creek Mine ("TC Mine") (mine and mill) in Idaho, U.S.A. and the 75%-owned Endako Mine (mine, mill and roaster) in British Columbia, Canada. The molybdenum business also includes the Langeloth metallurgical roasting facility (the "Langeloth Facility") in Pennsylvania, U.S.A. TC Mine operates a commercial molybdenum beneficiation circuit to treat molybdenum concentrates to supplement the concentrate feed sourced directly for the Langeloth Facility. This beneficiation process at the TC Mine has allowed the Company to process high copper molybdenum concentrate purchased from third parties, which is then transported to the Langeloth Facility for processing.

The molybdenum business provides tolling services for customers by converting molybdenum concentrates to molybdenum oxide powder and briquettes and ferromolybdenum products. Additionally, molybdenum concentrates are also purchased to convert to upgraded products which are then sold in the metallurgical and chemical markets.

Molybdenum Operating Results

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Change	2018	2017 ⁽¹⁾	% Change
Financial Highlights:						
Molybdenum (Mo) Sales - \$ millions	47.2	30.6	54%	101.3	64.9	56%
Tolling, Calcining and Other	2.7	1.9	45%	4.9	4.1	19%
Total Revenues and Other Income	49.9	32.5	53%	106.2	69.0	54%
Cost of sales - cash	48.2	30.2	60%	97.2	61.8	57%
Cost of sales - non-cash	1.2	1.9	(33%)	2.6	3.9	(33%)
Cost of Sales - Total	49.5	32.1	54%	99.8	65.7	52%
Care & Maintenance costs - Molybdenum mines	2.7	3.4	(22%)	5.2	6.6	(21%)
Total capital expenditure	0.2	0.3	(31%)	0.4	0.4	0%
Cash provided by (used in) operations	4.7	(3.2)	(245%)	(9.7)	(5.6)	74%
Cash (used in) provided by operations before changes in working capital ⁽¹⁾	(1.5)	(1.0)	51%	2.9	0.8	279%
Production Highlights (000's lbs):						
Mo oxide purchased	3,925	4,271	(8%)	7,959	7,097	12%
Mo oxide roasted	3,917	4,168	(6%)	8,225	8,902	(8%)
Mo sold	3,637	3,166	15%	8,067	7,189	12%
Toll roasted and upgraded Mo	1,535	1,000	53%	2,776	2,690	3%

⁽¹⁾ Cash (used in) provided by operations before changes in working capital, is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Second Quarter 2018 compared to Second Quarter 2017

Financial:

The average molybdenum price was significantly higher in the second quarter of 2018 than in the second quarter of 2017, \$11.73 per pound vs. \$8.11 per pound, resulting in an increase in sales revenues as well as cost of sales, 54% and 61%, respectively, in 2018 vs. 2017. Molybdenum sales in the second quarter of 2018 benefitted from slightly stronger demand versus 2017, resulting in 15% higher pounds sold.

Production:

A total of 3.6 million pounds of molybdenum were sold and 1.5 million pounds were tolled during the second quarter of 2018 resulting in sales revenue of \$49.9 million. In the second quarter of 2018, the molybdenum business used \$1.5 million of cash from the operations before changes in working capital^{NG}, net of \$2.7 million in care and maintenance expenses at the two molybdenum mines. Total capital spending was \$0.2 million.

First Half 2018 compared to First Half 2017

Financial:

Molybdenum prices increased significantly in the first quarter of 2018, rising from \$10.50 per pound at year end to a high of \$13.10 per pound in early March. Prices then weakened over the last three and half months to end the second quarter at \$10.70 per pound. The average molybdenum price for the first half of 2018 of \$12.03 per pound vs. \$7.53 per pound for the same period in 2017. This increase is reflected in the 56% and 59% increases in molybdenum sales revenue and costs of sales. Sales for the first half of 2018 were 12.2% better than the same period in 2017, this was due primarily to an increase in demand and tightening of supply.

Production:

A total of 8.1 million pounds of molybdenum were sold and 2.8 million pounds were tolled during the first half of 2018 resulting in sales revenue of \$106.2 million. In the first half of 2018, the molybdenum business

generated \$2.9 million of cash from the operations before changes in working capital^{NG}, net of \$5.2 million in care and maintenance expenses at the two molybdenum mines. Total capital spending was \$0.4 million.

8. Construction and Development Projects

Öksüt Construction Project:

The Öksüt Project is a gold deposit situated in Turkey approximately 300 kilometres southeast of Ankara and 48 kilometres south of Kayseri, the provincial capital. The nearest administrative centre is at Develi (population 64,000) located approximately 10 km north of the Project. Öksüt Madencilik Sanayi ve Ticaret Anonim Sirketi (OMAS), a subsidiary of the Company, owns the rights to mine and explore the Öksüt Project.

2018 Developments:

- In January 2018, received the pastureland permit, which was the last remaining permit needed to begin development.
- In February 2018, the Öksüt Project received Board approval for the construction and development of the property. OMAS also received an Investment Incentive Certificate (“IIC”) from the Turkish Ministry of Economy which provides Öksüt with tax related advantages for the development of the Project.
- In late March 2018, construction activities commenced with the contractor mobilizing equipment and breaking ground on main road access construction.

Highlights – First six months 2018:

As at June 30, 2018 the Öksüt Project construction is approximately 14% complete. Following receipt of the pastureland permit and construction approval by the Company’s board of directors, activities focused on providing access to the site with the construction of the main access road.

- Work on access roads began in April 2018. The road to the main gate and the extension to the administration buildings are expected to be completed in early and mid-August 2018, respectively.
- Stripping of top soil on the waste rock dump in the north valley started April 2018.
- Excavation of the main sub-station was completed in early July. Construction of the sub-station is due to begin in early August 2018.
- Excavation of the absorption, desorption and refining (ADR) plant was completed at the end of July 2018, with construction of the ADR structures due to start in late August 2018.
- Topsoil stripping and main excavation of the crusher area has begun and is due to be completed mid-August 2018. Mobilization and construction of the secondary crusher/radial stacker/ crusher laydown area, is due to commence mid-August 2018.
- Phase 1 stripping of the top soil in the heap leach area was started in April 2018, and included toe filling and heap leach haul road construction.
- Blasting works at the admin/truck shop campus has been completed. Earthworks in this area is ongoing.
- Construction of the boundary fence started in July. All material for the fence is onsite.
- Earthworks activities in the well area are completed. Construction of the water infrastructure started in late July 2018.
- Clay screening started in early July 2018.
- Earthworks of cyanide and reagent storage area started in July 2018 and is due to be completed mid-August 2018.

- The first gold pour is expected to occur in the first quarter of 2020.

On June 26, 2018, all conditions precedent on the \$150 million Öksüt credit facility were satisfied and an initial draw of \$15 million was made.

During the three and six months ended June 30, 2018, the Company spent \$9.9 million and \$15.5 million respectively, mainly on fees associated with the pastureland permit and on development activities as explained above.

In the comparative periods of 2017, the Company spent \$2.1 million and \$4.8 million in the first three and six months of 2017 on development activities to progress access and site preparation and detailed engineering plans.

Development Projects

Kemess Underground Project:

On January 8, 2018, the Company completed the AuRico Acquisition, which has a 100% interest in the Kemess Project located in north-central British Columbia, Canada. The Kemess Project site (or “Kemess”) includes infrastructure from the past producing Kemess South mine. There are currently no mining activities at the Kemess site and on-site activities consist of care and maintenance work and surface preparation work for future construction activities and initial development activities until such time when a decision is made to proceed with the development and construction of the proposed Kemess Underground Project.

In May 2018, Centerra’s board approved a development program of \$48 million for 2018 to further advance the project. The program will focus on initial development activities (totalling \$31 million), including the purchase of a water treatment and water discharge system and tree clearing, \$11 million to be spent on care and maintenance on the property, \$4 million to be recognized as a pre-development expense and \$2 million to be spent on general and administration.

During the first six months of 2018, the Company spent \$3.6 million on care and maintenance, \$1.5 million on tree clearing activities and \$5.9 million on capital expenditures at Kemess, including access corridor construction which will provide access between the existing Kemess South facilities and the Kemess Underground mine. Spending included project permitting activities, detailed engineering and contract tendering. Capital expenditures included replacement of three camp dormitory units and associated utility services, contractor mobilization costs, materials for the water discharge system received in advance of construction activities and detailed engineering costs.

On July 6, 2018, the Company received its amended Mines Act Permit approving the Kemess underground mine plan and reclamation program for the Kemess Underground Project. This permit allows the Company to commence construction activities associated with the water treatment and water discharge system, and would allow the Company to proceed with other construction activities. The Company is still awaiting receipt of other permits and is developing potential financing alternatives.

The amended Mines Act Permit contains conditions on future reclamation requirements, as well as increased bonding requirements. Upon receipt of the permit, the required reclamation bond is set to increase from C\$18.5 million to C\$56.5 million by July 31, 2020. This incremental bonding requirement assumes full development of the Kemess Underground Project and will be re-assessed after the 2022 calendar year.

The Company is currently evaluating several forms of debt financing including offtake financing and project financing to fund the development of the Kemess Project.

Greenstone Gold Property:

As previously disclosed, the Greenstone Partnership has not made a development or construction decision on the Hardrock Project. The Greenstone Partnership continued to advance environmental, community and engineering activities in the second quarter of 2018 to further de-risk the profile of the project. For example, the Greenstone Partnership signed a Definitive Agreement with Long Lake #58 First Nation in June 2018 that outlines provisions for environmental monitoring, employment, training, business and contracting opportunities, along with a framework for regulatory permitting that extend not only to the Hardrock open pit, but to all properties within the Greenstone Partnership's regional portfolio that lie within the traditional territory of Long Lake #58 First Nation. As previously reported, the Greenstone Partnership has also completed and submitted the Environmental Impact Study and Environmental Assessment ("EIS/EA") to the Canadian Environmental Assessment Agency ("CEAA") and Ministry of the Environment and Climate Change ("MOECC") in July 2017, and anticipates a decision by the end of 2018.

The Company spent \$6.8 million in the second quarter of 2018 (\$2.8 million in 2017) addressing final information requests on the EIS/EA, permitting work, engineering on public infrastructure programs and engineering to support permit applications, and continued engagement with aboriginal communities in negotiating impact benefit agreements.

To date, Centerra's funding towards its C\$185 million commitment in the Greenstone Partnership totals C\$77.7 million (\$58.2 million).

9. Quarterly Results – Previous Eight Quarters

Over the last eight quarters, Centerra's results reflect the impact of decreasing input costs (mainly for consumables) which have seen a continued decrease since 2016, except for diesel prices which increased in 2017 and into the first half of 2018. Over the same periods, gold prices progressively increased over the first three quarters of 2016, until dropping in the fourth quarter and resumed a steady increase over the 2017 year and stabilizing into the first half of 2018. In 2017, the Euro, Canadian dollar, Mongolian tugrik and Kyrgyz som appreciated against the U.S. dollar thereby putting pressure on operating costs spent in these currencies. These currencies remained stable in the first half of 2018. Comparatively, most currencies weakened in 2016 as compared to the U.S. dollar which had a positive impact on foreign-currency denominated costs (such as labour). The Company reduced its carrying value of its Mongolian assets by \$41.3 million (pre-tax) in the second quarter of 2017 and recorded a provision of \$60 million in connection with the Strategic Agreement with the Kyrgyz Government in the third quarter of 2017. An after-tax gain of \$21.3 million on the sale of the Company's royalty portfolio and an after-tax gain of \$9.4 million on the final instalments of the ATO property sale (gain of \$6.9 million on the initial instalment booked in the third quarter of 2017) was recorded in the second quarter of 2018. The quarterly production profile at Kumtor for 2017 was more consistent across each quarter, while the production profile in 2016 was more concentrated in the last nine months of the year. Kumtor's production profile for 2018 is more concentrated in the last half of the year. Non-cash costs have progressively increased at Kumtor due to its expanded mining fleet and the increased amortization of capitalized stripping resulting from increased stripping as the Central pit has become larger. The addition of Mount Milligan's results and the molybdenum business'

results began with the closing of the acquisition of Thompson Creek on October 20, 2016. The quarterly financial results for the last eight quarters are shown below:

\$ million, except per share data Quarterly data unaudited	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	243	235	358	276	279	285	306	220
Net earnings (loss)	44	9	130	(1)	23	57	64	67
Basic earnings (loss) per share	0.15	0.03	0.45	-	0.08	0.20	0.23	0.28
Diluted earnings (loss) per share	0.15	0.03	0.43	-	0.08	0.20	0.23	0.28

10. Other Corporate Developments

The following is a summary of corporate developments with respect to matters affecting the Company and its subsidiaries. Readers are cautioned that there are a number of legal and regulatory matters that are currently affecting the Company and that the following is only a brief summary of such matters. For a more complete discussion of these matters, see the Company’s news releases and its 2017 Annual Information Form and specifically the section entitled “Risks that can affect our business” therein available on SEDAR at www.sedar.com. The following summary also contains forward-looking statements and readers are referred to “Caution Regarding Forward-looking Information”.

Kyrgyz Republic

Strategic Agreement

As previously disclosed, Centerra and its Kyrgyz subsidiaries (Kumtor Gold Company (“KGC”) and Kumtor Operating Company) entered into a comprehensive settlement agreement (the “Strategic Agreement”) with the Government of the Kyrgyz Republic (the “Kyrgyz Government”) on behalf of the Kyrgyz Republic on September 11, 2017. The Strategic Agreement includes, among other things:

- (i) full and final reciprocal releases and resolution of all existing arbitral and environmental claims, disputes, proceedings and court orders, and releases of the Company and its Kyrgyz subsidiaries from future claims covering the same subject matter as the existing environmental claims arising from approved mine activities;
- (ii) the agreement of KGC to:
 - a. make a one-time lump sum payment totaling \$57 million to a new, government-administered Nature Development Fund (\$50 million) following closing and to a new, government administered Cancer Care Support Fund (\$7 million) which was paid in 2017;
 - b. within 12 months of closing make a further one-time payment of \$3 million to the new, government administered Cancer Care Support Fund;
 - c. make annual payments of \$2.7 million to the Nature Development Fund, conditional on the Government continuing to comply with its obligations under the Strategic Agreement; and

- d. accelerate its annual payments to Kumtor's Reclamation Trust Fund in the amount of \$6 million a year until the total amount contributed by KGC reaches the total estimated reclamation cost for the Kumtor Project (representing the independent assessment of Kumtor's current reclamation costs) subject to a minimum total reclamation cost of \$69 million (which is broadly in line with KGC's current estimated reclamation cost for the Kumtor Project);

The releases of liability and outstanding payments are subject to a range of initial conditions precedent designed to protect Centerra, KGC and KOC, including (i) the approval by the Kyrgyz Government of various outstanding items, including the Kumtor life-of-mine (LOM) plan, official reserves report and the tailings dam expansion, (ii) compliance by the Kyrgyz Government with its obligations under the project agreements entered into by the Government, KOC and KGC in 2009 (the "Kumtor Project Agreements"), (iii) continued operation of the Kumtor Mine by KGC and KOC with all necessary permits, (iv) no expropriatory action having been taken by the Kyrgyz Government, and (v) termination of the environmental disputes and the civil and criminal proceedings instigated by the Kyrgyz General Prosecutor's Office on terms satisfactory to Centerra. The Kyrgyz Government approvals noted in (i) above have all been obtained. The Company understands that certain Kyrgyz Government officials have made public statements suggesting a desire to enhance the terms of the Strategic Agreement. The Company is continuing to work closely with the Kyrgyz Government to expeditiously satisfy the remaining conditions precedent to the Strategic Agreement, including the termination of certain legal proceedings and receipt of land use certificates. The initial longstop date for the satisfaction of all of the conditions precedent to completion of the Strategic Agreement has been extended by agreement of all the parties to August 24, 2018.

In connection with the Strategic Agreement, the arbitration previously commenced by Centerra, KGC and KOC against the Government of the Kyrgyz Republic and Kyrgyzaltyn will be suspended until August 24, 2018. During the suspension, the parties will work towards completing the Strategic Agreement and the resolution of all outstanding matters affecting the Kumtor Project.

Kyrgyz Republic Claims

SIETS Claims

As previously disclosed, on May 25, 2016, the Bishkek Inter-District Court in the Kyrgyz Republic ruled against Kumtor Operating Company ("KOC"), Centerra's wholly-owned subsidiary, on two claims made by the State Inspectorate Office for Environmental and Technical Safety of the Kyrgyz Republic ("SIETS") in relation to the placement of waste rock at the Kumtor waste dumps and unrecorded wastes from Kumtor's effluent and sewage treatment plants. The Inter-District Court awarded damages of 6,698,878,290 Kyrgyz soms (approximately \$98.0 million at current exchange rates) and 663,839 Kyrgyz soms (approximately \$9,700 at current exchange rates), respectively. On June 1, 2016, the Inter-District Court ruled against KOC on two other claims made by SIETS in relation to alleged land damage and failure to pay for water use. The Inter-District Court awarded damages of 161,840,109 Kyrgyz soms (approximately \$2.4 million) and 188,533,730 Kyrgyz soms (approximately \$2.8 million), respectively.

On March 27, 2018, upon the application of SIETS, the Bishkek City Court terminated each of the SIETS claims noted above. However, in April 2018, SIETS successfully appealed the decisions to terminate these claims and the claims have been returned to the court of first instance for further consideration. Despite this, the Company expects these claims to be resolved in connection with the Strategic Agreement.

Kyrgyz Republic General Prosecutor's Office Proceedings

The Company is and was subject to a number of other criminal proceedings commenced by the Kyrgyz Republic General Prosecutor's Office and other Kyrgyz Republic state agencies as described below.

Criminal Investigation into Environmental Matters

KGC is also aware of an outstanding criminal investigation in the Kyrgyz Republic which concerns the same subject matter as the SIETS claims described above. The Company expects that this investigation will be terminated in connection with the Strategic Agreement.

Land Use Claim

As previously noted, KGC had challenged the purported 2012 cancellation of its land use (surface) rights over the Kumtor concession areas in the Kyrgyz Republic courts as well as in its arbitration claim (described above). On August 28, 2017, the Bishkek Inter-District Court terminated the proceeding commenced by the GPO in respect of Kumtor's land use rights over the Kumtor concession area. The Company expects that new land use certificates will be issued to Kumtor prior to completion of the Strategic Agreement.

GPO Review of Kumtor Project Agreements

On June 14, 2016, according to reports in the Kyrgyz Republic, the Kyrgyz Republic President instructed the GPO to investigate the legality of the agreements relating to the Kumtor Project which were entered into in 2003, 2004 and 2009. The 2009 Restated Investment Agreement governing the Kumtor Project which was entered into in 2009 superseded entirely the 2003 and 2004 agreements. The 2009 Restated Investment Agreement was negotiated with the Kyrgyz Republic Government, Kyrgyzaltyn and their international advisers, and approved by all relevant Kyrgyz Republic state authorities, including the Kyrgyz Republic Parliament and any disputes under the 2009 Restated Investment Agreement are subject to resolution by international arbitration. The Company understands that this investigation has been closed with respect to certain individuals.

Criminal Charges Regarding 2016 Casualty at Kumtor Mill

On June 16, 2016, the Investigator of the Jety-Oguz District Department of Interior Affairs initiated criminal proceedings against two KGC managers in relation to the previously disclosed death of a KGC employee due to an industrial accident which occurred in January 2016. On July 11, 2017, the criminal proceedings were dismissed by the Kyrgyz courts but were later sent for new consideration by the courts upon the request of the deceased's family. This claim is not expected to be resolved in connection with the Strategic Agreement.

Management Assessment of Outstanding Kumtor Matters

As noted above, the Strategic Agreement contained no admission on the part of Centerra or its Kyrgyz subsidiaries of: (i) any environmental wrongdoing, (ii) any non-compliance with Kyrgyz law or the Kumtor Project Agreements or (iii) any pre-existing obligation to make additional environmental or Reclamation Trust Fund payments or environmental remediation efforts. The Company and KGC continue to dispute all of the allegations noted above.

While the Strategic Agreement provides a pathway for the resolution of all outstanding matters affecting the Kumtor Project, there are no assurances that all of the conditions precedent to the completion of the settlement contained in the Strategic Agreement will be satisfied. If the settlement contained in the Strategic Agreement is not completed, there are no assurances that (i) the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project or that any future discussions between the Kyrgyz Republic Government and Centerra will result in a mutually acceptable resolution; or (ii) the Kyrgyz Republic Government and/or Parliament will not take actions that are inconsistent with the Government's obligations under the Strategic Agreement or Kumtor Project Agreements, including adopting a law "denouncing" or purporting to cancel or invalidate the Kumtor Project Agreements or laws enacted in relation thereto which have the effect of nationalization of the Kumtor Project.

The inability to successfully resolve all such matters, whether through the Strategic Agreement or otherwise, could lead to suspension of operations of the Kumtor Project and would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Furthermore, if all such claims are not resolved as provided for in the Strategic Agreement and despite the Company's view that all disputes related to the 2009 Restated Investment Agreement should be determined in arbitration, there are risks that the arbitrator may (i) reject the Company's claims; (ii) determine it does not have jurisdiction; and/or (iii) stay the arbitration pending determination of certain issues by the Kyrgyz Republic courts. Even if the Company receives an arbitral award in its favour against the Kyrgyz Republic and/or Kyrgyzaltyn, there are no assurances that it will be recognized or enforced in the Kyrgyz Republic. Accordingly, the Company may be obligated to pay part of or the full amounts of, among others, the SIETS and SAEPP claims regardless of the action taken by the arbitrator. The Company does not have insurance or litigation reserves to cover these costs. If the Company were obligated to pay these amounts, it would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Mongolia

Claim Against the Mongolian Mineral Resources Authority to Annul Certain Administrative Decisions Related to Gatsuurt Mining Licenses.

In the first quarter of 2016, a non-governmental organization called "Movement to Save Mt. Noyon" filed a claim in Mongolian court against the Mongolian Mineral Resources Authority (MRAM) requesting that MRAM annul two administrative decisions related to the mining licenses underlying the Gatsuurt Project. Centerra Gold Mongolia ("CGM"), the wholly owned subsidiary of Centerra and the holder of these mining licenses, is involved in the claim as a third party. One administrative decision related to a routine approval of a change of name of the Gatsuurt license holder. The second decision related to a non-material license. The claimant's request has previously been granted twice (in May 2016 and May 2017) by the lower court and overturned both times on appeal.

A hearing on the merits of the claim was held on June 7, 2018. During this hearing, the plaintiff amended its claim and requested that the court revoke all four mining licenses underlying the Gatsuurt property, including the two main licenses #431A and #372A. The Mongolian administrative court issued its ruling on June 7, 2018 to satisfy the plaintiff's request and revoked the four Gatsuurt licenses. A written decision was subsequently released by the administrative court on June 29, 2018. MRAM appealed this decision of the administrative court in early July 2018. While the Company believes that this claim is without merit and that the administrative court decision is incorrect, there are no assurances that the decision of the

administrative court of first instance will be successfully overturned on appeal. If the decision is upheld by higher Mongolian courts, this may have a material adverse impact on the Company's consolidated reserves and resources, future cash flows, earnings, results of operations or financial condition.

Other

As noted above, on June 27, 2018 the Company sold its royalty portfolio on June 27, 2018, including all the shares of AuRico Metals Australian Royalty Corporation ("AMARC") to Triple Flag Mining Finance Bermuda Ltd. ("Triple Flag"). AMARC owns royalties in certain Australian properties, including the Fosterville Gold Mine, owned by Kirkland Lake Gold Ltd. ("Kirkland Lake"). On June 28, 2018, the Company received notice of arbitration from Kirkland Lake against both (i) AuRico, Centerra's subsidiary and the vendor of the royalty portfolio and the shares of AMARC; and (ii) AMARC, which is now owned by Triple Flag. Kirkland Lake alleges that the sale of the shares of AMARC to Triple Flag triggered a rights of first refusal or a right of first offer of Kirkland Lake (or its subsidiary) under the Fosterville royalty agreement.

11. Accounting Estimates, Policies and Changes

Accounting Estimates

The preparation of the Company's consolidated financial statements in accordance with IFRS required management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. The critical estimates and judgments applied in the preparation of the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2018 are consistent with those used in the Company's consolidated financial statements for the year ended December 31, 2017.

The Company operates in multiple countries around the world and accordingly is subject to, and pays, taxes under the various regimes in those jurisdictions in which it operates. These tax regimes are determined under general corporate income tax and other laws of the respective jurisdiction. The Company has historically filed, and continues to file, all required tax returns and to pay the taxes reasonably determined to be due. The tax rules and regulations in many countries are complex and subject to interpretation. From time to time the Company's tax filings are subject to review and in connection with such reviews disputes can arise with the taxing authorities over the Company's interpretation of the country's tax laws. The Company records provisions for future disbursements considered probable. As at June 30, 2018, the Company did not have any material provision for claims or taxation assessments.

Accounting policies and recent changes

The accounting policies applied in the condensed consolidated interim financial statements for the three and six months ended June 30, 2018 are consistent with those used in the Company's consolidated financial statements for the year ended December 31, 2017, with the exceptions listed in note 3 of the condensed consolidated interim financial statements.

Recently issued but not adopted accounting guidance

Note 3 in the condensed consolidated interim financial statements for the three and six months ended June 30, 2018 presents a list of recently issued accounting standards either adopted or not yet adopted by the Company, including a brief description on the nature of these changes and potential impact on the Company. Recently issued accounting standards and amendments not yet adopted relate to IFRS 16, *Leases* and

amendments and IFRIC 23, *Uncertainty over Income Tax Treatments*, which comes into effect on January 1, 2019.

12. Disclosure Controls and Procedures and Internal Control Over Financial Reporting (“ICFR”)

The Company’s management, including the CEO and CFO, is responsible for the design and operation of disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”). Centerra adheres to the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) revised 2013 Internal Control Framework for the design of its ICFR. There was no material change to the Company’s internal controls over financial reporting that occurred during the second quarter of 2018 that has materially affected, or is reasonably likely to materially affect, the Company’s internal controls over financial reporting.

The evaluation of DC&P and ICFR was carried out under the supervision of and with the participation of management, including Centerra’s CEO and CFO. Based on these evaluations, the CEO and the CFO concluded that the design of these DC&P and ICFR were effective throughout the second quarter of 2018.

13. 2018 Outlook

Production, cost and capital forecasts for 2018 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially. These risks are discussed herein under the headings “Risks That Can Affect Our Business”, “Material Assumptions & Risks” and “Caution Regarding Forward-Looking Information” in this document. Also refer to the Company’s most recent Annual Information Form and specifically the section entitled “Risks That Can Affect Our Business” therein available on SEDAR.

2018 Gold Production

Centerra’s 2018 gold production has been revised to 625,000 to 695,000 ounces reflecting a decrease from the previous guidance of 645,000 to 715,000 ounces disclosed in the Company’s news release dated May 1, 2018.

Kumtor’s gold production is expected to be in the range of 450,000 to 500,000 ounces, which is unchanged.

Mount Milligan’s payable gold production forecast has been revised to a new range of 175,000 ounces to 195,000, compared to the previous guidance of 195,000 ounces to 215,000 ounces. The decrease in the production guidance for Mount Milligan reflects increased production risks due to water supply issues discussed above.

2018 Copper Production

Payable copper production is expected to be in the range of 40 million pounds to 47 million pounds, compared to the previous guidance of 47 million pounds to 52 million pounds. The decrease in copper production guidance is also due to the issues at Mount Milligan discussed above.

Mount Milligan Production

As noted above, the Company is taking steps to secure longer term, more stable sources of water supply for the Mount Milligan Mine. The Company has filed a formal request with the BC Environmental Assessment Office for an amendment to its environmental assessment certificate to provide additional short-term water sources through to 2020, and to initiate the development of a longer term water supply plan for subsequent years.

During the third quarter of 2018, throughput at Mount Milligan will be reduced as a result of a 10-day unscheduled shutdown of the primary crusher for maintenance in July and a scheduled 5-day BC Hydro maintenance shutdown in September. The revised guidance takes into account the shutdowns in July and September and assumes short-term water sources are not available. In that event, the Mount Milligan mill would need to operate only one ball mill to conserve water and throughput would be reduced to approximately 30,000 tpd for the fourth quarter. At that rate, the outlook for 2018 gold production at Mount Milligan would be the revised guidance of 175,000 to 195,000 payable ounces of gold and 40-47 million payable pounds of copper.

If however the Company receives approval to access short-term water sources in the fourth quarter of 2018, second half throughput could be increased.

In addition to the risks relating to approvals of short-term water sources noted above, Mount Milligan's production is also subject to the risks that; the flows from presently permitted or new sources are not as great as expected; dry weather conditions experienced in the first half of 2018 persist in the second half of 2018; the Company is unable to recover significant amounts of water that has drained into sands and gravels within Mount Milligan's tailings management facility; or actual water levels in Mount Milligan's tailings management facility vary significantly from those predicted in the Mount Milligan's water model, which is the subject of ongoing evaluation and refinement.

Centerra's 2018 production is forecast as follows:

2018 Production Guidance	Units	Kumtor	Mount Milligan ⁽¹⁾	Centerra
Gold				
Unstreamed Gold Payable Production	(Koz)	450 – 500	114 – 127	564 – 627
Streamed Gold Payable Production ⁽¹⁾	(Koz)	–	61 – 68	61 – 68
Total Gold Payable Production⁽²⁾	(Koz)	450 – 500	175 – 195	625 – 695
Copper				
Unstreamed Copper Payable Production	(Mlb)	–	32 – 38	32 – 38
Streamed Copper Payable Production ⁽¹⁾	(Mlb)	–	8 – 9	8 – 9
Total Copper Payable Production⁽³⁾	(Mlb)	–	40 – 47	40 – 47

1) The Royal Gold Stream Arrangement entitles Royal Gold to 35% and 18.75% of gold and copper sales, respectively, from the Mount Milligan Mine and Royal Gold will pay \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered.

2) Gold production assumes 79% recovery at Kumtor and 61% recovery at Mount Milligan.

3) Copper production assumes 79% recovery for copper at Mount Milligan.

2018 All-in Sustaining Unit Costs^{NG}

Centerra's 2018 all-in sustaining costs on a by-product basis per ounce sold^{NG} are updated to reflect a change to the Mount Milligan production guidance and are forecast as follows:

2018 All-in Sustaining Unit Costs ^{NG (4)}	Kumtor	Mount Milligan ⁽²⁾	Centerra
Ounces sold forecast	450,000 – 500,000	175,000 – 195,000	625,000-695,000
All-in sustaining costs on a by-product basis ^{(1), (2)}	\$733 – \$815	\$834 – \$929	\$812 – \$903
Revenue-based tax ⁽³⁾ and mineral taxes ⁽³⁾	171 – 190	23 – 26	129 – 144
All-in sustaining costs on a by-product basis, including taxes ^{(1), (2), (3)}	\$904 – \$1,005	\$857 – \$955	\$941 – \$1,047
Gold - All-in sustaining costs on a co-product basis (\$/ounce) ^{(1),(2)}	\$733 – \$815	\$809 – \$966	\$805 – \$914
Copper - All-in sustaining costs on a co-product basis (\$/pound) ^{(1),(2)}	–	\$1.85 – \$2.41	\$1.85 – \$2.41

1) Non-GAAP measure. See discussion under “Non-GAAP Measures”

2) Mount Milligan payable production and ounces sold are on a 100% basis (the Mount Milligan Streaming Arrangement entitles Royal Gold to 35% and 18.75% of gold and copper sales, respectively). Unit costs and consolidated unit costs include a credit for forecasted copper sales treated as by-product for all-in sustaining costs and all-in sustaining costs plus taxes. The copper sales are based on a copper price assumption of \$2.90 per pound sold for Centerra's 81.25% share of copper production and the remaining 18.75% of copper revenue at \$0.44 per pound (15% of spot price, assuming spot at \$2.90 per pound), representing the Mount Milligan Streaming Arrangement. Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters.

3) Includes revenue-based tax at Kumtor and the British Columbia mineral tax at Mount Milligan based on a forecast gold price assumption of \$1,275 per ounce sold.

4) Results in chart may not add due to rounding.

Kumtor's all-in measures remain unchanged from prior guidance. Mount Milligan's prior guidance for all-in sustaining costs on a by-product basis per ounce sold^{NG} was \$806 - \$888, and \$825 - \$909 including taxes. On a consolidated basis, Centerra's prior guidance for all-in sustaining costs on a by-product basis per ounce sold^{NG} was \$799 - \$885, and \$924 - \$1,024 including taxes.

2018 Exploration Expenditures

The forecast for exploration expenditures for 2018 has been increased to \$23 million from the previous guidance of \$17 million. The increase in exploration expenditures forecast reflects additional exploration spending at Kumtor of \$6.5 million.

2018 Corporate Administration

The forecast for corporate and administration expenses for 2018 has been increased to \$39 million from the previous guidance of \$32 million. The increase in corporate and administration expenses forecast reflects increased costs associated with the acquisition of AuRico (including integration, advisor fees and severance costs), as well as legal costs related to the Strategic Agreement.

2018 Capital Spending and DD&A

Centerra's 2018 guidance for capital spending and DD&A is unchanged from the guidance disclosed in the Company's news release of May 1, 2018.

Sensitivities

Centerra's revenues, earnings and cash flows for the remaining six months of 2018 are sensitive to changes in certain key inputs or currencies. The Company has estimated the impact of any such changes on revenues, net earnings and cash from operations.

	Change	Impact on (\$ millions)				Impact on (\$ per ounce sold)
		Costs	Revenues	Cash flows	Net Earnings (after tax)	AISC ⁽³⁾ on by- product basis
Gold price ⁽¹⁾	\$50/oz	2.7 – 3.2	15.7 – 18.8	13.0 – 15.6	13.0 – 15.6	0 - 1
Copper price ⁽¹⁾	10%	1.5 – 2.0	5.4 – 7.0	3.9 – 5.0	3.9 – 5.0	8 – 10
Diesel fuel	10%	3.5 - 4.9	-	3.5 - 4.9	3.5 - 4.9	7 – 8
Kyrgyz som ⁽²⁾	1 som	1.0 - 2.0	-	1.0 - 2.0	1.0 - 2.0	1 - 2
Canadian dollar ⁽²⁾	10 cents	5.9 - 8.0	-	5.9 - 8.0	5.9 - 8.0	8 – 9

⁽¹⁾ Gold and copper price sensitivities include the impact of the hedging program set up in order to mitigate gold and copper price risks.

⁽²⁾ Appreciation of currency against the U.S. dollar will result in higher costs and lower cash flow and earnings, depreciation of currency against the U.S. dollar results in decreased costs and increased cash flow and earnings.

⁽³⁾ Non-GAAP measure. See discussion under "Non-GAAP Measures".

Material Assumptions and Risks

Material assumptions or factors used to forecast production and costs for the remaining six months of 2018 include the following:

- a gold price of \$1,275 per ounce,
- a copper price of \$2.90 per pound,
- a molybdenum price of \$12 per pound,
- exchange rates:
 - \$1USD:\$1.25 CAD,
 - \$1USD:71.0 Kyrgyz som,
 - \$1USD:3.5 Turkish lira,
 - \$1USD:0.87 Euro,
- diesel fuel price assumption:
 - \$0.45/litre at Kumtor,
 - \$1.05/litre at Mount Milligan, compared to \$0.82/litre in the previous guidance.

The assumed diesel price of \$0.45/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic. Diesel fuel for Kumtor is sourced from separate Russian suppliers. The diesel fuel price assumptions were made when the price of oil was approximately \$73 per barrel. Crude oil is a component of diesel fuel purchased by the Company, such that changes in the price of Brent crude oil generally impacts diesel fuel prices. The Company established a hedging strategy to manage changes in diesel fuel prices on the cost of operations at the Kumtor mine. The Company targets to hedge up to 50% of crude oil component of monthly diesel purchases exposure.

Other material assumptions were used in forecasting production and costs for the remaining six months of 2018. These material assumptions include the following:

- The Company and its applicable subsidiaries throughout the year continue to meet the terms of their respective credit facilities in order to maintain current borrowings and compliance with the facilities financial covenants.
- That the Company and the newly installed Kyrgyz Republic Government (“Government”) continue and that the parties continue to work constructively to complete the Kumtor Strategic Agreement, that the Government does not take any actions that are contrary to the Strategic Agreement and/or the Kumtor Project Agreement and which have a material adverse impact on the Kumtor operations, and that the Kyrgyz proceedings are not reinstated or progressed contrary to the terms of the Strategic Agreement and/or the Kumtor Project Agreements.
- The mine plans, expertises and related permits and authorizations at Kumtor which have been received to date for 2018 are not withdrawn and that any further approvals are obtained in a timely manner from relevant governmental agencies in the Kyrgyz Republic.
- Any recurrence of political or civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine and/or power to the mine site.
- Any sanctions imposed on Russian entities do not have a negative effect on the costs or availability of inputs or equipment to the Kumtor Project.
- The movement in the Central Valley Waste Dump at Kumtor, initially referred to in the Annual Information Form for the year ended December 31, 2013, and in the Lysii and Sarytor Waste Dumps, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production.
- The buttress constructed at the bottom of the Davidov glacier continues to function as designed.
- The Company is able to manage the risks associated with the increased height of the pit walls at Kumtor.
- The dewatering program at Kumtor continues to produce the expected results and the water management system works as planned.
- The pit walls at Kumtor and Mount Milligan remain stable.
- The resource block model at Kumtor and Mount Milligan reconcile as expected against production.
- The Mount Milligan processing facility continues to have access to sufficient water supplies to operate year round at the intended capacity. This includes management’s expectations of annual average precipitation, reduction in water losses/deferrals to the sands and gravels, that we continue to successfully draw water from existing permitted water wells, identify and access new water wells available for permitting and capture permittable water sources from within the existing operations. Guidance assumes that Mount Milligan will pump water from nearby Philip Lake until October 2018, as currently permitted under an amendment to the Mount Milligan Environmental Assessment Certificate.
- Grades and recoveries at Kumtor and Mount Milligan remain consistent with the 2018 production plan to achieve the forecast gold and copper production.

- The Kumtor mill and the Mount Milligan mill continues to operate as expected, including that there are no unplanned suspension of operations due to (among other things), mechanical or technical performance issues.
- No changes to any existing agreements and relationships with affected First Nations groups which would materially and adversely impact our operations.
- There are no unfavourable changes to concentrate sales arrangements at Mount Milligan and roasting arrangements at the Langeloth facility.
- There are no adverse regulatory changes affecting the Kumtor and Mount Milligan operations and the Company's molybdenum assets.
- Exchange rates, prices of key consumables, costs of power, water usage fees, and any other cost assumptions at all operations and projects of the Company are not significantly higher than prices assumed in planning.
- No unplanned delays in or interruption of scheduled production from our mines, including due to climate/weather conditions, political or civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks.
- Third party logistic providers are able to meet Centerra's logistics needs with particular importance in the second half of the year.

The Company cannot give any assurances in regards to the above.

Production, cost and capital forecasts for 2018 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 "Risks That Can Affect Our Business", "Material Assumptions & Risks" and "Caution Regarding Forward-Looking Information" in this document and under the heading "Risks That Can Affect Our Business" in the Company's 2017 MD&A and in the Company's most recent Annual Information Form.

Qualified Person & QA/QC – Production Information

The production information and other scientific and technical information presented in this document, including the production estimates were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101 and were prepared, reviewed, verified and compiled by Centerra's geological and mining staff under the supervision of Gordon Reid, Professional Engineer and Centerra's Vice- President and Chief Operating Officer, 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.

14. Non-GAAP Measures

This document contains the following non-GAAP financial measures: all-in sustaining costs per ounce sold on a by-product basis, all-in sustaining costs per ounce sold on a by-product basis including taxes, and all-in sustaining costs per ounce sold on a co-product basis. In addition, non-GAAP financial measures include operating costs (on a sales basis), adjusted operating costs and adjusted operating costs per ounce sold, as well as capital expenditures (sustaining) and capital expenditures (growth) and cash provided by operations before changes in working capital. These financial measures do not have any standardized meaning

prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers, even as compared to other issuers who may be applying the World Gold Council (“WGC”) guidelines, which can be found at <http://www.gold.org>.

Management believes that the use of these non-GAAP measures will assist analysts, investors and other stakeholders of the Company in understanding the costs associated with producing gold, understanding the economics of gold mining, assessing our operating performance, our ability to generate free cash flow from current operations and to generate free cash flow on an overall Company basis, and for planning and forecasting of future periods. However, the measures do have limitations as analytical tools as they may be influenced by the point in the life cycle of a specific mine and the level of additional exploration or expenditures a company has to make to fully develop its properties. Accordingly, these non-GAAP measures should not be considered in isolation, or as a substitute for, analysis of our results as reported under GAAP.

Definitions

The following is a description of the non-GAAP measures used in this MD&A. The definitions are similar to the WGC’s Guidance Note on these non-GAAP measures:

- *Production costs* represent operating costs associated with the mining, milling and site administration activities at the Company’s operating sites, excluding costs unrelated to production such as mine standby and community costs related to current operations.
- *Operating costs (on a sales basis)* include mine operating costs such as mining, processing, site support, royalties and operating taxes (except at Kumtor where revenue-based taxes are excluded), but exclude depreciation, depletion and amortization (DD&A), reclamation costs, financing costs, capital development and exploration.
- *Adjusted operating costs per ounce sold* include operating costs (on a sales basis), regional office administration, mine standby costs, community costs related to current operations, refining fees and by-product credits.
- *All-in sustaining costs on a by-product basis per ounce sold* include adjusted operating costs, the cash component of capitalized stripping costs, corporate general and administrative expenses, accretion expenses, and sustaining capital, net of copper and silver credits. The measure incorporates costs related to sustaining production. Copper and silver credits represent the expected revenue from the sale of these metals.
- *All-in sustaining costs on a by-product basis per ounce sold including taxes*, include revenue-based tax at Kumtor and taxes (mining and income) at Mount Milligan.
- *All-in sustaining costs on a co-product basis per ounce of gold sold or per pound of copper sold*, include operating costs allocated between copper and gold based on production. To calculate the allocation of operating costs, copper production has been converted to ounces of gold equivalent using the copper production for the periods presented, as well as an average of the futures prices during the quotational pricing period for copper and gold sold from Mount Milligan. For the second quarter ended June 30, 2018, 421 pounds of copper was equivalent to one ounce of gold.
- *Adjusted earnings* is calculated by adjusting net earnings (loss) as recorded in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) for non-recurring items.
- *Capital expenditure (Sustaining)* is a capital expenditure necessary to maintain existing levels of production. The sustaining capital expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year.
- *Capital expenditure (Growth)* is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.

- *Growth projects* are defined as projects that are beyond the exploration stage but are pre-operational. In the second quarter of 2018, growth projects include Öksüt, Kemess Underground, Gatsuurt and the Greenstone Gold Property.
- *Average realized gold price* is calculated by dividing revenue (including third party sales and the fixed amount received under the Mount Milligan Streaming Arrangement) derived from gold sales by the number of ounces sold.
- *Average realized copper price* is calculated by dividing revenue (including third party sales and the fixed amount received under the Mount Milligan Streaming Arrangement) derived from copper sales by the number of pounds sold.
- *Free cash flow (unlevered)* is calculated as cash provided by operations less additions to property, plant and equipment.
- *Cash provided by operations before changes in working capital* starts with cash provided by operations and removes the changes in working capital as presented in the Company's Statement of Cash Flows.

Adjusted Operating Cost and All-in Sustaining Costs on a by-product basis (including and excluding taxes) per ounce of gold are non-GAAP measures and can be reconciled as follows:

(Unaudited - \$ millions, unless otherwise specified)	Three months ended June 30,						Six months ended June 30,					
	Consolidated ⁽¹⁾		Kumtor ⁽¹⁾		Mount Milligan ⁽¹⁾		Consolidated ⁽¹⁾		Kumtor ⁽¹⁾		Mount Milligan ⁽¹⁾	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Cost of sales excluding molybdenum segment, as reported	137.8	133.2	75.8	80.3	62.0	52.9	240.3	271.5	154.1	152.9	86.2	118.6
Less: Non-cash component	42.3	49.1	31.0	41.0	11.2	8.2	82.2	101.7	66.7	78.5	15.5	23.2
Cost of sales, cash component	95.5	84.1	44.8	39.3	50.8	44.7	158.0	169.9	87.4	74.4	70.7	95.4
Adjust for:												
Regional office administration	3.5	4.1	3.5	4.1	-	-	6.3	8.3	6.3	8.3	-	-
Selling and marketing	1.3	1.1	-	-	1.3	1.1	2.2	2.3	-	-	2.2	2.3
Refining fees	1.1	1.3	0.9	1.0	0.2	0.3	2.3	2.5	2.0	2.0	0.3	0.5
By-product credits - copper	(28.2)	(27.3)	-	-	(28.2)	(27.3)	(38.2)	(55.9)	-	-	(38.2)	(55.9)
Community costs related to current operations	1.2	0.1	1.2	0.1	-	-	2.9	0.2	2.9	0.2	-	-
Adjusted Operating Costs	74.3	63.4	50.3	44.5	24.1	18.8	133.4	127.3	98.5	84.8	35.0	42.2
Corporate general administrative and other costs	8.0	9.4	-	-	0.1	0.7	18.7	19.5	-	0.1	0.4	0.7
Accretion expense	0.5	0.5	0.3	0.3	0.2	0.1	0.9	1.1	0.6	0.6	0.3	0.3
Capitalized stripping and ice unload	36.6	47.4	36.6	47.4	-	-	65.3	94.2	65.3	94.2	-	-
Capital expenditures (sustaining)	20.4	18.6	9.9	13.5	10.5	5.1	44.7	38.4	21.2	28.7	23.3	9.7
All-in Sustaining Costs on a by-product basis	139.8	139.3	97.1	105.8	34.9	24.7	263.0	280.5	185.7	208.4	59.1	52.8
Revenue-based taxes	16.5	23.8	16.5	23.8	-	-	38.1	47.0	38.1	47.0	-	-
Income and mining taxes	6.2	(2.0)	-	-	1.0	1.0	6.8	(0.8)	-	-	1.2	2.0
All-in Sustaining Costs on a by-product basis (including taxes)	162.5	161.2	113.7	129.6	35.9	25.7	307.9	326.6	223.8	255.4	60.3	54.8
Ounces sold (000)	140.4	188.2	90.6	135.2	49.8	53.0	272.9	376.0	207.5	269.9	65.3	106.2
Adjusted Operating Costs - \$ /oz sold	529	337	555	329	483	355	489	338	475	315	535	399
Gold - All-in Sustaining Costs on a by-product basis - \$ /oz sold	996	740	1,071	782	700	467	963	745	895	773	903	499
Gold - All-in Sustaining Costs on a by-product basis (including taxes) - \$ /oz sold	1,157	856	1,254	959	720	486	1,128	868	1,078	947	921	518
Gold - All-in Sustaining Costs on a co-product basis (before taxes) - \$ /oz sold	1,027	789	1,071	782	790	638	967	792	895	773	917	662
Copper - All-in Sustaining Costs on a co-product basis (before taxes) - \$ /pound sold	1.87	1.58	n/a	n/a	1.87	1.58	2.17	1.68	n/a	n/a	2.17	1.68

⁽¹⁾ Results may not add due to rounding

Adjusted earnings can be reconciled as follows:

Adjusted earnings is intended to provide investors with information about the Company's continuing income generating capabilities. Hence, this measure adjusts for the earnings impact of non-recurring items.

(\$ millions, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net earnings	\$ 43.5	\$ 23.4	\$ 52.6	\$ 80.4
Adjust for non-recurring items:				
Impairment of Mongolia CGU (net of tax)	-	39.7	-	39.7
AuRico Metals Inc. acquisition and integration expenses	-	-	4.4	-
Gain on sale of royalty portfolio	(28.0)	-	(28.0)	-
Gain on sale of ATO	(9.4)	-	(9.4)	-
Tax adjustment	(5.2)	-	(5.2)	-
Adjusted net earnings	\$ 1.0	\$ 63.1	\$ 14.5	\$ 120.1
Net earnings (loss) per share - basic	\$ 0.15	\$ 0.08	\$ 0.18	\$ 0.28
Net earnings (loss) per share - diluted	\$ 0.15	\$ 0.08	\$ 0.18	\$ 0.28
Adjusted net earnings per share - basic	\$ -	\$ 0.22	\$ 0.05	\$ 0.41
Adjusted net earnings per share - diluted	\$ -	\$ 0.22	\$ 0.05	\$ 0.41

Free cash flow (unlevered) is calculated as follows:

(\$ millions, except as noted)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Cash provided by operations ⁽¹⁾	\$ 68.0	\$ 142.8	\$ 28.3	\$ 211.1
Adjust for:				
Additions to property, plant and equipment ⁽¹⁾	(72.8)	(77.3)	(131.8)	(146.3)
Free cash flow (deficit)	\$ (4.8)	\$ 65.5	\$ (103.5)	\$ 64.8

⁽¹⁾ as presented in the Company's Consolidated Statements of Cash Flows.

Sustaining capital, growth capital and capitalized stripping presented in the All-in Sustaining cost measures can be reconciled as follows:

Three months ended June 30,	Kumtor	Mount Milligan	Turkey	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>					
2018					
Capitalized stripping –cash	36.6	-	-	-	36.6
Sustaining capital - cash	9.9	10.4	-	-	20.3
Growth capital - cash	5.9	-	-	-	5.9
Gatsuurt project development capital cash	-	-	-	-	-
Greenstone Gold Property pre-development capital cash	-	-	-	3.4	3.4
Kemess Property pre-development capital cash	-	-	-	5.3	5.3
Öksüt project development capital - cash	-	-	4.8	-	4.8
Molybdenum business capital - cash	-	-	-	0.2	0.2
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	(1.7)	(2.2)	-	-	(3.9)
Greenstone Gold Property translation adjustment	-	-	-	0.1	0.1
Total - Additions to PP&E ⁽¹⁾	50.7	8.2	4.8	9.0	72.7
2017					
(\$ millions) <i>(Unaudited)</i>					
Capitalized stripping –cash	47.4	-	-	-	47.4
Sustaining capital - cash	13.5	5.1	-	0.3	18.9
Growth capital - cash	4.9	-	-	-	4.9
Gatsuurt project development capital cash	-	-	-	1.3	1.3
Greenstone Gold Property pre-development capital cash	-	-	-	1.4	1.4
Öksüt project development capital - cash	-	-	2.4	-	2.4
Molybdenum business capital - cash	-	-	-	-	-
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	2.9	(1.3)	-	(0.5)	1.1
Total - Additions to PP&E ⁽¹⁾	68.7	3.8	2.4	2.5	77.4

Six months ended June 30,	Kumtor	Mount Milligan	Turkey	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>					
2018					
Capitalized stripping –cash	65.3	-	-	-	65.3
Sustaining capital - cash	21.2	23.1	-	-	44.3
Growth capital - cash	9.4	-	-	-	9.4
Gatsuurt project development capital cash	-	-	-	-	-
Greenstone Gold Property pre-development capital cash	-	-	-	5.1	5.1
Kemess Property pre-development capital cash	-	-	-	5.5	5.5
Öksüt project development capital - cash	-	-	9.9	-	9.9
Molybdenum business capital - cash	-	-	-	0.4	0.4
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	(3.8)	(5.4)	-	0.4	(8.8)
Greenstone Gold Property translation adjustment	-	-	-	0.7	0.7
Total - Additions to PP&E ⁽¹⁾	92.1	17.7	9.9	12.1	131.8
2017					
(\$ millions) <i>(Unaudited)</i>					
Capitalized stripping –cash	94.2	-	-	-	94.2
Sustaining capital - cash	28.7	9.7	-	0.3	38.7
Growth capital - cash	5.8	-	-	-	5.8
Gatsuurt project development capital cash	-	-	-	1.8	1.8
Greenstone Gold Property pre-development capital cash	-	-	-	2.4	2.4
Öksüt project development capital - cash	-	-	4.3	-	4.3
Molybdenum business capital - cash	-	-	-	-	-
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	0.5	(1.4)	-	-	(0.9)
Total - Additions to PP&E ⁽¹⁾	129.2	8.3	4.3	4.5	146.3

Reconciliation of Cash Provided by Operations Before Changes in Working Capital:

	Three months ended June 30, 2018				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash provided by (used in) operations	52,854	24,319	4,678	(13,812)	68,039
Add back (deduct):					
Change in operating working capital	(897)	(3,592)	(6,160)	(9,829)	(20,478)
Net cash provided by (used in) operations before changes in working capital	51,957	20,727	(1,482)	(23,641)	47,561

	Three months ended June 30, 2017				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash provided by (used in) operations	94,039	54,477	(3,234)	(2,505)	142,777
Add back (deduct):					
Change in operating working capital	8,557	(24,624)	2,253	(7,019)	(20,833)
Net cash provided by (used in) operations before changes in working capital	102,596	29,853	(981)	(9,524)	121,944

	Six months ended June 30, 2018				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash provided by (used in) operations	95,907	(16,968)	(9,673)	(40,957)	28,309
Add back (deduct):					
Change in operating working capital	40,675	32,588	12,554	10	85,827
Net cash provided by (used in) operations before changes in working capital	136,582	15,620	2,881	(40,947)	114,136

	Six months ended June 30, 2017				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash provided by (used in) operations	185,641	41,287	(5,562)	(10,309)	211,057
Add back (deduct):					
Change in operating working capital	19,335	19,516	6,322	(11,516)	33,657
Net cash provided by (used in) operations before changes in working capital	204,976	60,803	760	(21,825)	244,714

Average realized sales price for gold

The average realized gold price per ounce sold is calculated by dividing gold sales revenue, gross together with the final pricing adjustments and mark-to-market adjustments by the ounces sold, as shown in the table below:

<u>Average realized sales price for gold</u>	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Gold sales reconciliation (\$ millions)				
Gold sales - Kumtor	117.3	168.6	270.3	332.8
Gold sales - Mt. Milligan				
Gold sales related to cash portion of Royal Gold stream	7.6	7.8	9.9	16.5
Mark-to-market adjustments on sales to Royal Gold	1.0	2.6	0.7	1.0
Final adjustments on sales to Royal Gold	(0.4)	(1.2)	(0.5)	(2.8)
Total gold sales under Royal Gold stream	8.2	9.2	10.1	14.7
Gold sales to third party customers	42.2	42.8	55.2	89.1
Mark-to-market adjustments	(2.3)	(2.8)	(0.3)	1.4
Final pricing adjustments	-	1.9	(0.7)	2.1
Total gold sales to third party customers	39.9	41.9	54.2	92.6
Gold sales, net of adjustments	48.1	51.0	64.3	107.3
Refining and treatment costs	(0.2)	(0.3)	(0.3)	(0.5)
Total gold sales	47.9	50.7	64.0	106.8
Total gold revenue - Consolidated	165.1	219.3	334.3	439.6
Ounces of gold sold				
Gold ounces sold - Kumtor	90,620	135,235	207,539	269,917
Ounces sold to Royal Gold - Mt. Milligan	17,693	17,954	22,938	37,929
Ounces sold to Royal Gold - Mt. Milligan - Final adjustments	(150)	428	(21)	(7,556)
Ounces sold to third party customers - Mt. Milligan	32,264	34,608	42,403	75,849
Total ounces sold - Consolidated	140,427	188,225	272,859	376,139
Average realized sales price for gold on a per ounce basis				
Average realized sales price - Kumtor	1,294	1,247	1,302	1,233
Average realized gold price - Royal Gold	435	435	435	435
Average realized gold price - Mark-to-market adjustments	56	140	31	33
Average realized gold price - Final pricing adjustments	(20)	(67)	(22)	(93)
Average realized gold price - Mt. Milligan - Royal Gold	470	508	443	375
Average realized gold price - Third party	1,307	1,237	1,303	1,175
Average realized gold price - Mark-to-market adjustments	(72)	(82)	(7)	18
Average realized gold price - Final pricing adjustments	-	53	(16)	28
Average realized gold price - Mt. Milligan - Third party	1,236	1,208	1,279	1,221
Average realized gold price - Mt. Milligan - Combined	961	957	981	1,006
Average realized sales price for gold - Consolidated	1,176	1,165	1,225	1,169

Average realized sales price for Copper - Mount Milligan

The average realized copper price per pound is calculated by dividing copper sales revenue, gross together with the final pricing adjustments and mark-to-market adjustments per pound, as shown in the table below:

Average realized sales price for Copper - Mount Milligan	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Copper sales reconciliation (\$ millions)				
Copper sales related to cash portion of Royal Gold stream	1.1	1.0	1.5	2.0
Mark-to-market adjustments on Royal Gold stream	0.1	(0.4)	0.3	(0.3)
Final adjustments on sales to Royal Gold	(0.3)	(0.2)	0.2	(0.2)
Total copper sales under Royal Gold stream	0.9	0.4	2.1	1.5
Copper sales to third party customers	32.5	30.2	44.0	59.3
Mark-to-market adjustments	(1.4)	1.7	(1.0)	0.8
Final price adjustments	(0.2)	(0.9)	(2.1)	2.4
Total copper sales to third party customers	30.9	31.0	40.9	62.5
Copper sales, net of adjustments	31.9	31.4	43.0	64.0
Refining and treatment costs	(3.6)	(4.1)	(4.7)	(8.1)
Copper sales	28.2	27.3	38.2	55.9
Pounds of copper sold (000's lbs)				
Pounds sold to Royal Gold	2,387	2,694	3,191	5,221
Pounds sold to third party customers	10,281	11,664	13,982	22,748
Total pounds sold	12,668	14,358	17,174	27,969
Average realized sales price for copper on a per pound basis				
Copper sales related to cash portion of Royal Gold stream	0.47	0.37	0.48	0.39
Mark-to-market adjustments on Royal Gold stream	0.03	(0.13)	0.10	(0.05)
Final pricing adjustments on Royal Gold stream	(0.11)	(0.08)	0.06	(0.04)
Average realized copper price - Royal Gold	0.39	0.16	0.64	0.30
Average realized copper price - Third party	3.16	2.59	3.14	2.61
Average realized copper price - Mark-to-market adjustments	(0.13)	0.14	(0.07)	0.04
Average realized copper price - Final pricing adjustments	(0.02)	(0.08)	(0.15)	0.10
Average realized copper price - Third party	3.01	2.65	2.93	2.74
Average realized copper price - Combined	2.23	1.90	2.23	2.00

15. Caution Regarding Forward-Looking Information

Information contained in this document 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”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule”, “understand” and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things, our expectations regarding: water availability at the Mount Milligan mine, mill throughput levels expected for the remainder of 2018, the outcome and timing of the Company’s request for an amendment to the Mount Milligan environmental assessment certificate, and the timing for when all sandy gravel in the Mount Milligan TSF is covered by tailings; the closing of the Strategic Agreement entered into with the Kyrgyz Republic Government and the related resolution of outstanding matters which affect the Kumtor Project; the progress of development activities at the Öksüt Project, including expected dates of completion for various development activities, and expected costs and timing to first gold pour; the Company’s expectations on receiving permits for the Kemess project and the availability and timing for obtaining financing for the Kemess project; operational plans at Kumtor and Mount Milligan in 2018; the timing for the EIS/EA decision for the Hardrock project; the Company’s cash on hand, working capital, future cash flows and existing credit facilities being sufficient to fund anticipated operating cash requirements; exploration plans for the remainder of 2018 and 2019, including the execution of the Kumtor drill program; and statements found under the heading, “2018 Outlook”, including updated forecast 2018 production costs, capital and exploration expenditures and taxes.

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. Factors that could cause actual results or events to differ materially from current expectations include, among other things: (A) strategic, legal, planning and other risks, including: political risks associated with the Company's operations in the Kyrgyz Republic and Canada; risks that any of the conditions precedent to the Strategic Agreement will not be satisfied in a timely manner or at all, particularly as the Government may not bind the General Prosecutor's Office or the Parliament of the Kyrgyz Republic; a decision by the General Prosecutor's Office, or its successor the Anti-Corruption Service of the State Committee for National Security, to re-open at any time civil or criminal proceedings against Centerra, its subsidiaries or other stakeholders; the failure of the Government to comply with its continuing obligations under the Strategic Agreement, including the requirement that it comply at all times with its obligations under the Kumtor Project Agreements, allow for the continued operation of the Kumtor Mine by KGC and KOC and not take any expropriatory action; actions by the Government or any state agency or the General Prosecutor's Office that serve to restrict or otherwise interfere with the payment of funds by KGC and KOC to Centerra; resource nationalism including the management of external stakeholder expectations; the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices, including with respect to the environment, in the jurisdictions in which the Company operates including any delays or refusals to grant required permits and licenses, unjustified civil or criminal action against the Company, its affiliates or its current or former employees; risks that community activism may result in increased contributory demands or business interruptions; the impact of any actions taken by the Kyrgyz Republic Government and Parliament relating to the Kumtor Project Agreements which are inconsistent with the rights of Centerra and KGC under the Kumtor Project Agreements; any impact on the purported cancellation of Kumtor's land use rights at the Kumtor Project; the risks related to other outstanding litigation affecting the Company's operations; the impact of the delay by relevant government agencies to provide required approvals, expertises and permits; potential impact on the Kumtor Project of investigations by Kyrgyz Republic instrumentalities; the terms pursuant to which the Mongolian Government will participate in, or to take a special royalty rate in, the Gatsuurt Project; the impact of constitutional changes in Turkey; the impact of any sanctions imposed by Canada, the United States or other jurisdictions against various Russian individuals and entities; the ability of the Company to successfully negotiate agreements for the development of the Gatsuurt Project; potential defects of title in the Company's properties that are not known as of the date hereof; the inability of the Company and its subsidiaries to enforce their legal rights in certain circumstances; the presence of a significant shareholder that is a state-owned company of the Kyrgyz Republic; risks related to anti-corruption legislation; risks related to the concentration of assets in Central Asia; Centerra's future exploration and development activities not being successful; Centerra not being able to replace mineral reserves; Indigenous claims and consultative issues relating to the Company's properties which are in proximity to Indigenous communities; and potential risks related to kidnapping or acts of terrorism; (B) risks relating to financial matters, including: sensitivity of the Company's business to the volatility of gold, copper and other mineral prices, the use of provisionally-priced sales contracts for production at Mount Milligan, reliance on a few key customers for the gold-copper concentrate at Mount Milligan, use of commodity derivatives, 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, the impact of restrictive covenants in the Company's credit facilities which may, among other things, restrict the Company from pursuing certain business activities or making distributions from its subsidiaries, 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 make payments including any payments of principal and interest on the Company's debt facilities depends on the cash flow of its subsidiaries; and (C) risks related to operational matters and geotechnical issues and the Company's continued ability to successfully manage such matters, including the movement of the Davidov Glacier, waste and ice movement and continued performance of the buttress at the Kumtor Project; the occurrence of further ground movements at the Kumtor Project and mechanical availability; the risk of having sufficient water to continue operations, particularly at Mount Milligan and the ability of the Company to achieve expected mill throughput for the remainder of the year; the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities; inherent risks associated with the use of sodium cyanide in the mining operations; the adequacy of the Company's insurance to mitigate operational risks; mechanical breakdowns; 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; the risk that Centerra's workforce may be exposed to widespread epidemic; seismic activity in the vicinity of the Company's properties; long lead times required for equipment and supplies given the remote location of some of the Company's operating properties; reliance on a limited number of suppliers for certain consumables, equipment and components; illegal mining on the Company's Mongolian properties; the Company's ability to accurately predict decommissioning and reclamation costs; the Company's ability to attract and retain qualified personnel; competition for mineral acquisition opportunities; and risks associated with the conduct of joint ventures/partnerships; the Company's ability to manage its projects effectively and to mitigate the potential lack of availability of contractors, budget and timing overruns and project resources. See section titled "Risks that can affect our business" in the Company's most recently filed Annual Information Form available on SEDAR at www.sedar.com.

Furthermore, market price fluctuations in gold and copper, 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.

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

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 July 31, 2018. Centerra assumes no obligation to update or revise forward looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

Centerra Gold Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

June 30,
2018

December 31,
2017

(Expressed in thousands of United States Dollars)

Assets

Current assets

Cash and cash equivalents	\$ 187,894	\$ 415,891
Restricted cash	39	48
Amounts receivable	63,435	63,902
Inventories, net	545,452	506,208
Prepaid expenses and other current assets	20,481	25,933

Property, plant and equipment

Property, plant and equipment	1,923,226	1,674,444
Goodwill	16,070	16,070
Restricted cash	27,531	639
Reclamation deposits	30,772	26,525
Other assets	35,555	42,515

Total assets

	2,033,154	1,760,193
	\$ 2,850,455	\$ 2,772,175

Liabilities and Shareholders' equity

Current liabilities

Accounts payable and accrued liabilities	\$ 165,796	\$ 181,829
Provision for Kyrgyz Republic settlement	53,000	53,000
Short-term debt	-	48,536
Current portion of lease obligations	32,699	31,986
Revenue-based taxes payable	8,030	15,953
Taxes payable	6,455	2,592
Current portion of provision for reclamation	1,082	832
Current portion of derivative liabilities	2,471	16,057
Other current liabilities	24	7,021

Long-term debt

Long-term debt	255,939	211,611
Provision for reclamation	177,868	166,174
Lease obligations	1,585	-
Deferred income tax liability	48,153	-
Derivative liabilities	-	7,273
Other liabilities	4,020	3,882

Shareholders' equity

Share capital	948,811	948,121
Contributed surplus	26,384	25,781
Accumulated other comprehensive loss	(320)	(14,371)
Retained earnings	1,118,458	1,065,898

Total liabilities and Shareholders' equity

	2,093,333	2,025,429
	\$ 2,850,455	\$ 2,772,175

Centerra Gold Inc.

Condensed Consolidated Interim Statements of Earnings and Comprehensive Income

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
(Expressed in thousands of United States Dollars)				
(except per share amounts)				
Gold sales	\$ 165,190	\$ 219,333	\$ 334,279	\$ 439,599
Copper sales	28,225	27,317	38,237	55,879
Molybdenum sales	47,152	30,623	101,273	64,894
Tolling, calcining and other	2,748	1,945	4,924	4,188
Revenue	243,315	279,218	478,713	564,560
Cost of sales	187,380	165,195	340,195	337,084
Standby costs, net	-	-	10,849	-
Regional office administration	3,460	4,145	6,263	8,296
Earnings from mine operations	52,475	109,878	121,406	219,180
Revenue-based taxes	16,539	23,812	38,095	46,982
Other operating expenses	3,247	2,652	6,802	4,668
Care and maintenance expense	6,673	4,738	12,385	9,378
Pre-development project costs	4,326	1,323	6,494	2,431
Exploration expenses and business development	6,117	2,470	8,541	4,242
Business combination acquisition and integration expenses	82	504	4,496	1,438
Corporate administration	8,389	8,866	18,876	19,038
Asset impairment	1,636	41,300	1,636	41,300
Earnings from operations	5,466	24,213	24,081	89,703
Gain on sale of royalty assets	(27,973)	-	(27,973)	-
Other income, net	(7,295)	(2,862)	(12,716)	(3,195)
Finance costs	6,026	7,257	20,830	14,989
Earnings before income tax	34,708	19,818	43,940	77,909
Income tax recovery	(8,807)	(3,622)	(8,620)	(2,485)
Net earnings	\$ 43,515	\$ 23,440	\$ 52,560	\$ 80,394
Other Comprehensive Income				
Items that may be subsequently reclassified to earnings:				
Net (loss) gain on translation of foreign operation	(870)	977	(1,909)	1,267
Net movement in cashflow hedge, net of tax	8,575	(1,509)	15,960	(1,791)
Other comprehensive income (loss) ("OCI")	7,705	(532)	14,051	(524)
Total comprehensive income	\$ 51,220	\$ 22,908	\$ 66,611	\$ 79,870
Basic earnings per common share	\$ 0.15	\$ 0.08	\$ 0.18	\$ 0.28
Diluted earnings per common share	\$ 0.15	\$ 0.08	\$ 0.18	\$ 0.27

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
(Expressed in thousands of United States Dollars)				
Operating activities				
Net earnings	\$ 43,515	\$ 23,440	\$ 52,560	\$ 80,394
Adjustments for the following items:				
Depreciation, depletion and amortization	45,332	52,181	88,036	108,105
Amortization of royalty assets	-	-	2,151	-
Gain on sale of royalty assets	(27,973)	-	(27,973)	-
Gain on sale of ATO Project	(9,439)	-	(9,439)	-
Fair value movement of marketable securities	659	-	771	-
Finance costs	6,026	7,257	20,830	14,989
(Loss) gain on disposal of equipment	(284)	323	(262)	363
Compensation expense on stock options	490	230	733	546
Other share based compensation expense	791	684	3,498	2,438
Inventory impairment	1,019	-	1,019	-
Income tax recovery	(8,807)	(3,622)	(8,620)	(2,485)
Asset impairment	1,636	41,300	1,636	41,300
	52,965	121,793	124,940	245,650
Change in operating working capital	20,478	20,833	(85,827)	(33,657)
Change in long-term inventory	-	10	-	24
(Purchase) settlement of derivatives	(4,023)	610	(6,212)	58
Payments toward provision for reclamation	(351)	(133)	(523)	(254)
Income taxes paid	(1,030)	(336)	(4,069)	(764)
Cash provided by operations	68,039	142,777	28,309	211,057
Investing activities				
Additions to property, plant and equipment	(72,840)	(77,299)	(131,831)	(146,279)
Net purchase of short-term investments	-	(35,002)	-	(60,003)
Acquisition of AuRico Metals Inc., net of cash acquired	-	-	(226,800)	-
(Increase) decrease in restricted cash	(24,560)	11,339	(26,883)	8,623
Reclamation deposits payments and change in other assets	(2,929)	7,138	(10,265)	3,120
Proceeds from the sale of the royalty assets	155,450	-	155,450	-
Proceeds from disposition of fixed assets	396	-	1,741	-
Cash provided by (used in) investing	55,517	(93,824)	(238,588)	(194,539)
Financing activities				
Debt drawdown	99,000	-	349,070	-
Debt repayment	(150,000)	(22,500)	(351,000)	(60,000)
Payment of interest and borrowing costs	(5,691)	(6,564)	(16,386)	(15,306)
Proceeds from common shares issued for options exercised	598	-	598	-
Cash used in financing	(56,093)	(29,064)	(17,718)	(75,306)
Increase (decrease) in cash during the period	67,463	19,889	(227,997)	(58,788)
Cash and cash equivalents at beginning of the period	120,431	81,340	415,891	160,017
Cash and cash equivalents at end of the period	\$ 187,894	\$ 101,229	\$ 187,894	\$ 101,229
<i>Cash and cash equivalents consist of:</i>				
Cash	\$ 185,996	64,608	\$ 185,996	64,608
Cash equivalents	1,898	36,621	1,898	36,621
	\$ 187,894	\$ 101,229	\$ 187,894	\$ 101,229

The Unaudited Interim Consolidated Financial Statements and Notes for the three and six months ended June 30, 2018 and Management's Discussion and Analysis for the three and six months ended June 30, 2018 have been filed on the System for Electronic Document Analysis and Retrieval ('SEDAR') at www.sedar.com and are available at the Company's web site at: www.centerragold.com.

About Centerra

Centerra Gold Inc. is a Canadian-based gold mining company focused on operating, developing, exploring and acquiring gold properties in North America, Asia and other markets worldwide and is the largest Western-based gold producer in Central Asia. Centerra operates two flagship assets, the Kumtor Mine in the Kyrgyz Republic and the Mount Milligan Mine in British Columbia, Canada and is building its 100% owned Öksüt Gold Mine in Turkey. Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is based in Toronto, Ontario, Canada.

Conference Call

Centerra invites you to join its 2018 second quarter conference call on Wednesday, August 1, 2018 at 10:30AM Eastern Time. The call is open to all investors and the media. To join the call, please dial Toll-Free in North America +1-(877)-412-4946 or International callers dial +1-(212)-231-2938. Results summary slides are available on Centerra Gold's website at www.centerragold.com. Alternatively, an audio feed web cast will be broadcast live by Nasdaq Corporate Solutions and can be accessed at Centerra Gold's website at www.centerragold.com. A recording of the call will be available on www.centerragold.com shortly after the call and via telephone until midnight Eastern Time on Wednesday, August 8, 2018 by calling (416) 626-4100 or (800) 558-5253 and using passcode 21892086.

For more information:

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Additional information on Centerra is available on the Company's web site at www.centerragold.com and at SEDAR at www.sedar.com.

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