

Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

For the Quarter Ended June 30, 2018

(Unaudited)

(Expressed in thousands of United States Dollars)

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

		June 30, 2018	December 31, 2017
(Expressed in thousands of United States Dollars)			
	Notes		
Assets			
Current assets			
Cash and cash equivalents		\$ 187,894	\$ 415,891
Restricted cash		39	48
Amounts receivable	5	63,435	63,902
Inventories, net	6	545,452	506,208
Prepaid expenses and other current assets		20,481	25,933
		<u>817,301</u>	1,011,982
Property, plant and equipment	7	1,923,226	1,674,444
Goodwill		16,070	16,070
Restricted cash	10	27,531	639
Reclamation deposits		30,772	26,525
Other assets		35,555	42,515
		<u>2,033,154</u>	1,760,193
Total assets		<u>\$ 2,850,455</u>	<u>\$ 2,772,175</u>
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 165,796	\$ 181,829
Provision for Kyrgyz Republic settlement		53,000	53,000
Short-term debt	10	-	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	11	1,082	832
Current portion of derivative liabilities	18	2,471	16,057
Other current liabilities		24	7,021
		<u>269,557</u>	357,806
Long-term debt	10	255,939	211,611
Provision for reclamation	11	177,868	166,174
Lease obligations		1,585	-
Deferred income tax liability		48,153	-
Derivative liabilities	18	-	7,273
Other liabilities		4,020	3,882
		<u>487,565</u>	388,940
Shareholders' equity			
Share capital	15	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
		<u>2,093,333</u>	2,025,429
Total liabilities and Shareholders' equity		<u>\$ 2,850,455</u>	<u>\$ 2,772,175</u>

Commitments (note 16)

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

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

		Three months ended		Six months ended	
		June 30,		June 30,	
		2018	2017	2018	2017
(Expressed in thousands of United States Dollars)					
(except per share amounts)					
	Notes				
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	12	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	4	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	8	(27,973)	-	(27,973)	-
Other income, net	13	(7,295)	(2,862)	(12,716)	(3,195)
Finance costs	14	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	18	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	15	\$ 0.15	\$ 0.08	\$ 0.18	\$ 0.28
Diluted earnings per common share	15	\$ 0.15	\$ 0.08	\$ 0.18	\$ 0.27

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

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

	Notes	Three months ended		Six months ended	
		June 30, 2018	2017	June 30, 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	14	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
		<u>52,965</u>	<u>121,793</u>	<u>124,940</u>	<u>245,650</u>
Change in operating working capital	19(a)	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		<u>68,039</u>	<u>142,777</u>	<u>28,309</u>	<u>211,057</u>
Investing activities					
Additions to property, plant and equipment	19(b)	(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	4	-	-	(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		<u>55,517</u>	<u>(93,824)</u>	<u>(238,588)</u>	<u>(194,539)</u>
Financing activities					
Debt drawdown	19(c)	99,000	-	349,070	-
Debt repayment	19(c)	(150,000)	(22,500)	(351,000)	(60,000)
Payment of interest and borrowing costs	19(c)	(5,691)	(6,564)	(16,386)	(15,306)
Proceeds from common shares issued for options exercised		598	-	598	-
Cash used in financing		<u>(56,093)</u>	<u>(29,064)</u>	<u>(17,718)</u>	<u>(75,306)</u>
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		<u>\$ 187,894</u>	<u>\$ 101,229</u>	<u>\$ 187,894</u>	<u>\$ 101,229</u>
<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
		<u>\$ 187,894</u>	<u>\$ 101,229</u>	<u>\$ 187,894</u>	<u>\$ 101,229</u>

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

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

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

	Number of Common Shares	Share Capital Amount	Contributed Surplus	Accumulated Other Comprehensive Loss ("AOCI")	Retained Earnings	Total
Balance at January 1, 2017	291,276,068	\$ 944,633	\$ 25,876	\$ (2,592)	\$ 856,365	\$ 1,824,282
Share-based compensation expense	-	-	546	-	-	546
Shares issued on redemption of restricted share units	5,138	27	-	-	-	27
Foreign currency translation	-	-	-	1,267	-	1,267
Net movement in cashflow hedge, net of tax (note 18)	-	-	-	(1,791)	-	(1,791)
Net earnings for the period	-	-	-	-	80,394	80,394
Balance at June 30, 2017	291,281,206	\$ 944,660	\$ 26,422	\$ (3,116)	\$ 936,759	\$ 1,904,725
Balance at January 1, 2018	291,782,846	948,121	25,781	(14,371)	1,065,898	2,025,429
Share-based compensation expense	-	-	733	-	-	733
Shares issued on exercise of stock options	63,860	445	(130)	-	-	315
Shares issued as part of the employee share plan	38,590	212	-	-	-	212
Shares issued on redemption of restricted share units	6,086	33	-	-	-	33
Foreign currency translation	-	-	-	(1,909)	-	(1,909)
Net movement in cashflow hedge, net of tax (note 18)	-	-	-	15,960	-	15,960
Net earnings for the period	-	-	-	-	52,560	52,560
Balance at June 30, 2018	291,891,382	\$ 948,811	\$ 26,384	(320)	\$ 1,118,458	\$ 2,093,333

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

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

1. Nature of operations

Centerra Gold Inc. (“Centerra” or the “Company”) was incorporated under the *Canada Business Corporations Act* on November 7, 2002. Centerra’s common shares are listed on the Toronto Stock Exchange. The Company is domiciled in Canada and its registered office is located at 1 University Avenue, Suite 1500, Toronto, Ontario, M5J 2P1. The Company is primarily focused on operating, developing, exploring and acquiring gold and copper properties in North America, Asia and other markets worldwide.

2. Basis of presentation

These condensed consolidated interim financial statements (“interim financial statements”) of the Company and its subsidiaries have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). These interim financial statements do not contain all of the required annual disclosures and should be read in conjunction with the Company’s December 31, 2017 annual consolidated financial statements.

These financial statements were authorized for issuance by the Board of Directors of the Company on July 31, 2018.

3. Changes in accounting policies

These interim financial statements have been prepared using accounting policies consistent with those used in the Company’s annual consolidated financial statements as at and for the year ended December 31, 2017 except for those new standards adopted in the period as described below.

Recently adopted accounting policies are as follows:

Revenue

As of January 1, 2018 the Company adopted IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) that establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contract with customers. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

The Company adopted IFRS 15 using the modified retrospective approach. Under the modified retrospective approach, the Company recognizes transition adjustments, if any, in retained earnings on the date of initial application, without restating the financial statements on a retrospective basis.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**(Expressed in thousands of United States Dollars, except where otherwise indicated)

The Company has reviewed its revenue streams and contracts with customers using the five-step analysis under IFRS 15 and there are no material changes to amount and timing of revenue recognized.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The Company has adopted this accounting policy for revenue recognition as detailed below.

Revenue recognition

The Company sells its products pursuant to sales contracts entered into with its customers. Revenue associated with the sale of gold, concentrates and molybdenum products is recognized when control is transferred to the customer. Typically the transfer of control occurs when the customer has taken delivery and the consideration is received, or to be received. For concentrate sales, the passing of control is based on the terms of the sales contracts, generally upon the earlier of loading of the shipment at the shipping origin or payment by the customer.

Revenues from the Company's concentrate sales are based on a provisional forward sales price, which is subject to adjustments for the final price. Revenues from concentrate sales are recorded net of treatment and refining charges and the impact of derivative contracts accounted for as hedges of the contained metal. Treatment and refining charges represent payments or price adjustments that are contractually negotiated, as are typical in the industry. Moreover, because a portion of the metals contained in concentrate is unrecoverable as a result of the smelting process, the Company's revenues from concentrate sales are also recorded net of allowances based on the quantity and value of these unrecoverable metals. Gains and losses related to the Company's forward commodity contracts to economically hedge the Company's commodity price exposure under the Gold and Copper Stream Arrangement are netted and recorded to revenue.

The provisional prices are finalized in a specified future month (generally one to four months from the date of title transfer) based on spot copper prices on the London Metal Exchange ("LME") or spot gold prices on the London Bullion Market Association ("LBMA"). The Company receives market prices based on prices in the specified future month, which results in mark-to-market price fluctuations on the related receivable. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period reflecting estimated forward prices until the date of final pricing. For changes in metal quantities upon receipt of final assay, the provisional sales quantities are adjusted as well. Any such adjustments generally are not material to the transaction price.

The Company's molybdenum sales contracts specify the point in the delivery process at which time control transfers to the customer (shipping point or destination). Shipping and handling fees are accounted for on a gross basis under the terms of the contracts. The Company recognizes tolling

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

and calcining revenue under contractual arrangements as the services are performed on a per-unit basis.

4. Acquisition of AuRico Metals Inc

On January 8, 2018, the Company completed the acquisition of 100% of the outstanding shares of AuRico Metals Inc. (“AuRico”) (“the Acquisition”). AuRico was a North American-based company with a wholly-owned interest in a feasibility stage underground gold-copper project in British Columbia, Canada, known as the Kemess Underground and Kemess East properties. The Acquisition also included a royalty portfolio that included a 1.5% net smelter return (“NSR”) royalty on the operating Young-Davidson gold mine in Ontario and a 2.0% NSR royalty on the operating Fosterville mine in Australia (collectively “the Royalty Portfolio”). On June 27 2018, the Royalty Portfolio was sold (see note 8).

The Acquisition was completed by way of a Plan of Arrangement under the Business Corporations Act (Ontario), whereby the Company acquired all of the issued and outstanding AuRico common shares for Cdn\$1.80 per share in cash consideration, representing an aggregate transaction value of approximately \$247 million (Cdn\$307 million). Concurrently with the closing of the Acquisition, the Company entered into a credit facility (“AuRico Facility”) to finance a portion of the Acquisition and to pay certain related costs (see note 10).

The Company determined that the Acquisition was a business combination in accordance with the definition in IFRS 3, *Business Combinations*, and as such has accounted for it in accordance with this standard, with Centerra being the accounting acquirer on the acquisition date of January 8, 2018. The Company engaged an external third party valuator to assist in the determination of the fair value of the acquired assets and liabilities.

The following table summarizes the preliminary fair value of the identified assets acquired and liabilities assumed from AuRico:

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

	January 8, 2018	
<u>Total consideration</u>		
Cash paid to shareholders	\$	246,961
<u>Assets acquired</u>		
Current assets		
Cash and cash equivalents	\$	20,161
Marketable investments		2,254
Amounts receivable		4,005
Inventories		3,000
Prepaid expenses and other assets		379
	\$	29,799
Non-current assets		
Property, plant and equipment	\$	171,264
Intangible assets (Royalties) (note 8)		129,224
Total assets	\$	330,287
<u>Liabilities assumed</u>		
Accounts payable and accrued liabilities	\$	5,955
Asset retirement obligations		13,795
Deferred tax liability		63,576
Total liabilities	\$	83,326
Net assets acquired	\$	246,961

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

Transaction costs, due diligence costs and integration costs of the Acquisition were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Due diligence costs	\$ (42)	\$ -	\$ 2,040	\$ -
Integration costs	124	-	2,456	-
	\$ 82	\$ -	\$ 4,496	\$ -

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

5. Amounts receivable

	June 30, 2018	December 31, 2017
Gold sales receivable from related party (note 17)	\$ 16,950	\$ 20
Gold and copper concentrate sales receivable	3,401	13,650
Molybdenum sales receivable	25,233	22,999
Provisionally priced gold and copper concentrate sales	6,422	20,890
Consumption tax receivable	4,630	3,817
Other receivables	6,799	2,526
Total amounts receivable	\$ 63,435	\$ 63,902

6. Inventories

	June 30, 2018	December 31, 2017
Stockpiles of ore (a)	\$ 209,396	\$ 212,114
Gold in-circuit	31,524	23,595
Gold doré	2,045	15,023
Copper and gold concentrate	20,721	6,745
Molybdenum inventory	48,497	41,427
	312,183	298,904
Supplies (net of provision)	234,997	209,032
Total inventories (net of provisions)	\$ 547,180	\$ 507,936
Less: Long-term supplies inventory	(1,728)	(1,728)
Total inventories - current portion	\$ 545,452	\$ 506,208

(a) As at June 30, 2018, the amount of ore not scheduled for processing within the next 12 months, but is available on-demand, is \$155.9 million (December 31, 2017 – \$111.8 million).

The Company has recorded a provision for supplies obsolescence of \$28.3 million as at June 30, 2018 (December 31, 2017 - \$30.9 million).

Molybdenum inventory of \$48.5 million as at June 30, 2018 (December 31, 2017 - \$41.4 million) included work-in-process inventory of \$21.9 million (December 31, 2017 - \$21.4 million) and finished goods inventory of \$26.6 million (December 31, 2017 - \$20.0 million).

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

7. Property, plant and equipment

The following is a summary of the carrying value of property, plant and equipment (“PP&E”):

	Buildings, Plant and Equipment	Mineral Properties	Capitalized Stripping Costs	Mobile Equipment	Construction In Progress	Total
Cost						
January 1, 2018	1,103,945	530,241	347,572	549,853	119,915	2,651,526
Acquisition of AuRico (note 4)	56,814	113,454	-	1,082	-	171,350
Additions	1,742	174	86,275	2,588	75,824	166,603
Disposals	(3,489)	-	-	(8,582)	-	(12,071)
Reclassification	27,935	1,544	-	36,564	(66,043)	-
Balance June 30, 2018	\$ 1,186,947	\$ 645,413	\$ 433,847	\$ 581,505	\$ 129,696	\$ 2,977,408
Accumulated depreciation and impairment						
January 1, 2018	361,356	171,494	38,711	391,173	14,348	977,082
Charge for the period	29,679	5,307	19,629	32,991	-	87,606
Disposals	(2,202)	-	-	(8,304)	-	(10,506)
Balance June 30, 2018	\$ 388,833	\$ 176,801	\$ 58,340	\$ 415,860	\$ 14,348	\$ 1,054,182
Net book value						
Balance December 31, 2017	\$ 742,589	\$ 358,747	\$ 308,861	\$ 158,680	\$ 105,567	\$ 1,674,444
Balance June 30, 2018	\$ 798,114	\$ 468,612	\$ 375,507	\$ 165,645	\$ 115,348	\$ 1,923,226

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

The following is an analysis of the depreciation, depletion and amortization charge recorded in the Statements of Financial Position and Statements of Earnings:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Amount recorded in cost of sales (note 12)	\$ 43,931	\$ 50,784	\$ 85,206	\$ 105,093
Amount recorded in corporate administration	122	121	174	233
Amount recorded in care and maintenance expense	1,684	1,276	3,061	2,779
Total included in Statements of Earnings	45,737	52,181	88,441	108,105
Inventories movement (note 19(a))	(14,190)	(34,632)	(21,895)	(72,611)
Amount capitalized in PP&E (note 19(b))	11,278	16,919	21,060	32,714
Depreciation, depletion and amortization charge for the period	\$ 42,825	\$ 34,468	\$ 87,606	\$ 68,208

8. Gain on sale of royalty assets

On June 27, 2018 the Company announced completion of the sale of its Royalty Portfolio (note 4) and other royalties to Triple Flag Mining Finance Bermuda Ltd (“Triple Flag”) for an up-front cash payment of \$155.5 million with an effective date of April 1, 2018, subject to customary working capital adjustments. A pre-tax gain on disposal of \$28.0 million was recognized in the Statement of Earnings.

The sale of the Royalty Portfolio and other royalties was part of a larger transaction between the Company and Triple Flag. The sale also included a stream on 100% of the silver production at the Kemess Underground and Kemess East properties in consideration for a series of payments totaling \$45 million in advance of production.

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

9. Accounts payable and accrued liabilities

	June 30, 2018	December 31, 2017
Trade creditors and accruals	\$ 128,163	\$ 122,101
Amount due to Royal Gold	27,160	50,650
Liability for share-based compensation	10,473	9,078
	\$ 165,796	\$ 181,829

10. Debt

	Centerra B.C. Holdings Credit Facility Non-Revolver	EBRD Facility Revolver	AuRico Acquisition Facility Non-Revolver	Corporate Facility Revolver	OMAS Facility	Total
Principal						
Balance December 31, 2017	\$ 190,000	\$ 76,000	\$ -	\$ -	\$ -	266,000
Transfer	(190,000)	-	-	190,000	-	-
Drawdown	-	-	125,000	209,070	15,000	349,070
Settlement	-	(76,000)	(125,000)	(150,000)	-	(351,000)
Balance June 30, 2018	\$ -	\$ -	\$ -	\$ 249,070	\$ 15,000	\$ 264,070
Deferred costs						
Balance December 31, 2017	\$ (4,241)	\$ (1,612)	\$ -	\$ -	\$ -	(5,853)
Additions	-	-	-	(2,798)	(5,635)	(8,433)
Amortization	4,241	1,612	-	302	-	6,155
Balance June 30, 2018	\$ -	\$ -	\$ -	\$ (2,496)	\$ (5,635)	\$ (8,131)
Total debt						
Short-term debt	48,536	-	-	-	-	48,536
Long-term debt	137,223	74,388	-	-	-	211,611
Balance December 31, 2017	\$ 185,759	\$ 74,388	\$ -	\$ -	\$ -	260,147
Long-term debt	-	-	-	246,574	9,365	255,939
Balance June 30, 2018	\$ -	\$ -	\$ -	\$ 246,574	\$ 9,365	\$ 255,939

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**(Expressed in thousands of United States Dollars, except where otherwise indicated)

Centerra B.C. Holdings Credit Facility

As part of the acquisition of Thompson Creek in October 2016, Centerra B.C. Holdings Inc., a wholly-owned subsidiary of the Company, secured financing from a lending syndicate in the aggregate amount of \$325 million (the “Centerra B.C. Facility”), consisting of a \$250 million non-revolving term facility and a \$75 million senior secured revolving credit facility.

On February 1, 2018, the Centerra B.C. Facility was replaced with a new Corporate Facility, as noted below. As a result, the Centerra B.C. Facility was deemed to be extinguished and all associated unamortized capitalized deferred financing fees were expensed.

EBRD Revolving Credit Facility

In 2016, the Company entered into a five-year \$150 million revolving credit facility with European Bank for Reconstruction and Development (the “EBRD Facility”). Of the EBRD Facility, \$50 million was to be used for the purposes of funding direct and indirect costs associated with the Gatsuurt Project.

On January 29, 2018, in connection with the establishment of the Corporate Facility, the EBRD Facility was repaid in full and subsequently cancelled. All associated unamortized capitalized deferred financing fees were expensed.

AuRico Acquisition Facility

The Acquisition was funded, in part, by a \$125 million acquisition facility (“AuRico Acquisition Facility”) entered into on January 8, 2018. The AuRico Acquisition Facility was subsequently repaid and cancelled on February 1, 2018, when the Company entered into the Corporate Facility, as noted below. All fees associated with the financing were expensed and reflected in the Statement of Earnings.

Corporate Facility

On February 1, 2018, the Company entered into a \$500 million four-year senior secured revolving credit facility (the “Corporate Facility”). Finance fees for the facility are deferred and amortized over the term of the facility.

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.

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

The Corporate Facility is for general corporate purposes, including working capital, investments, acquisitions and capital expenditures. The Company's obligations under the Corporate Facility are guaranteed by its subsidiaries which own the Mount Milligan mine, the Endako mine, the Langeloth metallurgical facility, the Kemess Underground property and the Kemess East property. In addition, the Company is expected to maintain compliance with specified covenants (including financial covenants) which it was in compliance with for the period ended June 30, 2018.

As at June 30, 2018, \$249.0 million was drawn on the Corporate Facility.

	June 30 2018
<hr/>	
<u>Corporate Facility</u>	
Undrawn amount of the facility	\$251 million
Interest rate - LIBOR plus (a)	2.25% - 3.75%
<hr/>	
(a) The interest rate margin applied is dependent on an indebtedness ratio calculation and is paid and re-assessed quarterly. The interest rate margin ranges from 2.25% to 3.75%. Accrued interest is included in the Condensed Consolidated Interim Statements of Financial Position as part of 'Accounts payable and accrued liabilities'.	

Öksüt Madencilik Sanayi vi Ticaret A.S. ("OMAS") Facility

In 2016, OMAS, a wholly-owned subsidiary of the Company, entered into a \$150 million five-year project financing facility (the "OMAS Facility"), the closing of which was subject to conditions precedent. In April 2018, the OMAS Facility was amended, extending the expiry of the facility from December 30, 2021 to March 31, 2024. The purpose of the OMAS Facility is to assist in financing the construction of the Company's Öksüt Project.

As part of the April 2018 amendment to the OMAS Facility, OMAS agreed to apply all excess cash flow towards debt prepayment until the Öksüt Project's mining license is extended beyond its current expiry date of January 16, 2023. In addition, Centerra will provide a limited guarantee of a portion of OMAS' obligations under the OMAS Facility and will agree to comply with certain covenants which are consistent with the covenants under the Corporate Facility. The guarantee will be callable under certain limited circumstances – primarily if the Öksüt mining license is not extended beyond January 16, 2023. The guarantee provided by Centerra will be limited to the OMAS Facility balance outstanding as at January 16, 2023.

In the second quarter of 2018, OMAS, satisfied all conditions precedent for the OMAS Facility and drew down \$15 million of the OMAS Facility.

As a condition of the OMAS Facility, the Company has recognized a restricted cash balance of \$25 million, 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.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

	June 30	December
	2018	2017
OMAS Facility		
Undrawn amount of the facility	\$135 million	\$150 million
Interest rate - LIBOR plus (a)	2.65% - 2.95%	
(a) The interest rate margin applied is dependent on the timing of the completion of the Öksüt Project construction.		

11. Provision for reclamation

	June 30,	December 31,
	2018	2017
Kumtor gold mine	\$ 54,202	\$ 53,565
Boroo gold mine	21,469	21,644
Mount Milligan mine	27,124	28,148
Thompson Creek mine	36,037	35,618
Endako mine	25,723	26,714
Kemess Underground Project	13,062	-
Gatsuurt Project	1,333	1,317
Total provision for reclamation	178,950	167,006
Less: current portion	(1,082)	(832)
	\$ 177,868	\$ 166,174

For the three and six months ended June 30, 2018, there were no changes to the risk-free discount rates or undiscounted costs on any of the Company's reclamation provisions.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

12. Cost of sales

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating costs:				
Salaries and benefits	\$ 30,236	\$ 28,292	\$ 60,345	\$ 55,813
Consumables and maintenance charges	58,666	45,606	117,590	89,470
Third-party services	8,081	7,236	14,288	12,853
Other operating costs	13,159	6,083	13,296	12,310
Royalties, levies and production taxes	3,044	3,065	4,821	6,064
By-product sales (a)	(6,029)	(4,529)	(10,808)	(8,838)
Changes in inventories	34,305	27,522	52,660	61,608
	141,462	113,275	252,192	229,280
Supplies inventory obsolescence charge	968	1,136	1,778	2,711
Inventory impairment	1,019	-	1,019	-
Depreciation, depletion and amortization (note 7)	43,931	50,784	85,206	105,093
	\$ 187,380	\$ 165,195	\$ 340,195	\$ 337,084

(a) By-product sales includes silver, rhenium and sulfuric acid sales.

As a result of the temporary suspension of mill processing operations at the Mount Milligan mine, \$10.9 million of operating costs incurred in the three months ended March 31, 2018 were classified as standby costs. No standby costs were recorded at the Mount Milligan mine in the three months ended June 30, 2018.

13. Other income, net

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 gain of \$9.8 million. 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 recognized a gain of \$9.4 million, representing the discounted value of the final two instalments.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

14. Finance costs

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Interest expense	\$ 3,882	\$ 5,191	\$ 7,271	\$ 11,281
Deferred costs amortized	179	588	6,155	1,251
Commitment fees	151	32	863	46
Accretion of provision for reclamation	1,004	967	2,021	1,901
Other financing fees	810	479	4,520	510
	\$ 6,026	\$ 7,257	\$ 20,830	\$ 14,989

15. Shareholders' equity**Earnings per share**

Basic and diluted earnings per share computation:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net earnings attributable to shareholders	\$ 43,515	\$ 23,440	\$ 52,560	\$ 80,394
Adjustments to earnings:				
Impact of performance share units accounted for as equity-settled	(310)	(756)	-	(217)
Impact of restricted share units treated as equity-settled	(206)	(37)	-	-
Net earnings attributable to shareholders and for the purposes of diluted earnings per share	\$ 42,999	\$ 22,647	\$ 52,560	\$ 80,177

(Thousands of common shares)

Basic weighted average number of common shares outstanding	291,858	291,281	291,822	291,279
Effect of potentially dilutive securities:				
Stock options	526	642	402	540
Restricted share units	695	190	494	-
Diluted weighted average number of common shares outstanding	293,079	292,113	292,718	291,819
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.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

For the three and six months ended June 30, 2018 and 2017, certain anti-dilutive securities were excluded from the calculation of diluted earnings per share due to the exercise prices being greater than the average market price of the Company's common shares for the period.

Anti-dilutive securities, excluded from the calculation, are summarized below:

(Thousands of units)	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Stock options	3,924	1,392	2,982	2,136
Restricted share units	-	-	-	168
	3,924	1,392	2,982	2,304

16. Commitments**Commitments****(a) Contracts**

As at June 30, 2018, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$131.4 million (Öksüt Project \$67.7 million, Kumtor - \$38.6 million, Mount Milligan - \$15.2 million, Greenstone Gold Property - \$3.0 million and Kemess Underground - \$6.6 million and other - \$0.3 million). Öksüt Project commitments include \$27 million of contracts that will be settled over the next two to three years, while a majority of all other contracts are expected to be settled over the next twelve months.

(b) Greenstone Partnership

As consideration for the Company's initial 50% partnership interest in Greenstone Gold Mines LP, the Company agreed to commit up to an additional Cdn\$185 million to fund the project, subject to certain feasibility and project advancement criteria. In the event that the project is put under care and maintenance as a result of feasibility study or project criteria not being met, the Company will be required to make contributions towards the costs associated with the care and maintenance of the project for a period of two years or until the Cdn\$185 million is spent (if such event occurs first), after which time the partners would fund such costs on a pro rata basis. Any such costs will form part of the Cdn\$185 million development contributions commitment of the Company. As at June 30, 2018, the Company has funded a total of Cdn\$77.7 million (\$58.2 million) of its commitment since the inception of the partnership.

(c) Molybdenum purchases

In the normal course of operations, the Company enters into agreements for the purchase of molybdenum material. As of June 30, 2018, the Company had commitments to purchase

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

approximately 12.8 million pounds of molybdenum as unroasted molybdenum concentrate from 2018 to 2020 primarily priced at the time of purchase at a set discount to the market price for roasted molybdenum concentrate.

17. Related party transactions**Kyrgyzaltyn**

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

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

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Sales:				
Gross gold and silver sales to Kyrgyzaltyn	\$ 118,995	\$ 171,101	\$ 274,057	\$ 337,571
Deduct: refinery and financing charges	(862)	(1,012)	(1,953)	(1,982)
Net sales revenue received from Kyrgyzaltyn	\$ 118,133	\$ 170,089	\$ 272,104	\$ 335,589
Expenses:				
Contracting services provided by Kyrgyzaltyn	\$ 422	\$ 286	\$ 600	\$ 465
Management fees payable to Kyrgyzaltyn	91	135	208	270
Expenses paid to Kyrgyzaltyn	\$ 513	\$ 421	\$ 808	\$ 735

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Related party balances

The assets and liabilities of the Company include the following amounts receivable from and payable to Kyrgyzaltyn:

	June 30, 2018	December 31, 2017
Amounts receivable (a)	\$ 16,950	\$ 20
Amount payable	\$ 1,147	\$ 1,160

(a) Subsequent to June 30, 2018, the balance receivable from Kyrgyzaltyn was paid in full.

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Sales Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days. The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn.

18. Financial Instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, amounts receivable (including embedded derivatives), derivative instruments, long-term receivables, tax receivables, accounts payable and accrued liabilities, lease obligations, debt, and revenue-based taxes payable.

Derivative Instruments

The Company uses derivative instruments as part of its risk management program to mitigate exposures to various market risks including commodity prices, currency exchange rates and the cost of fuel.

Provisionally-priced contracts

Certain copper-gold concentrate sales contracts provide for provisional pricing. These sales contain an embedded derivative related to the provisional pricing mechanism and are marked to market at the end of each reporting period. As at June 30, 2018 the Company's trade receivables with embedded derivatives had a fair value of \$6.4 million (December 31, 2017 - \$20.9 million), representing 12.8 million pounds of copper and 49,882 ounces of gold (December 31, 2017 - 17.6 million pounds of copper and 78,578 ounces of gold).

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

The hedge positions outstanding as at June 30, 2018 are summarized as follows:

Contract	Instrument	Unit	Average strike price	Type	Settlement		As at June 30, 2018
					2018	2019	Total position
Fuel	Crude oil options	Barrels	\$65.00	Fixed	134,000	72,000	206,000
Fuel	Zero-cost collars	Barrels	\$46/\$59	Fixed	-	23,000	23,000
Copper	Zero-cost collars	Pounds	\$2.50/\$3.30	Fixed	27.6 million	27.5 million	55.1 million
Gold	Zero-cost collars	Ounces	\$1,250/\$1,362	Fixed	38,506	36,799	75,305
<i><u>Royal Gold deliverables</u></i>							
Non-hedge gold	Forward contracts	Ounces	ND	Float	10,710	-	10,710
Non-hedge copper	Forward contracts	Pounds	ND	Float	1.6 million	-	1.6 million
<i><u>Currency contracts</u></i>							
Non-hedge currency contracts	Zero-cost collars	CAD Dollars	1.23/1.303	Fixed	27 million	-	27 million

ND = Contracts with floating terms, that are not defined as at June 30, 2018.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

The following table is an analysis of the derivative instruments recorded in the Statements of Earnings:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
<u>Cash flow hedges</u>				
<i>Gold, copper and fuel contracts</i>				
Cash flow hedges - effective portion of changes in fair value	\$ 14,369	\$ 429	\$ 24,582	\$ 319
Cash flow hedges - reclassified to Statement of Earnings	(5,794)	(1,938)	(8,622)	(2,110)
Net gain (loss) included in AOCI, net of tax (a)	\$ 8,575	\$ (1,509)	\$ 15,960	\$ (1,791)
Cash flow hedges - reclassified from AOCI	\$ 5,794	\$ 1,938	\$ 8,622	2,110
Gain (loss) recognized on derivative instruments (b)	(5,279)	(1,879)	(4,148)	(1,773)
Total gain included in Statements of Earnings	\$ 515	\$ 59	\$ 4,474	\$ 337

Non-hedge derivatives*Non-hedge gold, non-hedge copper and currency contracts*

Total (loss) gain included in revenue	\$ (840)	\$ (340)	\$ (1,228)	\$ 2,236
Total (loss) gain included in other income, net	\$ (1,878)	\$ 896	\$ (2,928)	\$ 1,206

(a) Includes tax for the three and six months ended June 30, 2018 of nil (2017 – nil).

(b) Represents the change in fair value of certain gold and copper derivative instruments reclassified to the Statements of Earnings that no longer qualify for hedge accounting.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

The following table is an analysis of where derivative instruments are recorded in the Statements of Financial Position:

	June 30,	December 31,
	2018	2017
<u>Cash flow hedge</u>		
<i>Gold, copper and fuel contracts</i>		
Prepaid expenses and other current assets	\$ 4,211	\$ 908
Other non-current assets	-	545
Current portion of derivative liabilities	(1,910)	(15,870)
Non-current derivative liabilities	-	(7,273)
	\$ 2,301	\$ (21,690)

Non-hedge derivatives*Non-hedge gold, non-hedge copper and currency contracts*

Prepaid expenses and other current assets	\$ 1	\$ 1,055
Current portion of derivative liabilities	(561)	(187)
	\$ (560)	\$ 868

Fair value measurement

All financial instruments measured at fair value are categorized into one of three hierarchy levels for which the financial instruments must be grouped based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. These two types of inputs create the following fair value hierarchy:

Level 1: observable inputs such as quoted prices in active markets;

Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and

Level 3: unobservable inputs for the asset or liability in which little or no market data exists, which therefore require an entity to develop its own assumptions.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Classification and the fair value measurement by level of the financial assets and liabilities in the Statements of Financial Position were as follows:

June 30, 2018

	Amortized cost	Assets/liabilities at fair value through earnings	Assets/liabilities at fair value through OCI
<u>Financial assets</u>			
Cash and cash equivalents	\$ 187,894	\$ -	-
Restricted cash	27,570	-	-
Amounts receivable	57,013	-	-
Provisionally-priced receivables - Level 2	-	6,422	-
Taxes receivable	21,302	-	-
Long-term receivables	2,549	-	-
Derivative assets - Level 2	-	1	4,211
	\$ 296,328	\$ 6,423	\$ 4,211
<u>Financial liabilities</u>			
Accounts payable and accrued liabilities	\$ 128,163	\$ -	-
Amount due to Royal Gold - Level 2	-	27,160	-
Lease obligations	32,699	-	-
Debt	255,939	-	-
Revenue-based taxes payable	8,030	-	-
Derivative liabilities - Level 2	-	561	1,910
	\$ 424,831	\$ 27,721	\$ 1,910

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

December 31, 2017

	Amortized cost	Assets/liabilities at fair value through earnings	Assets/liabilities at fair value through OCI
<u>Financial assets</u>			
Cash and cash equivalents	\$ 415,891	\$ -	-
Restricted cash	687	-	-
Amounts receivable	43,012	-	-
Provisionally-priced receivables - Level 2	-	20,890	-
Taxes receivable	21,302	-	-
Long-term receivables	2,649	-	-
Fuel derivative assets - Level 2	-	1,055	1,453
	<u>\$ 483,541</u>	<u>\$ 21,945</u>	<u>\$ 1,453</u>
<u>Financial liabilities</u>			
Accounts payable and accrued liabilities	\$ 122,101	\$ -	-
Amount due to Royal Gold - Level 2	-	50,650	-
Lease obligations	31,986	-	-
Debt	260,147	-	-
Revenue-based taxes payable	15,953	-	-
Commodity derivative liability - Level 2	-	187	23,143
	<u>\$ 430,187</u>	<u>\$ 50,837</u>	<u>\$ 23,143</u>

The recorded value of restricted short-term investments, amounts receivable, taxes receivable, long-term receivables, accounts payable and accrued liabilities, lease obligation, debt and revenue-based taxes payable approximate their relative fair values.

The fair value of gold, copper, diesel and currency derivative instruments, classified within Level 2, is determined using derivative pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The fair value of the Company's derivative contracts includes an adjustment for credit risk.

Forward commodity contracts and provisionally priced contracts, are classified within Level 2 because they are valued using a market-based-approach, other than observable quoted prices included within Level 1, other inputs from published market prices and contracted prices and terms.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

19. Supplemental disclosure**a. Changes in operating working capital**

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Decrease (increase) in amounts receivable	\$ 33,628	\$ 34,282	\$ 9,300	\$ (23,939)
Decrease (increase) in inventory - ore and metal	10,417	33,332	(10,279)	83,779
(Increase) decrease in inventory - supplies	(17,767)	6,184	(26,603)	(8,395)
(Increase) decrease in prepaid expenses	(620)	(3,809)	2,277	(3,277)
Increase (decrease) in accounts payable and accruals	16,109	(10,998)	(29,424)	(1,873)
Decrease in revenue-based taxes payable	(5,028)	(5,702)	(7,923)	(7,090)
Decrease in depreciation and amortization included in inventory (note 7)	(14,190)	(34,632)	(21,895)	(72,611)
Decrease (increase) in accruals included in additions to PP&E	(1,770)	2,283	(1,208)	542
Decrease in other taxes payable	(301)	(107)	(72)	(793)
	\$ 20,478	\$ 20,833	\$ (85,827)	\$ (33,657)

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

b. Investment in PP&E

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Additions to PP&E during the period (note 7)	\$ (92,828)	\$ (94,113)	\$ (166,603)	\$ (181,980)
Greenstone Gold Property translation adjustment	(867)	977	(1,906)	1,267
Capitalized parts	7,415	1,436	12,923	1,436
Impact of revisions to asset retirement obligation included in PP&E	(626)	(364)	(1,329)	-
Depreciation and amortization included in additions to PP&E (note 7)	11,278	16,919	21,060	32,714
Capitalization of OMAS financing costs	215	209	519	908
Leased assets	804	-	2,298	-
Increase (decrease) in accruals related to additions to PP&E	1,769	(2,363)	1,207	(624)
	\$ (72,840)	\$ (77,299)	\$ (131,831)	\$ (146,279)

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

c. Changes in liabilities arising from financing activities

	Three months ended June 30,	
	Debt	Interest payable^(a)
Balance at April 1, 2018	312,400	614
Changes due to:		
Debt repayments	(150,000)	(5,691)
Debt drawdowns	99,000	-
Financing costs reclassified from prepaids	(5,640)	-
Amortization of deferred financing costs	179	-
Interest expense	-	3,882
Other financing costs	-	1,807
Balance at June 30, 2018	255,939	612
Balance at April 1, 2017	428,294	2,208
Changes due to:		
Debt repayments	(22,500)	(6,564)
Amortization of deferred financing costs	589	-
Interest expense	-	5,669
Capitalized financing costs and other	-	727
Balance at June 30, 2017	406,383	2,040

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

	Six months ended	
	June 30,	
	Debt	Interest payable^(a)
Balance at January 1, 2018	260,147	1,551
Changes due to:		
Debt repayments	(351,000)	(13,593)
Debt drawdowns	349,070	-
Financing costs incurred	(2,793)	-
Financing costs reclassified from prepaids	(5,640)	-
Amortization of deferred financing costs	6,155	-
Interest expense	-	7,271
Other financing costs	-	5,383
Balance at June 30, 2018	255,939	612
Balance at January 1, 2017	465,132	4,783
Changes due to:		
Debt repayments	(60,000)	(15,306)
Amortization of deferred financing costs	1,251	-
Interest expense	-	12,154
Capitalized financing costs and other	-	409
Balance at June 30, 2017	406,383	2,040

(a) Included within "Accounts payable and accrued liabilities".

20. Segmented Information

The following table reconciles segment operating profit to the consolidated operating profit in the Statements of Earnings:

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Three months ended June 30, 2018

(Millions of U.S. Dollars)	North America						Total
	Kyrgyz Republic	Mongolia	Turkey	Gold-Copper	Molybdenum	Corporate and other	
Gold sales	\$ 117.3	\$ -	\$ -	\$ 47.9	\$ -	\$ -	\$ 165.2
Copper sales	-	-	-	28.2	-	-	28.2
Molybdenum sales	-	-	-	-	47.2	-	47.2
Tolling, calcining and other	-	-	-	-	2.7	-	2.7
Revenue	117.3	-	-	76.1	49.9	-	243.3
Cost of sales	75.9	-	-	62.0	49.5	-	187.4
Regional office administration	3.5	-	-	-	-	-	3.5
Earnings (loss) from mine operations	37.9	-	-	14.1	0.4	-	52.4
Revenue-based taxes	16.5	-	-	-	-	-	16.5
Other operating expenses	1.2	-	-	1.4	0.6	0.1	3.3
Care and maintenance	-	1.8	-	2.2	2.6	-	6.6
Pre-development project costs	-	-	-	0.9	-	3.4	4.3
Exploration expenses and business development	0.3	0.1	-	0.9	-	4.8	6.1
Business combination acquisition and integration expenses	-	-	-	-	-	0.1	0.1
Corporate administration	-	-	0.1	0.5	-	7.9	8.5
Asset impairment	-	1.6	-	-	-	-	1.6
Earnings (loss) from operations	19.9	(3.5)	(0.1)	8.2	(2.8)	(16.3)	5.4
Gain on sale of royalty assets	-	-	-	-	-	-	(28.0)
Other income, net	-	-	-	-	-	-	(7.3)
Finance costs	-	-	-	-	-	-	6.0
Earnings before income tax							34.7
Income tax expense	-	-	-	-	-	-	(8.8)
Net earnings							43.5
Capital expenditure for the period	\$ 63.7	\$ -	\$ 10.5	\$ 15.9	\$ 0.2	\$ 2.9	\$ 93.2

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Three months ended June 30, 2017

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	North America		Corporate and other	Total
				Gold-Copper	Molybdenum		
Gold sales	\$ 168.6	\$ -	\$ -	\$ 50.7	\$ -	\$ -	\$ 219.3
Copper sales	-	-	-	27.3	-	-	27.3
Molybdenum sales	-	-	-	-	30.6	-	30.6
Tolling, calcining and other	-	-	-	-	1.9	-	1.9
Revenue	168.6	-	-	78.0	32.5	-	279.1
Cost of sales	80.3	-	-	52.9	32.0	-	165.2
Standby costs, net	-	1.3	-	-	-	-	1.3
Regional office administration	4.1	-	-	-	-	-	4.1
Earnings (loss) from mine operations	84.2	(1.3)	-	25.1	0.5	-	108.5
Revenue-based taxes	23.8	-	-	-	-	-	23.8
Other operating expenses	0.1	0.3	-	1.8	0.5	-	2.7
Care and maintenance	-	-	-	-	3.3	-	3.3
Pre-development project costs	-	-	-	-	-	1.3	1.3
Exploration expenses and business development	-	0.2	-	-	-	2.3	2.5
TCM acquisition and integration costs	-	-	-	-	-	0.5	0.5
Corporate administration	-	0.2	0.2	-	-	8.5	8.9
Asset impairment	-	41.3	-	-	-	-	41.3
Earnings (loss) from operations	60.3	(43.3)	(0.2)	23.3	(3.3)	(12.6)	24.2
Other income, net	-	-	-	-	-	-	(2.9)
Finance costs	-	-	-	-	-	-	7.3
Earnings before income tax	-	-	-	-	-	-	19.8
Income tax expense	-	-	-	-	-	-	(3.6)
Net earnings	-	-	-	-	-	-	23.4
Capital expenditure for the period	\$ 82.6	\$ 1.3	\$ 2.4	\$ 5.3	\$ -	\$ 2.5	\$ 94.1

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Six months ended June 30, 2018

(Millions of U.S. Dollars)	North America						Total
	Kyrgyz Republic	Mongolia	Turkey	Gold-Copper	Molybdenum	Corporate and other	
Gold sales	\$ 270.3	\$ -	\$ -	\$ 64.0	\$ -	\$ -	\$ 334.3
Copper sales	-	-	-	38.2	-	-	38.2
Molybdenum sales	-	-	-	-	101.3	-	101.3
Tolling, calcining and other	-	-	-	-	4.9	-	4.9
Revenue	270.3	-	-	102.2	106.2	-	478.7
Cost of sales	154.0	-	-	86.2	100.0	-	340.2
Standby costs, net	-	-	-	10.8	-	-	10.8
Regional office administration	6.3	-	-	-	-	-	6.3
Earnings (loss) from mine operations	110.0	-	-	5.2	6.2	-	121.4
Revenue-based taxes	38.1	-	-	-	-	-	38.1
Other operating expenses	2.9	-	-	2.6	1.2	0.1	6.8
Care and maintenance	-	3.6	-	3.6	5.2	-	12.4
Pre-development project costs	-	-	-	1.5	-	5.0	6.5
Exploration expenses and business development	0.3	0.2	-	1.1	-	6.9	8.5
Business combination acquisition and integration expenses	-	-	-	-	-	4.5	4.5
Corporate administration	-	0.1	0.1	0.6	-	18.1	18.9
Asset impairment	-	1.6	-	-	-	-	1.6
Earnings (loss) from operations	68.7	(5.5)	(0.1)	(4.2)	(0.2)	(34.6)	24.1
Gain on sale of royalty assets	-	-	-	-	-	-	(28.0)
Other income, net	-	-	-	-	-	-	(12.7)
Finance costs	-	-	-	-	-	-	20.8
Earnings before income tax							44.0
Income tax expense	-	-	-	-	-	-	(8.6)
Net earnings							52.6
Capital expenditure for the period	\$ 116.9	\$ -	\$ 15.9	\$ 28.6	\$ 0.4	\$ 5.2	\$ 167.0
Goodwill	\$ -	\$ -	\$ -	\$ 16.1	\$ -	\$ -	\$ 16.1
Total assets (excluding goodwill)	\$ 1,099.1	\$ 70.7	\$ 153.1	\$ 1,104.0	\$ 236.9	\$ 170.6	\$ 2,834.4
Total liabilities	\$ 191.3	\$ 25.9	\$ 10.2	\$ 182.3	\$ 72.2	\$ 275.2	\$ 757.1

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Six months ended June 30, 2017

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	North America		Corporate and other	Total
				Gold-Copper	Molybdenum		
Gold sales	\$ 332.8	\$ -	\$ -	\$ 106.8	\$ -	\$ -	\$ 439.6
Copper sales	-	-	-	55.9	-	-	55.9
Molybdenum sales	-	-	-	-	64.9	-	64.9
Tolling, calcining and other	-	-	-	-	4.1	-	4.1
Revenue	332.8	-	-	162.7	69.0	-	564.5
Cost of sales	152.8	-	-	118.6	65.7	-	337.1
Standby costs, net	-	2.7	-	-	-	-	2.7
Regional office administration	8.3	-	-	-	-	-	8.3
Earnings (loss) from mine operations	171.7	(2.7)	-	44.1	3.3	-	216.4
Revenue-based taxes	47.0	-	-	-	-	-	47.0
Other operating expenses	0.2	0.5	-	3.0	1.0	-	4.7
Care and maintenance	-	-	-	-	6.6	-	6.6
Pre-development project costs	-	-	-	-	-	2.4	2.4
Exploration expenses and business development	-	0.4	-	-	-	3.8	4.2
TCM acquisition and integration costs	-	-	-	-	-	1.4	1.4
Corporate administration	0.1	0.2	0.2	-	-	18.6	19.1
Asset impairment	-	41.3	-	-	-	-	41.3
Earnings (loss) from operations	124.4	(45.1)	(0.2)	41.1	(4.3)	(26.2)	89.7
Other income, net	-	-	-	-	-	-	(3.2)
Finance costs	-	-	-	-	-	-	15.0
Earnings before income tax	-	-	-	-	-	-	77.9
Income tax expense	-	-	-	-	-	-	(2.5)
Net earnings	-	-	-	-	-	-	80.4
Capital expenditure for the period	\$ 161.3	\$ 1.8	\$ 5.2	\$ 9.7	\$ 0.1	\$ 3.9	\$ 182.0
Goodwill	\$ -	\$ -	\$ -	\$ 16.1	\$ -	\$ -	\$ 16.1
Total assets (excluding goodwill)	\$ 1,274.6	\$ 69.2	\$ 42.0	\$ 896.9	\$ 190.7	\$ 178.9	\$ 2,652.3
Total liabilities	\$ 117.9	\$ 30.1	\$ 0.7	\$ 127.2	\$ 66.2	\$ 421.5	\$ 763.6