



February 27, 2015

BY SEDAR

Dear Sirs/Mesdames:

2014 Management's Discussion & Analysis

On February 19, 2015, Centerra Gold Inc. ("Centerra") released its 2014 Management's Discussion & Analysis (the "MD&A"). Subsequent to the release of the MD&A, Centerra noted that in the "Consolidated Financial and Operating Highlights" on page 17 of the MD&A, under the heading "Operating Highlights", the figures for "Operating Costs (on a sales basis)", "Adjusted operating Costs", "All-in Sustaining Costs", "All-in Costs" and "All-in Cost – including taxes" for 2014 and 2013, and under the heading "Unit Costs", the figures for "Cost of Sales", "Adjusted operating Costs", "All-in Sustaining Costs", "All-in costs" and "All-in Costs (including taxes)" for 2014 and 2013 were incorrect. A corrected version of the MD&A is attached hereto. Please contact Centerra's Investor Relations Department with any questions you may have.

Yours very truly,

CENTERRA GOLD INC.

Centerra Gold Inc.
Management’s Discussion and Analysis (“MD&A”)
For the Fiscal Year Ended December 31, 2014

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The following discussion has been prepared as of February 19, 2015, 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 twelve months ended December 31, 2014 in comparison with the corresponding periods ended December 31, 2013. This discussion should be read in conjunction with the Company’s audited financial statements and the notes thereto for the year ended December 31, 2014 prepared in accordance with International Financial Reporting Standards. 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 (U.S.) dollars, except as otherwise indicated. Additional information about Centerra, including the Company’s Annual Information Form for the year ended December 31, 2014, will be available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com.

All references in this document denoted with ^{NG}, indicate a non-GAAP term which is discussed under “Non-GAAP Measures” on pages 52 to 56.

Centerra’s Business

Centerra is a Canadian-based gold producer, operating, exploring, developing and acquiring gold properties in Asia and other markets around the world. Centerra’s principal operations are located in the Kyrgyz Republic and Mongolia and are subject to political and regulatory risks. See “Other Corporate Developments” and “Risk Factors”.

Centerra’s common shares are listed for trading on the Toronto Stock Exchange. As of February 19, 2015, being the date of this Management’s Discussion and Analysis (“MD&A”), there are 236,454,141 common shares issued and outstanding.

As of December 31, 2014, Centerra’s significant subsidiaries include its wholly-owned Kumtor Gold Company in the Kyrgyz Republic, Boroo Gold LLC and Centerra Gold Mongolia LLC (owner of the Gatsuurt property and Altan Tsagaan Ovoo (“ATO”) property) in Mongolia and Öksüt Madencilik A.S. in Turkey. Subject to the successful closing of the transaction scheduled for March 2015 and the conclusion of a positive feasibility study, the Company will be developing the Trans-Canada project along with its partner, Premier Gold Mines Limited. The property is located in Ontario, Canada and will be operated under a partnership owned 50% each by Centerra and Premier (see Recent Developments). Additionally, the Company is earning an interest in a joint venture exploration property located in Portugal. The Öksüt property, the Gatsuurt property and the Trans-Canada partnership are in the pre-development phase and the ATO and Portuguese properties are in the exploration phase.

Substantially all of Centerra's revenues are derived from the sale of gold. The Company's revenues are derived from production from its mines and gold prices realized as sale of these ounces. Gold doré production from the Kumtor mine is purchased by Kyrgyzaltyn JSC ("Kyrgyzaltyn") for processing at its refinery in the Kyrgyz Republic while gold doré produced by the Boroo mine is sold to the Bank of Mongolia (as of January 2014) or previously was exported for processing under a refining agreement with Johnson Matthey Limited and sold under a master sales agreement with Auramet Trading LLC.

The average spot price for gold in 2014 based on the London PM fix was \$1,266 per ounce, a decrease of 10% over the average in 2013. The average realized price^{NG} of gold received by Centerra in 2014 was \$1,241 per ounce, an 8% decrease as compared to the average price realized^{NG} in 2013. Centerra's average realized price^{NG} for gold in 2014 was lower than the average spot price for the year because more than 50% of annual gold production at Kumtor was in the fourth quarter when the price of gold averaged \$1,201 per ounce.

The Company's costs are comprised primarily of the cost of producing gold from its two mines, exploration expenses relating to its own projects and its earn-in projects, administrative costs from the Toronto, Bishkek, Ulaanbaatar and exploration offices worldwide and also from depreciation and depletion. There are many operating variables that affect the cost of producing an ounce of gold.

In the mine, costs are influenced by the ore grade and the stripping ratio. The stripping ratio is the ratio of the tonnage of waste material which must be removed per one tonne of ore mined. Ore grade refers to the amount of gold contained in a tonne of ore. The significant costs of mining include labour, diesel fuel and equipment maintenance.

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

Both mining and milling costs are also affected by the cost of labour, which depends mostly on the availability of qualified personnel in the regions where the operations are located, the wages in those markets, and the number of people required. Mining and milling activities involve the use of many materials. The varying costs of acquiring these materials and the amount used in the processing of the ore also influence the cash costs of mining and milling. The non-cash costs (namely depreciation, depletion and amortization) are influenced by the amount of capital costs related to the mine's acquisition, development and ongoing capital requirements and the estimated useful lives of capital items.

Over the life of each mine, another significant cost that must be planned for is the closure, reclamation and decommissioning of each operating site. In accordance with standard practices for Western-based mining companies, Centerra carries out remediation and reclamation work during the operating period of the mine, where feasible, in order to reduce the final decommissioning costs. Nevertheless, the majority of rehabilitation work can only be performed

following the completion of mining operations. Centerra's practice is to record the estimated final decommissioning costs based on conceptual closure plans, and to accrue these costs according to the principles of IFRS. In addition, Kumtor has established a reclamation trust fund to pay for these costs (net of forecast salvage value of assets) from the revenues generated over the life of mine. At Boroo, 50% of the upcoming year's annual environmental budget is deposited by Boroo into a government account and such funds are recovered by Boroo when the annual environmental commitments are completed.

The Company reports the results of its operations in U.S. dollars, however not all its costs are incurred in U.S. dollars. As such, the movement in exchange rates between currencies the Company incurs costs in and the U.S. dollar also impact reported costs of the Company.

Economic Indicators

Gold Industry

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

In 2015, global gold production is anticipated to have no growth with the cancellation of projects both planned and existing starting to impact global supply. The gold price at current levels will continue to place pressure on gold producers to reduce the cost of production with potential higher cost producers reducing some mine production further. There are also no new significant gold mines planned to be in commercial production in the near term.

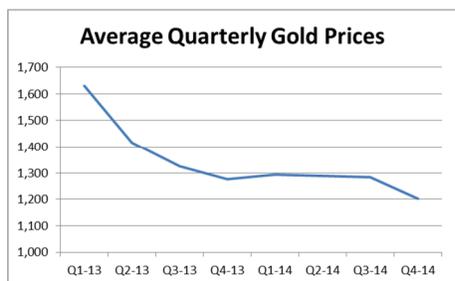
In addition to the supply factors impacting the industry as described above, external factors also impact the gold price. For example, U.S. economic performance continued to demonstrate signs of recovery from the global financial crisis along with finally winding down quantitative easing measures (QE) in 2014. The U.S. dollar also significantly strengthened against most currencies and, as gold is traded primarily in U.S. dollars, this negatively impacted the gold price in 2014.

The Company believes that fundamentals remain positive for gold in the coming year. The role of gold as a hedge against inflation is expected to support continued demand for the metal as should the growing appetite by central banks and developing Asian nations seeking a more reliable store of value as compared with other investments. We believe Exchange Traded Funds (ETFs) will shift to a net buyer of gold this year as opposed to net sellers in the past two years. In addition, we anticipate physical demand of gold to increase from China and India at current gold price levels.

Gold Price

The average quarterly gold spot price fell during the fourth quarter of 2014 from a low of US\$1,282/oz in the first three quarters to US\$1,201/oz, a 6.3% decrease. The average gold spot price for the year was \$1,266 per ounce, a decrease of 10.3% over the average in 2013.

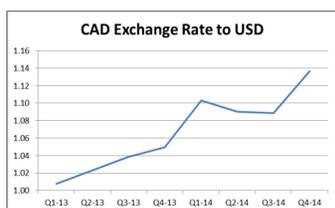
The following table shows the average afternoon gold price fixing, by quarter, on the London Bullion Market for 2013, and 2014:



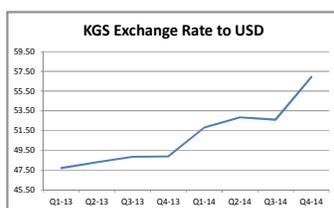
<u>Quarter</u>	<u>Average Gold Price (\$)</u>
2013 Q1	1,631
2013 Q2	1,415
2013 Q3	1,326
2013 Q4	1,276
2014 Q1	1,293
2014 Q2	1,288
2014 Q3	1,282
2014 Q4	1,201

Exchange Rates

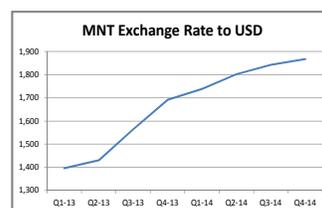
Canadian dollar



Kyrgyz Som



Mongolian Tugrik



There were several macroeconomic themes that have impacted global currencies in 2014.

The first was the increase of the U.S. dollar against nearly every other currency. This was driven by the recovery of the U.S. economy, the QE program finally winding down and heightened expectations of rising US interest rates. This was further emphasized by the Eurozone beginning to return to a period of recession with central banks commencing to cut interest rates.

The Eurozone slowdown, when combined with an apparent slowing of activity in China resulted in downward pressure on commodities in general. This combination of lower commodity prices, lower global demand and China's economic slowdown, all served to put strong downward pressure on emerging market currencies.

Political events also played a role in the markets. For example, the Russian incursion into Ukraine triggered political tension in an already uncertain global economic environment. Additional economic sanctions were placed on Russia which put further stress on the slowing Russian economy. This increased economic pressure on Russia further and effectively drove the Russian economy into recession. This, in turn, had negative effects on neighboring Russian countries including the Kyrgyz Republic.

In mid-2014, oil prices started to fall as OPEC (Organization of the Petroleum Exporting Countries) began to push back against rapidly expanding supply originating from non-OPEC

countries, not the least of which included North American fracking and Canadian oil sands activity.

Canadian Dollar

The Canadian dollar was slowly trending downwards in early 2014, until the last few months when the decline accelerated. The major driver was thought to be the rapid drop in oil prices which has a negative impact on the Canadian dollar, as it is an oil producing country. Canada kept its interest rates low and its economy experienced modest growth, however these positive factors promoting the currency were far outweighed by the improved U.S. economy and drop in oil prices.

Mongolian Tugrik

Mongolia has continued to experience political issues in 2014 with a new government installed during the year along with reduced levels of foreign direct investment and subsequent demand for local currency. The other main factor affecting the Tugrik is the decline in Mongolian coal and copper revenue from reduced commodity prices. This, in turn, put pressure on the Mongolian Government to increase spending which it has done, however, this is unsustainable over the longer term and in the short-term the government will need to cut spending or obtain parliamentary approval to increase the debt ceiling limits.

Kyrgyz Som

The Kyrgyz Republic managed its official interest rates, with a significant increase from 4.2% to approximately 10.5% in 2014. This increase in official interest rates did not offset the negative impact of the significant rate decline during the period on the Som. The performance of the Som mirrored several other emerging market currencies with close ties with the Russian economy.

Liquidity

Financial liquidity provides the Company with the ability to fund future operating activities and investments. Centerra generated \$376.4 million in cash from operations in 2014 and has a balance of cash and short-term investments of \$562 million at December 31, 2014 which includes \$76 million drawn from its revolving line of credit. The Company's financial risk management policy focuses on cash preservation, while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company manages counterparty credit risk, in respect of cash and short-term investments, by maintaining bank accounts with highly-rated U.S. and Canadian banks and investing only in highly-rated Canadian and U.S. Government bills, term deposits or banker's acceptances with highly-rated financial institutions, and corporate direct credit of highly-rated, highly-liquid issuers.

The global financial markets have improved during the year, however there continues to be caution in the markets with volatility still present. This has continued to constrain the ability of many companies to access capital markets financing.

In December 2014, Centerra extended its secured \$150 million revolving credit facility with the European Bank for Reconstruction and Development (EBRD) until February 2016. The facility provides Centerra available liquidity for working capital and future growth initiatives. The

Company has \$76 million outstanding on this facility at December 31, 2014, repayable on August 11, 2015 under its current draw notice, however, at the Company's direction, this payment date can be extended to a future period. It is expected that all planned capital and operating expenditures can be funded out of operating cash flow for 2015. See "Caution Regarding Forward-Looking Information".

Growth Strategy

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

- developing new reserves at or near its existing mines;
- advancing late-stage exploration properties, including earn-in properties where the Company's interests are earned by funding the costs of exploration drilling and feasibility studies; and
- pursuing selective acquisitions in other markets worldwide.

Centerra's growth strategy could be impacted by the risk factors described on page 58.

Reserves and Resources

During 2014, the Company continued its exploration drilling activities at its 100% owned Öksüt project in Turkey and on its various advanced exploration projects. In early 2015, the Company completed its analysis of the impact on Kumtor's reserves and resources of the construction of the buttress on the pit design, updated geotechnical information that requires lower pit slope angles in some sectors of the pit and the performance of the Kumtor block model. The result of this work, together with the negative production reconciliation experienced in 2014, has resulted in a reduction in Kumtor's reserves and resources. At Gatsuurt, the project was designated as a mineral deposit of strategic importance shortly following the 2014 year-end, which now paves the way for further exploration drilling on the deposit, since no exploration work has been done on the property since 2010.

On February 9, 2015, the Company released the results of the updated reserve and resource estimates for the Kumtor mine and Gatsuurt and Öksüt projects and updated resource estimates for its advanced projects, all as of December 31, 2014.

Reserves:

At the end of 2014, Centerra's estimated consolidated proven and probable gold reserves decreased by 1.65 million contained ounces, after accounting for processing of 776,000 contained ounces in 2014. Centerra's proven and probable reserves now total an estimated 7.7 million ounces of contained gold (85.6 million tonnes (Mt) at 2.8 grams per tonne gold (g/t Au)), compared to 10.2 million ounces as of December 31, 2013. The reserve decrease is primarily at Kumtor and is the result of: negative production reconciliation in 2014; the use of a new resource model for reserve estimation; and design changes to the Kumtor Central Pit to reflect the impact of the buttress and the flattening of certain pit slopes. A NI 43-101 technical report on Kumtor is expected to be filed on SEDAR by March 26, 2015. The report will provide an update on Kumtor's life of mine production profile as well as revisions to life of mine operating and capital costs. All 2014 year-end reserves were estimated using a gold price of \$1,300 per ounce, which is unchanged from December 31, 2013.

At the Kumtor mine, in the Kyrgyz Republic, proven and probable gold reserves decreased by 1.6 million contained ounces, after accounting for processing of 731,000 contained ounces in 2014. Kumtor's proven and probable reserves now total an estimated 6.1 million ounces of contained gold (68.5 Mt at 2.8 g/t Au), compared to 8.5 million ounces as of December 31, 2013. At the end of December 2014, work on a new Central Pit resource model was completed to account for negative block model reconciliation experienced during the year. The net impact of the new resource model was to decrease probable reserves by 590,000 contained ounces. In addition, the mine design was revised as a result of the new resource model and flattening of certain pit slopes to mitigate geotechnical concerns. The new mine design has resulted in a decrease in probable reserves of 743,000 contained ounces. During 2014, a buttress was built to limit the movement in the South Arm of the Davidov Glacier. The location of the buttress has reduced the ultimate pit wall boundary thereby decreasing probable reserves by an additional 358,000 contained ounces. Optimization of the Sarytor and Southwest open pits resulted in an increase in the Sarytor probable reserves of 147,000 contained ounces and a decrease in the Southwest probable reserves of 105,000 contained ounces.

In Mongolia, all remaining reserves in the stockpile at the Boroo mine were processed in 2014. The Boroo operation will continue to recover gold from the heap leach pad in 2015.

At the Gatsuurt Project, proven and probable reserves are unchanged and total more than 1.6 million contained ounces of gold (17.1 Mt at 2.9 g/t Au).

Resources:

As of December 31, 2014, Centerra's measured and indicated resources increased by 223,000 contained ounces to an estimated total of 5.7 million ounces of contained gold (99.8 Mt at 1.8 g/t Au) compared to the December 31, 2013 estimate. The change is a result of a 295,000 contained ounce increase in the measured and indicated resources on the Öksüt Project and a 217,000 contained ounce net increase in the measured and indicated resources at Kumtor offset by a 289,000 contained ounce decrease at Kara Beldyr. The Company divested its interest in the Kara Beldyr property in 2014.

At the 100% owned Öksüt Project in Turkey, measured and indicated resources total an estimated 1.4 million ounces of contained gold (40.0 Mt at 1.1 g/t Au), an increase of 295,000 ounces from December 31, 2013. This increase resulted from adding 166,000 contained ounces to measured and indicated resources at the Keltepe deposit and converting 128,000 contained ounces in the Güneytepe deposit from the inferred resource category to the measured and indicated resource category. Also, during 2014, a total of 946,000 contained ounces were upgraded to the measured resource category from indicated resource category (Keltepe 894,000 contained ounces and Güneytepe 51,000 contained ounces) reflecting an increase in drill density and related improved level of confidence in the estimation of the resources.

At Kumtor measured and indicated open pit resources increased by 284,000 contained ounces of gold, to an estimated total 2.8 million contained ounces of gold (29.5 Mt at 3.0 g/t Au) at December 31, 2014, primarily as a result of the downgrade of reserves to resources at the Kumtor Central Pit. Measured resources decreased by 158,000 contained ounces to an estimated 1.47 million contained ounces (14.3 Mt at 3.2 g/t Au) and indicated resources increased by 441,000 contained ounces of gold to an estimated 1.3 million contained ounces of gold (15.1 Mt at 2.7 g/t Au). These changes are attributable to the pit optimization undertaken at the Sarytor and Southwest deposits and to applying a standardized methodology on all deposits at Kumtor in 2014.

As of December 31, 2014, Centerra's inferred resource estimate totals 2.4 million ounces of contained gold (21.2 Mt at 3.6 g/t Au), a decrease of 1.2 million contained ounces of gold over the December 31, 2013 estimate. The decrease in inferred contained ounces is, primarily the result of 411,000 contained ounces being reallocated to open pit indicated resources from the high-grade underground Stockwork Zone inferred resource category, 128,000 inferred contained ounces at the Güneytepe deposit of the Öksüt Project being upgraded to the measured and indicated resource category, 581,000 inferred contained ounces being removed from the Northeast Prospect, Southwest and Sarytor deposits as a result of not being captured within the constraining pit resource shell developed at a gold price of \$1,450 per ounce and 211,000 contained ounces being removed by the divestiture of the Kara Beldyr Project.

The use of a constraining pit resource shell captures the open pit mineral resources outside the mineral reserves pit and includes parameters for location, deposit scale and continuity, mining method, metallurgical recovery, operating costs and commodity price. However the resource shell does not take into account any future capital requirements; therefore it should not be used as a proxy for conversion to mineral reserves.

At Kumtor, of the estimated 1.7 million contained ounces of inferred resources, 1.6 million estimated ounces are contained within the high-grade underground inferred resources shell in the SB and Stockwork Zones. There was a minor change in the 2014 year-end inferred underground resource estimate at the SB Zone due to the impact of the buttress, which increased the inferred underground resources by 86,000 contained ounces to 1.3 million contained ounces (3.8 Mt at 10.7 g/t Au); however, the inferred underground resources at the Stockwork Zone declined to an estimated 294,000 contained ounces (0.8 Mt at 11.8 g/t Au) reflecting 411,000 contained ounces being reallocated to open pit indicated resources.

The 2014 year-end resource estimates for Gatsuert, ATO and Ulaan Bulag properties in Mongolia are unchanged from 2013 year-end estimates.

Centerra Gold Inc.

2014 Year-End Gold Reserve and Resource Summary

(as of December 31, 2014)

Gold Mineral Reserves ⁽¹⁾⁽¹²⁾⁽¹³⁾ (tonnes and ounces in thousands)									
Property ⁽³⁾	Proven			Probable			Total Proven and Probable		
	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)
Kumtor ⁽⁵⁾	7,778	2.1	526	60,729	2.9	5,610	68,507	2.8	6,136
Gatsuurt ⁽⁸⁾				17,129	2.9	1,603	17,129	2.9	1,603
Total	7,778	2.1	526	77,858	2.9	7,213	85,636	2.8	7,739
Gold Measured and Indicated Mineral Resources ⁽²⁾⁽¹¹⁾⁽¹²⁾⁽¹³⁾ (tonnes and ounces in thousands)									
Property ⁽³⁾	Measured			Indicated			Total Measured and Indicated		
	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)	Tonnes	Grade (g/t)	Contained Gold (oz)
Kumtor Open Pit ⁽⁴⁾⁽⁵⁾	14,317	3.2	1,473	15,144	2.7	1,330	29,462	3.0	2,804
Kumtor Stockwork Underground ⁽⁶⁾				156	10.8	54	156	10.8	54
Boroo ⁽⁷⁾	452	2.2	32	4,464	1.5	210	4,916	1.5	242
Gatsuurt ⁽⁸⁾				5,098	2.4	398	5,098	2.4	398
Ulaan Bulag ⁽⁹⁾				1,555	1.5	73	1,555	1.5	73
ATO ⁽¹⁰⁾	9,663	1.5	465	8,920	1.1	306	18,583	1.3	771
Öksüt ⁽¹¹⁾	22,887	1.3	946	17,124	0.8	437	40,011	1.1	1,383
Total	47,319	1.9	2,916	52,461	1.7	2,809	99,780	1.8	5,725
Gold Inferred Mineral Resources ⁽²⁾⁽¹²⁾⁽¹³⁾⁽¹⁴⁾ (tonnes and ounces in thousands)									
Property ⁽³⁾	Tonnes	Grade (g/t)	Contained Gold (oz)						
Kumtor Open Pit ⁽⁴⁾⁽⁵⁾	2,655	1.5	126						
Kumtor Stockwork Underground ⁽⁶⁾	775	11.8	294						
Kumtor SB Zone UG ⁽⁶⁾	3,806	10.7	1,315						
Boroo ⁽⁷⁾	7,323	1.0	235						
Gatsuurt ⁽⁸⁾	5,475	2.5	440						
Ulaan Bulag ⁽⁹⁾	315	1.3	13						
ATO ⁽¹⁰⁾	386	0.6	8						
Öksüt ⁽¹¹⁾	429	0.6	9						
Total	21,164	3.6	2,440						

- (1) The mineral reserves have been estimated based on a gold price of \$1,300 per ounce.
- (2) Mineral resources are in addition to reserves. Mineral resources do not have demonstrated economic viability.
- (3) Centerra's equity interests as of this news release are: Kumtor 100%, Gatsuurt 100%, Boroo 100%, Ulaan Bulag 100%, ATO 100%, Öksüt 100%. All contained ounces in table above are shown on a 100% basis.
- (4) Open pit resources at Kumtor are constrained by a pit shell developed using a gold price of \$1,450 per ounce.
- (5) The open pit reserves and resources at Kumtor are estimated based on a cut-off grade of 0.85 grams of gold per tonne for the Central Pit and 1.0 grams of gold per tonne for the Southwest and Sarytor deposits.
- (6) Underground resources occur below the open pit resources shell and are estimated based on a cut-off grade of 6.0 grams of gold per tonne.
- (7) The open pit resources at Boroo are estimated as all material below the pit above a 0.5 grams of gold per tonne cut-off grade.
- (8) The open pit reserves and resources at Gatsuurt are estimated using a 1.4 grams of gold per tonne cut-off grade. Resources are estimated as all material below the reserve pit above the 1.4 grams per tonne cutoff grade.
- (9) The open pit resources at Ulaan Bulag are estimated on a cut-off grade of 0.8, 0.9 or 1.0 grams of gold per tonne depending on ore type and process method.
- (10) The ATO open pit resources are estimated based on a Net Smelter Return (NSR) cut-off grade of \$6.50 NSR per tonne for oxide mineralization and \$25.50 NSR per tonne for sulphide mineralization
- (11) The Open pit resources at Öksüt are estimated based on a 0.2 gram of gold per tonne cut-off grade and are constrained by a pit shell developed using a gold price of \$1,450 per ounce.
- (12) A conversion factor of 31.10348 grams per ounce of gold is used in the reserve and resource estimates.
- (13) Numbers may not add up due to rounding.
- (14) Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or part of the inferred resources will ever be converted to a higher category.

2014 Year-End Polymetallic Resource Summary

(as of December 31, 2014)

Category	Tonnes (000's)	Gold Grade (g/t)	Contained Gold ⁽²⁰⁾ (oz 000's)	Silver Grade (g/t)	Contained Silver (oz 000's)	Lead Grade (%)	Contained Lead (lb 000's)	Zinc Grade (%)	Contained Zinc (lb 000's)
ATO Project^{(18) (19)}									
Oxide Mineral Resources^{(15) (16) (17) (20) (21) (22)} (> \$6.50 NSR cut-off Grade)									
Measured Resources	3,677	1.3	148	8.5	1,010				
Indicated Resources	3,294	0.7	78	7.2	758				
Measured and Indicated	6,971	1.0	226	7.9	1,768				
Inferred Resources ⁽¹⁷⁾	87	0.8	2	5.0	14				
Sulphide Mineral Resources^{(15) (16) (17) (20) (21) (22)} (> \$25.50 NSR cut-off Grade)									
Measured Resources	5,986	1.7	318	8.02	1,543	0.979	129,197	1.704	224,874
Indicated Resources	5,626	1.3	228	8.52	1,541	0.803	99,598	1.447	179,474
Measured and Indicated	11,612	1.5	545	8.26	3,084	0.894	228,795	1.579	404,349
Inferred Resources ⁽¹⁷⁾	299	0.6	6	5.78	56	1.025	6,757	2.306	15,201

- (1) Mineral resources have been estimated on the following metal prices (gold \$1,300 per ounce), (silver \$20 per ounce), (lead \$ 0.90 per lb), (zinc \$0.90 per lb).
- (2) Mineral resources do not have demonstrated economic viability.
- (3) Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or part of the inferred resources will ever be upgraded to a higher category.
- (4) Centerra's equity interest in the ATO project is 100%.
- (5) Numbers may not add up due to rounding.
- (6) The contained gold resources have also been included in Centerra's 2014 Year-end Gold Reserve and Resource Summary
- (7) The ATO resources are estimated based on a Net Smelter Return cut-off grade of \$6.50 NSR per tonne for oxide mineralization and \$25.50 NSR per tonne for sulphide mineralization.
- (8) Variables used to calculate NSR values include;
 - Oxide total recovery of gold=69.8%
 - Oxide total recovery of Silver=56.7%
 - Sulphide Net Smelter Return total recovery of gold=59.9%
 - Sulphide Net Smelter Return total recovery of silver=48.5%
 - Sulphide Net Smelter Return total recovery of lead=42.6%
 - Sulphide Net Smelter Return total recovery of zinc=27.7%
 - Payable royalty on total recovered gold=10.0%
 - Payable royalty on total recovered silver=6.75%
 - Payable royalty on total recovered lead=6.75%

Centerra Gold Inc.
Reconciliation of Gold Reserves and Resources
(in thousands of ounces of contained gold) ^{(8) (9)}

	December 31 2013 ⁽¹⁾	2014 Throughput ⁽²⁾	2014 Addition (Deletion) ⁽³⁾	December 31 2014
Gold Proven and Probable Mineral Reserves				
Kumtor ^{(4) (5)}	8,516	731	(1,649)	6,136
Boroo ⁽⁴⁾	49	44	(5)	0
Gatsuurt ^{(4) (7) (11)}	1,603	0	0	1,603
Total Proven and Probable Reserves	10,168	776	(1,654)	7,739
Gold Measured and Indicated Mineral Resources				
Kumtor ^{(4) (6)}	2,520	0	284	2,804
Kumtor Stockwork Underground ⁽⁴⁾	121	0	(67)	54
Boroo ⁽⁴⁾	242	0	0	242
Gatsuurt ^{(4) (7)}	398	0	0	398
Ulaan Bulag ⁽⁴⁾	73	0	0	73
ATO ⁽⁴⁾	771	0	0	771
Öksüt ⁽⁴⁾	1,088	0	295	1,383
Kara Beldyr ⁽¹¹⁾	289	0	(289)	0
Total Measured & Indicated Resources	5,502	0	223	5,725
Gold Inferred Mineral Resources ⁽¹⁰⁾				
Kumtor Open Pit ^{(4) (6)}	712	0	(586)	126
Kumtor Stockwork Underground ⁽⁴⁾	705	0	(411)	294
Kumtor SB Underground ⁽⁴⁾	1,229	0	86	1,315
Boroo ⁽⁴⁾	235	0	0	235
Gatsuurt ^{(4) (7)}	440	0	0	440
Ulaan Bulag ⁽⁴⁾	13	0	0	13
ATO ⁽⁴⁾	8	0	0	8
Öksüt ⁽⁴⁾	134	0	(125)	9
Kara Beldyr ⁽¹¹⁾	211	0	(211)	0
Total Inferred Resources	3,687	0	(1,247)	2,440

- (1) Reserves and resources as reported in Centerra's Annual Information Form filed in March 2014.
- (2) Corresponds to mill feed at Kumtor and mill feed or stacked on heap leach pad at Boroo.
- (3) Changes in reserves or resources, as applicable, are attributed to information provided by drilling and subsequent reclassification of reserves or resources, an increase in the gold price, changes in pit designs, reconciliation between the mill and the resource model, and changes to operating costs. See "Kumtor Update on Block Model and Mine Plan" for a discussion on the deletion from Kumtor's reserves and resources.
- (4) Centerra's equity interests as of this news release are as follows: Kumtor 100%, Gatsuurt 100%, Boroo 100%, Ulaan Bulag 100%, ATO 100%, Öksüt 100%. Contained ounces are on a 100% basis in the table above at each property.
- (5) Kumtor open pit reserves include the Central Pit and the Southwest and Sarytor Pits.
- (6) Kumtor open pit resources include the Central Deposit, Southwest Deposit and Sarytor Deposit.
- (7) Gatsuurt open pit reserves and resources include the Central Zone and Main Zone deposits.
- (8) Centerra reports reserves and resources separately. The amount of reported resources does not include those amounts identified as reserves.
- (9) Numbers may not add up due to rounding.
- (10) Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or part of the inferred resources will ever be converted to a higher category.
- (11) The Company divested its 70% interest in the Kara Beldyr Property in 2014. Contained ounces at Kara Beldyr shown above reflect 100% basis.

Developments in 2014

Kumtor Operations

- The Company continued its discussions with the Government of the Kyrgyz Republic relating to the restructuring described in the Heads of Agreement dated January 18, 2014 (the “HOA”). See “Other Corporate Developments”.
- The Company completed its analysis of the impact on Kumtor’s reserves of the buttress constructed in early 2014 to manage the movement of the Davidov Glacier and the performance of the Kumtor block model over the past year. Centerra announced its annual reserves and resources update on February 9, 2015, in which the reserves at Kumtor were lowered as a result of both of these events in 2014. See the Company’s news release dated February 9, 2015 on SEDAR and “Operations Update – Kumtor Operating Results – Technical Matters” below.
- A new collective labour agreement was ratified and signed by Kumtor and the unionized employees on January 23, 2015. The new two year labour agreement will expire on December 31, 2016 and provides for inflation adjustments during the period. The local inflation rate will be reviewed every six months and an inflation allowance may be made with a cap of 8% per annum maximum.
- Starting in the fourth quarter of 2014, Kumtor has submitted to various Kyrgyz Republic governmental agencies for approval its 2015 annual mine plan and its ecological passport, which provides for, among other things, allowable levels of environmental emissions and discharges. The ecological passport requires renewal every five years. Similar to Kumtor’s experience in 2014, Kumtor has received correspondence from such agencies declining to review such documents and expressing concerns regarding the mining of ice at Kumtor. The Company and Kumtor dispute the reasons provided by the regulatory agencies for their refusal to review the documents. The Company notes that the current project agreements governing the Kumtor Project require relevant Kyrgyz Republic Government authorities to be reasonable in relation to their approval of any mining plans submitted for approval, and with respect to permits and approvals, Kumtor is entitled to maintain, have renewed and receive such licenses, consents, permissions and approvals as are from time to time necessary or convenient for the operation of the Kumtor Project. The Company intends to continue discussion with the Kyrgyz Republic Government and the applicable agencies to obtain the relevant approvals and permits but there can be no assurances that such approvals and permits will be received or that a suspension of mining will not occur. See “Other Corporate Developments - Kyrgyz Permitting and Regulatory Matters”.

Goodwill Impairment

- The Company updated its reserves and resources during the fourth quarter of 2014, the result of which indicated a significant reduction in reserves and resources at Kumtor. This reduction in reserves necessitated a revision to the Kumtor life of mine plan and significantly lowered reserves. The impact of the reserves and changes in the life of mine plan triggered an impairment of the Company’s goodwill of \$111.0 million.

Mongolian Operations

- The Company announced on January 23, 2015 that the Gatsuurt Project, which is located approximately 35 km from the Company's Boroo mine in Mongolia, has been designated as a mineral deposit of strategic importance by the Mongolian Parliament. This designation allows the Gatsuurt Project to move forward within the application of the Water and Forest Law and also allows Mongolia to acquire up to a 34% interest in the project. Centerra understands that, on February 17, 2015, the Government's proposal on state ownership of 20% was considered by Parliament but voted down and returned to the Government for review. The Company now expects that Parliament will consider a new proposal for the level of state ownership in the project during its spring session which begins in early April. The terms of such participation are subject to continued discussions between the Company and the Mongolian Government. Further development of the Gatsuurt Project will be subject to, among other things, receiving Parliamentary approval of the Mongolia's state ownership as well as the all required approvals and regulatory commissioning from the Mongolian Government. See "Other Corporate Developments - Mongolia" and "Risk Factors".

Corporate

- Centerra is subject to an order dated October 10, 2014 and amended October 20, 2014 (the "Stans Order") from the Ontario Superior Court of Justice in favour of Stans Energy Corp. ("Stans") which prohibits Kyrgyzaltyn JSC ("Kyrgyzaltyn") from, among other things: (i) selling, disposing or exchanging 47,000,000 shares (the "Frozen Shares") of the 77,401,766 shares it holds in the capital of Centerra; (ii) obtaining share certificates in respect of such shares; or (iii) exercising its rights as a registered shareholder of Centerra in a manner that is inconsistent with or would undermine the terms of the Stans Order. The order also prohibits Centerra from, among other things, registering any transfers or issuing share certificates in respect of the Frozen Shares, and requires Centerra to hold in trust for the Stans Application (as defined below) any amounts payable to Kyrgyzaltyn in respect of dividends or distributions that Centerra is currently holding in trust for Kyrgyzaltyn or may declare or pay in the future. Accordingly, the funds held in trust for Kyrgyzaltyn in connection with the Sistem proceedings (as discussed below and in "Other Corporate Developments") continue to be held by Centerra.
- Centerra was also served by Stans with a notice of application to the Ontario Superior Court of Justice (the "Stans Application") which seeks to enforce a June 30, 2014 arbitral award (the "Stans Arbitration Award") obtained by Stans against the Kyrgyz Republic from the arbitration tribunal of the Moscow Chamber of Commerce ("MCCI") in the amount of approximately \$118 million. The Stans Application seeks, among other things, an order declaring that the Kyrgyz Republic has a beneficial interest in all of the shares in Centerra held by Kyrgyzaltyn and that monies, interest, dividends and other rights of Kyrgyzaltyn in the stock of Centerra may be seized in order to satisfy the Stans Arbitration Award. We understand that the Kyrgyz Republic is appealing the Stans Arbitration Award to Russian courts in Moscow on the basis that the MCCI lacked the jurisdiction to hear the matter. This matter is scheduled to be heard in the first quarter of 2015.
- In a separate proceeding, Kyrgyzaltyn has appealed to the Ontario Court of Appeal (the "Sistem Appeal") the decision of the Ontario Superior Court of Justice in the Sistem Muhendislik Insaat Sanayi ve Ticaret AS matter, which found that the Kyrgyz Republic has a

beneficial interest in the Centerra shares held by Kyrgyzaltyn. See “Other Corporate Developments”.

- If the Kyrgyz Republic does not succeed in overturning the Stans Arbitration Award in the Russian courts and Kyrgyzaltyn is unsuccessful in the Sistem Appeal, Centerra expects that Stans would likely succeed in enforcing the Stans Arbitration Award in Ontario and in seizing a sufficient number of the Centerra shares held by Kyrgyzaltyn to satisfy the Stans Arbitration Award. If Stans ultimately seizes such shares, Kyrgyzaltyn would no longer hold a sufficient number of Centerra shares to contribute to the HOA restructuring transaction such that it could receive 50% of a new Kumtor joint venture. In such circumstances, the Company believes that the restructuring of the Kumtor Project in accordance with the HOA would be impossible. See “Other Corporate Developments”.

Subsequent Event

- Centerra announced on February 5, 2015 that it has signed a definitive agreement to form a 50/50 partnership for the joint ownership and development of Premier Gold’s Trans-Canada Property including the Hardrock Gold Project located in the Geraldton-Beardmore Greenstone Belt in Ontario. The transaction is expected to close on or about March 6, 2015, subject to the receipt of applicable regulatory approvals and the satisfaction of customary conditions precedent. Under the terms of the partnership agreement, Premier will contribute all of its interests in the Project and related assets to the Partnership and Centerra will contribute Cdn\$85 million to the Partnership and in return, each partner shall receive a 50% interest in the Partnership. Centerra has also agreed to commit up to an additional Cdn\$185.0 million to fund the project, subject to certain feasibility and project advancement criteria, and up to Cdn\$30.0 million contingent on the results of the updated mineral resource calculation.

The transaction is expected to close on or about March 6, 2015, subject to the receipt of applicable regulatory approvals and the satisfaction of customary conditions precedent.

See the Company’s news release of February 5, 2015 available on SEDAR.

Consolidated Financial and Operating Highlights

The consolidated financial statements of Centerra are prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board and have been measured and expressed in United States dollars. Some of the information discussed below are non-GAAP measures. See “Non-GAAP Measures”.

(\$ millions, except as noted)	Year ended December 31, ⁽³⁾		
	2014	2013	2012
Financial Highlights			
Revenue	\$ 763.3	\$ 944.4	\$ 660.7
Cost of sales	502.5	559.2	383.3
Abnormal mining costs	-	-	24.8
Mine standby costs	2.4	-	4.6
Regional office administration	25.2	23.8	21.0
Earnings from mine operations	233.2	361.4	227.0
Revenue-based taxes	97.2	113.5	74.7
Other operating expenses	9.8	8.3	34.3
Impairment of goodwill	111.0	-	-
Loss on de-recognition of underground assets	-	-	180.7
Exploration and business development	15.7	29.6	38.5
Corporate administration	34.8	30.6	27.0
Earnings (loss) from operations	(35.3)	179.4	(128.2)
Other (income) and expenses	1.2	3.6	(0.1)
Finance costs	5.0	5.0	4.0
Earnings (loss) before income taxes	(41.5)	170.8	(132.1)
Income tax expense	2.6	13.1	11.7
Net earnings (loss)	\$ (44.1)	\$ 157.7	\$ (143.7)
Earnings (loss) per common share - \$ basic	\$ (0.19)	\$ 0.67	\$ (0.61)
Earnings (loss) per common share - \$ diluted	\$ (0.19)	\$ 0.64	\$ (0.61)
Weighted average common shares outstanding - basic (thousands)	236,396	236,382	236,369
Weighted average common shares outstanding - diluted (thousands)	236,396	236,663	236,369
Total assets	\$ 1,629	\$ 1,688	\$ 1,594
Long-term provision for reclamation, dividends payable and deferred income taxes	\$ 80	\$ 72	\$ 58
Cash provided by operations	\$ 376.4	\$ 483.9	\$ 173.4
Capital expenditures	\$ 351.2	\$ 376.6	\$ 461.2
Operating Highlights			
Gold produced – ounces poured	620,821	690,720	387,076
Gold sold – ounces sold	615,234	696,818	390,533
Average realized gold price - \$/oz ⁽²⁾	\$ 1,241	\$ 1,355	\$ 1,692
Average gold spot price - \$/oz ⁽¹⁾	\$ 1,266	\$ 1,411	\$ 1,669
Operating costs (on a sales basis) ⁽²⁾	219.9	250.2	241.2
Adjusted operating costs ⁽²⁾	\$ 251.8	\$ 279.8	\$ 287.3
All-in Sustaining Costs ⁽²⁾	\$ 524.4	\$ 570.0	\$ 532.6
All-in Costs ⁽²⁾	\$ 587.4	\$ 641.4	\$ 755.2
All-in Costs - including taxes ⁽²⁾	\$ 687.5	\$ 767.7	\$ 841.7
Unit Costs			
Cost of sales - \$/oz sold ⁽²⁾	\$ 817	\$ 803	\$ 981
Adjusted operating costs - \$/oz sold ⁽²⁾	\$ 409	\$ 402	\$ 736
All-in sustaining costs – \$/oz sold ⁽²⁾	\$ 852	\$ 818	\$ 1,364
All-in costs – \$/oz sold ⁽²⁾	\$ 955	\$ 920	\$ 1,934
All-in costs (including taxes) – \$/oz sold ⁽²⁾	\$ 1,118	\$ 1,102	\$ 2,155

- (1) Average for the period as reported by the London Bullion Market Association (US dollar Gold P.M. Fix Rate).
- (2) Adjusted operating costs, all-in sustaining costs, all-in costs, all-in costs (including taxes) and cost of sales (in each case, on an aggregate or per ounce sold basis), as well as average realized gold price per ounce sold are non-GAAP measures and are discussed under “Non-GAAP Measures”.
- (3) Results may not add or compute due to rounding.

Results of Operations

2014 Compared to 2013

The Company recorded a net loss of \$44.1 million in 2014, compared to net earnings of \$157.7 million in 2013. The loss in 2014 included a non-cash impairment charge of \$111.0 million on goodwill in the Kyrgyz cash generating unit (CGU). In addition, there were fewer ounces sold and produced, lower realized gold prices and higher share-based compensation, partially offset by lower exploration spending.

Production:

Gold production for 2014 totaled 620,821 ounces compared to 690,720 ounces in 2013, which reflects lower production at both operations. The lower production at Kumtor of 32,709 ounces of gold was due to processing lower grades from cut-back 16 in 2014 compared to the higher grades of ore processed from cut-back 15 in 2013. Boroo’s lower production of 37,190 ounces of gold was due to the cessation of milling operations in December 2014, the processing of lower grade ore through the mill and the ultimate depletion of the stockpiled ore. In addition, fewer ounces were recovered from the heap leach operation as the operation transitioned to secondary leaching in 2014.

The consolidated production for 2014 was within the Company’s guidance of 600,000 to 650,000 ounces disclosed by the Company on October 29, 2014.

Safety and Environment Performance in 2014:

Centerra had ten recordable injuries in 2014, five lost time injuries and five medical aid injuries. The lost time injuries included one fatality at Kumtor where a contract alpinist was involved in an avalanche while performing routine maintenance work at the Sary Moinok microwave station near the Kumtor mine.

There were no reportable releases to the environment during 2014.

Financial Performance:

Goodwill for the Kyrgyz CGU was impaired at December 31, 2014 by \$111 million, primarily resulting from the significant reduction in Kumtor’s reserves and resources announced on February 9, 2015 as part of the Company’s regular year-end update of reserves and resources. The reserve decrease is a result of the negative production reconciliation in 2014 and the impact from the construction of the buttress at Kumtor, development of a new resource model for the

Kumtor Central Pit and design changes to the Kumtor Central Pit resulting from the new resource model and flattening of certain pit slopes.

Lower revenue resulted primarily from 12% lower ounces sold and 8% lower average realized gold price^{NG} (\$1,241 per ounce compared to \$1,355 per ounce in 2013). Sales volumes were 615,234 ounces compared to 696,818 ounces in 2013. The lower revenue resulted in a 14% decrease in revenue based taxes.

Cost of sales decreased by 10% to \$502.5 million due primarily to a reduction in ounces sold. Depreciation, depletion and amortization (DD&A) associated with production and included in cost of sales decreased to \$282.7 million in 2014 from \$309.0 million in the comparative period of 2013.

Standby costs in 2014 of \$2.4 million were a result of placing Boroo's mill on care and maintenance after the mill processed the last of the ore stockpiles in December 2014. The Boroo mill is planned to be kept on standby awaiting the finalization of agreements and permits with the Mongolian Government regarding the Gatsuurt Project. See "Other Corporate Developments – Mongolia" and "Caution Regarding Forward-Looking Information".

Other operating expenses in 2014 include pre-development spending of \$6 million at the Company's Öksüt Project, partially offset by \$1.9 million earned at Boroo for the processing of third party ore through its mill.

Exploration and business development expenditures totaled \$15.7 million in 2014 compared to \$29.6 million in the same period of 2013. The decrease primarily reflects the cessation of all exploration activities at Kumtor and reduced spending on the Company's projects in Turkey, Mongolia and Russia.

Corporate administration costs increased to \$34.8 million from \$30.6 million in 2013 due primarily to an increase in share-based compensation of approximately \$6.7 million, partially offset by a decrease in expenditures. The increase in share-based compensation reflects the appreciation in the Company's share price.

The reduction in income tax expense of \$10.5 million in 2014 was due to lower taxable income at Boroo.

Operating Costs and All-in Measures:

Adjusted operating costs^{NG} decreased by \$27.9 million to \$251.9 million in 2014 compared to the same period of 2013, predominately due to higher levels of contained ounces in the broken ore stockpiles at Kumtor at the end of 2014 which absorbed more operating costs into inventory, and lower heap leach costs at Boroo due to the completion of crushing and stacking activities in 2013. Kumtor also benefited from lower prices on tires and fuel, while Boroo consumed fewer reagents. This was partially offset by the cost of the mill liner replacement at Kumtor and the drawdown of higher cost inventory at both operations in 2014.

Centerra's all-in sustaining costs per ounce sold^{NG}, which excludes revenue-based tax and income tax, for 2014, increased to \$852 compared to \$818 in 2013. The increase resulted from fewer gold ounces sold, partially offset by the reduction in operating costs. The all-in sustaining costs per ounce sold^{NG} for 2014 was within the Company's guidance of \$830 to \$897 per ounce sold disclosed by the Company on October 29, 2014.

For 2014, Centerra's all-in costs per ounce sold^{NG}, which exclude revenue-based tax at Kumtor and income tax, was \$955, compared to \$920 per ounce sold in 2013. The increase is primarily due to fewer ounces sold and increased spending on the Company's Öksüt Project, partially offset by lower capitalized stripping costs at Kumtor, lower spending on sustaining capital^{NG} and lower exploration spending. The all-in costs per ounce sold^{NG} (excluding tax) for 2014 was within the Company's guidance of \$955 to \$1,035 per ounce sold disclosed by the Company on October 29, 2014.

Cash generation and capital investments

Cashflow

<i>Unaudited (\$ millions, except as noted)</i>	Year ended December 31,		
	2014	2013	% Change
Cash provided by operating activities	376.4	483.9	(22%)
Cash (used in) provided by investing activities:			
-Capital additions (cash)	(276.3)	(308.7)	(10%)
-Short-term investment net redeemed (net purchased)	(103.1)	(110.4)	(7%)
-other investing items	(5.2)	(22.0)	(76%)
Cash used in investing activities:	(384.6)	(441.1)	(13%)
Cash used in financing activities	(34.4)	(33.9)	1%
(Decrease) increase in cash	(42.6)	8.9	(579%)

Cash provided by operations decreased to \$ 376.4 million in 2014 from \$ 483.9 in 2013, mainly from lower earnings partially offset by lower levels of working capital.

Cash used in investing activities decreased 13% to \$384.6 million in 2014, reflecting lower capital purchases and reduced net purchase of short-term investments in 2014. Other investing activities in 2013 include the purchase of the remaining interest in the Öksüt project in Turkey for \$19.7 million, net of cash acquired.

Cash used in financing activities for both periods include dividend payments and payments of interest and commitment fees on the credit facility.

Cash, cash equivalents and short-term investments at December 31, 2014 increased to \$562.0 million from \$501.5 million at December 31, 2013. These amounts both include \$76 million drawn on the revolving credit facility with the European Bank for Reconstruction and Development.

Capital Expenditure (spent and accrued)

<i>Unaudited (\$ millions)</i>		Year ended December 31,		
		2014	2013	% Change
Kumtor	Sustaining capital ^{NG}	48.7	49.7	(2%)
	Capitalized stripping	261.1	278.6	(6%)
	Growth capital ^{NG}	40.1	39.2	2%
	Total	349.9	367.5	(5%)
Boroo and Gatsuurt	Sustaining capital ^{NG}	0.3	7.9	(97%)
	Growth capital ^{NG}	0.8	0.7	14%
	Total	1.1	8.6	(87%)
Other	Sustaining capital ^{NG}	0.2	0.6	(63%)
	Total	0.2	0.6	(63%)
Consolidated	Sustaining capital ^{NG}	49.2	58.1	(15%)
	Capitalized stripping	261.1	278.6	(6%)
	Growth capital ^{NG}	40.9	39.9	3%
Total capital expenditures		351.2	376.6	(7%)

In 2014, capital expenditures decreased 7% to \$351.2 million due primarily to a reduction in capitalized stripping of cut-back 16 as compared to cut-back 15 in the prior year and lower maintenance expense for equipment overhauls at Kumtor.

Growth capital in 2014 includes spending on the infrastructure relocation project and equipment purchases at Kumtor.

Credit and Liquidity:

On August 11, 2014, the Company drew \$76 million under its \$150 million revolving credit facility with EBRD, leaving a balance of \$74 million undrawn at December 31, 2014. The \$76 million drawn amount was subsequently redrawn on February 11, 2015 and is due to be repaid on August 11, 2015 or, at the Company's discretion, repayment of the loaned funds may be extended until February 2016.

Foreign Exchange:

The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic and Mongolia, and its corporate head office is in Toronto, Canada. During 2014, the Company incurred combined costs (including capital) totaling roughly \$715 million. Approximately \$353 million of this (49%) was in currencies other than the U.S. dollar. The percentage of Centerra's non-U.S. dollar costs, by currency was, on average, as follows: 58% in Kyrgyz Soms, 19% in Canadian dollars, 10% in Euros, 9% in Mongolian Tugriks, 3% in Turkish Lira, and approximately 1% in Russian Rubles, Australian dollars, British Pounds and Chinese Yuan combined. In 2014, the average value of the currencies of the Russian Ruble, Mongolian Tugrik, Kyrgyz Som, Canadian dollar, Euro, Turkish Lira, Chinese Yuan, and the British Pound depreciated against the U.S. dollar by approximately 17%, 9%, 9%, 4%, 4%, 2%, 2% and 1% respectively, from their value at December 31, 2013. The Australian dollar increased in value against the U.S. dollar by 1%. The net impact of these movements in 2014, after taking into account currencies held at the beginning of the year, was to decrease annual costs by \$25 million (decrease of \$12.7 million in 2013).

Gold Hedging and Off-Balance Sheet Arrangements:

The Company had no gold hedges in place as of December 31, 2014. Centerra currently intends that its future gold production will remain unhedged.

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.

Results of Operating Segments**Kumtor Mine**

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based gold producer. It has been in production since 1997 and has produced over 9.9 million ounces of gold to December 31, 2014.

Ongoing Technical Matters

As previously noted in the Company's news release of May 6, 2014, Kumtor constructed a buttress at the edge of the ultimate pit in response to increased movement of the south arm of the Davidov glacier. The buttress, which continues to be monitored, has been effective in reducing the rate of movement to manageable levels. As a result of the positioning of the buttress, the Company had to reduce the width of the ultimate cut-back for the SB Zone and has made the appropriate adjustment to reserves.

Historically, Kumtor's block model and the reconciliation to the model performed very well, but as the Company reported in February 2014, the Kumtor operation experienced a negative production reconciliation during 2013, totaling 184,000 contained ounces of gold. As a result, in 2014 the Company retained an independent consultant to conduct an audit of the resource model to determine if any adjustments to the model were required. The work determined that the KS13 resource model was potentially biased and that Centerra should investigate different methodologies for estimating the higher grade section of the SB Zone. They also recommended that Kumtor undertake additional infill drilling in the deeper parts of the ore body which is scheduled to be completed in the first half of 2015.

The negative reconciliation experienced in the fourth quarter of 2013 re-occurred in the fourth quarter of 2014 when mining access to the high-grade SB Zone was gained. The Company retained a second independent consultant to assist in the development of a new resource model for the Kumtor Central Pit. This new resource model was used for the reserve and resource estimate disclosed in the Company's news release of February 9, 2015 filed on SEDAR.

The reserve estimate also incorporates the impact of the buttress on the pit design and updated geotechnical information that requires lower pit slope angles in some sectors of the pit. The Company is planning on carrying out further geotechnical drilling in 2015. The results of this work will be incorporated into an updated geotechnical model to determine what, if any, further revisions are required to the pit slope angles.

Using the new reserve estimates, Kumtor's new life of mine plan (LOM) is now being optimized and will also reflect the deferral of capital related to additional mine haulage equipment (20 trucks) and the cancelation of the mill expansion, both of which were planned and described in the December 2012 technical report. The updated technical report including the new LOM is expected to be filed on SEDAR by March 26, 2015 and will reflect an updated production profile, and updated operating and capital costs from those that were disclosed in the NI 43-101 technical report for Kumtor dated December 20, 2012.

In addition, Kumtor has experienced difficulty in achieving the gold recoveries published in the December 2012 technical report which assumed a LOM gold recovery rate of 81%. It is now estimated that going forward the average LOM gold recovery is expected to be 77%, which will be reflected in the new LOM production profile in the updated technical report. Work continues at Kumtor on implementing strategies to improve gold recoveries.

The movement in the Central Valley waste-rock dump, which began in mid-March 2013, has since decreased to manageable levels. The Company continues to make progress in relocating and reconstructing affected infrastructure.

Kumtor Operating Results

(\$ millions, except as noted)	Year ended December 31,		
	2014	2013	% Change
Revenue	694.6	810.9	(14%)
Cost of sales-cash	174.4	191.0	(9%)
Cost of sales-non-cash	270.0	282.0	(4%)
Cost of sales-total	444.4	473.0	(6%)
Cost of sales - \$/oz sold ⁽¹⁾	792	786	1%
Tonnes mined - 000s	191,723	176,693	9%
Tonnes ore mined – 000s	8,640	7,289	19%
Average mining grade - g/t	3.37	3.64	(7%)
Tonnes milled - 000s	5,840	5,596	4%
Average mill head grade - g/t	3.90	4.26	(9%)
Recovery - %	78.0%	79.3%	(2%)
Mining costs - total (\$/t mined material)	0.37	0.33	11%
Milling costs (\$/t milled material)	12.04	12.65	(5%)
Gold produced – ounces	567,693	600,402	(5%)
Gold sold – ounces	561,154	601,887	(7%)
Average realized gold price - \$/oz ⁽¹⁾	1,238	1,347	(8%)
Capital expenditures (sustaining) ⁽¹⁾	48.7	49.7	(2%)
Capital expenditures (growth) ⁽¹⁾	40.1	39.2	2%
Capital expenditures (stripping)	261.1	278.6	(6%)
Operating costs (on a sales basis) ⁽²⁾	174.4	191.0	(9%)
Adjusted operating costs ⁽¹⁾	199.9	215.0	(7%)
All-in Sustaining Costs ⁽¹⁾	437.0	467.0	(6%)
All-in Costs ⁽¹⁾	477.0	513.0	(7%)
All-in Costs - including taxes ⁽¹⁾	574.0	627.0	(8%)
Adjusted operating costs - \$/oz sold⁽¹⁾	356	357	(0%)
All-in sustaining costs – \$/oz sold⁽¹⁾	779	775	1%
All-in costs – \$/oz sold⁽¹⁾	851	853	(0%)
All-in costs (including taxes) – \$/oz sold⁽¹⁾	1,024	1,042	(2%)

(1) Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs (including taxes) (in each case, on an aggregate or per ounce sold basis), as well as average realized gold price per ounce sold, cost of sales per ounce sold and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under “Non-GAAP Measures”.

(2) Operating costs (on a sales basis) is comprised of mine operating costs such as mining, processing, regional office 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 2014, Kumtor completed waste stripping of cut-back 16 in the first eight months to establish access to the ore body. The mill processed ore from 2013 stockpiles until early September when it reached ore in cut-back 16. For the balance of the year, it mined, stockpiled and processed this ore.

The total waste rock and ore mined in 2014 was 191.7 million tonnes compared to 176.7 million tonnes in the comparative period of 2013, representing an increase of 8%. The increased volume is due to the higher density material mined, the shorter haulage distances of waste rock material which was used for construction of the buttress and the increased fleet capacity.

Kumtor produced 567,693 ounces of gold in 2014 compared to 600,402 ounces of gold in the comparative period of 2013. The decrease in ounces poured during 2014 was due to the processing of lower grades from ore mined from cut-back 16 in comparison to the ore from cut-back 15 that was processed in the comparative period of 2013. During 2014, Kumtor's average mill head grade was 3.90 g/t with a recovery of 78.0%, compared with 4.26 g/t and a recovery of 79.3% for the same period of 2013. Tonnes processed were approximately 5.8 million for 2014, 4% higher than 2013 as the mill reduced throughput in order to minimize the risk of cracking that was observed in the ball mill ring gear.

Operating costs and All-in Measures:

Operating costs (on a sales basis), excluding capitalized stripping, decreased by \$16.6 million predominately due to a higher absorption of costs in the inventory due to greater contained ounces in the broken ore stockpiles at the end of 2014 and lower prices for tires and fuel. This was partially offset by increased blasting costs resulting from greater mined and blasted tonnage, higher diesel usage due to mining greater tonnage of higher density material, higher cost for the mill liner replacement, higher cyanide costs due to price increases and higher maintenance costs of a larger haul truck and shovel fleet.

All-in sustaining costs per ounce sold^{NG}, which excludes revenue-based tax, was \$779 per ounce sold in 2014, consistent with 2013. The 7% reduction in ounces sold in 2014 was offset by lower operating costs and lower spending for stripping and sustaining capital^{NG}.

All-in costs per ounce sold^{NG}, which excludes revenue-based tax, was \$851 per ounce sold in 2014, which was also consistent with the prior year of 2013.

Boroo Mine

The Boroo gold mine, located in Mongolia, was the first hard rock gold mine in Mongolia. It has produced approximately 1.9 million ounces of gold since it began operation in 2004.

Mining activities at Boroo were completed in September of 2012, although the mill continued to process stockpiled ore until December 7, 2014. Heap leach processing activities continued during 2014 though crushing and stacking of ore was completed in 2013.

Following the completion of milling of Boroo ore, the Company was engaged by a third party to process its ore in the Boroo mill. The mill processed 86,797 tonnes of ore in early December 2014. The Company received \$1.9 million under the agreement, which included a processing fee and a share of the net proceeds from the ultimate sale of the gold bullion that was recovered.

The mill was placed on care and maintenance in late December 2014, following the completion of the third party processing arrangement. It is anticipated that shutdown activities at the mill will be completed by the end of February 2015, after which the mill is planned to be kept on standby awaiting the start-up of the Gatsurt Project. The Company expects that the mill at Boroo will commence an organized restart once sufficient feed of Gatsurt ore is stockpiled for processing. See “Other Corporate Developments – Mongolia” and “Caution Regarding Forward-Looking Information”.

Overview of Operating Results

Boroo Operating Results

(\$ millions, except as noted)	Year ended December 31,		
	2014	2013	% Change
Revenue	68.7	133.4	(49%)
Cost of sales-cash	45.5	59.2	(23%)
Cost of sales-non-cash	12.7	27.2	(53%)
Cost of sales-total	58.2	86.4	(33%)
Cost of sales - \$/oz sold ⁽¹⁾	1,076	909	18%
Tonnes milled - 000s	2,083	2,394	(13%)
Average mill head grade - g/t	0.66	1.12	(41%)
Recovery - %	61.2%	57.6%	6%
Milling costs (\$/t milled material)	10.03	9.66	4%
Gold produced – ounces	53,128	90,318	(41%)
Gold sold – ounces	54,080	94,931	(43%)
Average realized gold price - \$/oz ⁽¹⁾	1,271	1,406	(10%)
Capital expenditures (sustaining) ⁽¹⁾	0.3	0.7	(57%)
Operating costs (on a sales basis) ⁽²⁾	45.4	59.1	(23%)
Adjusted operating costs ⁽¹⁾	51.8	64.7	(20%)
All-in Sustaining Costs ⁽¹⁾	52.6	72.4	(27%)
All-in Costs ⁽¹⁾	52.6	72.4	(27%)
All-in Costs - including taxes ⁽¹⁾	55.4	85.2	(35%)
Adjusted operating costs - \$/oz sold⁽¹⁾	959	683	40%
All-in sustaining costs – \$/oz sold⁽¹⁾	973	765	27%
All-in costs – \$/oz sold⁽¹⁾	973	765	27%
All-in costs (including taxes) – \$/oz sold⁽¹⁾	1,025	899	14%

⁽¹⁾ Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs (including taxes) (in each case, on an aggregate or per ounce sold basis), as well as average realized gold price per ounce sold, cost of sales per ounce sold and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under “Non-GAAP Measures”.

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

Production:

Boroo produced 53,128 ounces of gold in 2014 as compared to 90,318 ounces of gold in 2013. The lower gold production results mainly from processing the remaining lower grade stockpiled ore through the mill. Additionally, fewer ounces were poured from the heap leach operation due

to leaching lower grade ore averaging 0.52 g/t in 2014, as a result of commencing secondary leaching from August of 2014, compared to 0.70 g/t from primary leaching in 2013.

Operating costs and All-in Measures:

Operating costs (on a sales basis) decreased by \$13.6 million to \$45.5 million in 2014, as a result of lower activity at the project with the completion of milling operations in December and the transition to secondary leaching in 2014.

All-in sustaining costs per ounce sold^{NG} and all-in costs per ounce sold^{NG}, which exclude income tax, increased in 2014 to \$973 from \$765 in 2013. The increase is primarily due to a decrease of 43% in ounces sold, partially offset by lower adjusted operating costs^{NG} and lower sustaining and growth capital^{NG} spending.

Fourth Quarter Results - 2014 compared to 2013

<i>Unaudited (\$ millions, except as noted)</i>	Three months ended December 31,⁽³⁾			
Financial Summary	2014	2013	Change	% Change
Revenue	\$ 360.1	\$ 468.9	\$ (108.8)	-23%
Cost of sales	183.5	271.8	(88.3)	-32%
Mine standby costs	2.2	-	2.2	100%
Regional office administration	7.6	6.1	1.5	25%
Earnings from mine operations	166.8	191.0	(24.2)	-13%
Revenue-based taxes	48.5	62.9	(14.4)	-23%
Other operating expenses	1.9	1.9	-	0%
Impairment of goodwill	111.0	-	111.0	100%
Exploration and business development	4.1	8.8	(4.7)	-53%
Corporate administration	10.4	8.1	2.3	28%
Earnings (loss) from operations	(9.1)	109.3	(118.4)	-108%
Other (income) and expenses	2.3	0.5	1.8	360%
Finance costs	1.1	1.2	(0.1)	-8%
Earnings (loss) before income taxes	(12.5)	107.6	(120.1)	-112%
Income tax expense	(1.3)	1.0	(2.3)	-230%
Net earnings (loss)	\$ (11.3)	\$ 106.6	\$ (117.9)	-111%
Earnings (loss) per common share - \$ basic	\$ (0.05)	\$ 0.45	\$ (0.50)	-111%
Earnings (loss) per common share - \$ diluted	\$ (0.05)	\$ 0.44	\$ (0.49)	-111%
Weighted average common shares outstanding - basic (thousands)	236,402	236,388	13	0%
Weighted average common shares outstanding - diluted (thousands)	236,402	236,646	(245)	0%
Operating Summary				
Gold produced – ounces poured	301,236	362,234	(60,998)	-17%
Gold sold – ounces sold	300,369	368,954	(68,585)	-19%
Average realized gold price - \$/oz ⁽²⁾	\$ 1,199	\$ 1,271	\$ (72)	-6%
Average gold spot price - \$/oz ⁽¹⁾	\$ 1,201	\$ 1,276	\$ (75)	-6%
Cost of sales - \$/oz sold ⁽²⁾	\$ 611	\$ 737	\$ (126)	-17%
Adjusted operating costs - \$/oz sold⁽²⁾	\$ 276	\$ 247	\$ 29	12%
All-in sustaining costs – \$/oz sold⁽²⁾	\$ 439	\$ 433	\$ 7	2%
All-in costs – \$/oz sold⁽²⁾	\$ 501	\$ 474	\$ 26	6%
All-in costs (including taxes) – \$/oz sold⁽²⁾	\$ 661	\$ 644	\$ 17	3%

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

⁽²⁾ All-in sustaining costs per ounce sold, all-in costs per ounce sold, all-in costs (including taxes) per ounce sold, as well as average realized price per ounce sold and cost of sales per ounce sold, are non-GAAP measures and are discussed under “Non-GAAP Measures”.

⁽³⁾ Results may not add or compute due to rounding.

Overview

Net loss in the fourth quarter of 2014 was \$11.3 million (\$0.05 per common share - basic) as compared to net earnings of \$106.6 million in the same period of 2013. The loss includes a non-cash impairment charge against goodwill for the Kyrgyz CGU of \$111 million, following the decrease in reserves and resources at Kumtor as calculated in the reserve and resource update at the end of 2014 and released on February 9, 2015 (see news release filed on SEDAR). The following provides an overview of the major items impacting the fourth quarter in 2014 as compared to 2013:

- Gold production for the fourth quarter of 2014 decreased 17% to 301,236 ounces poured. The decrease in ounces poured is due to the processing of lower grades from ore mined from cut-back 16 in 2014 in comparison to the ore from cut-back 15 that was processed in the fourth quarter of 2013. During the fourth quarter of 2014, Kumtor's head grade was 7.40 g/t with a recovery of 82.2%, compared with 8.88 g/t and a recovery of 84.1% for the same quarter in 2013. Boroo recorded lower production in the fourth quarter of 2014 as it processed lower feed grades through the mill until it ultimately exhausted its stockpiled ore in early December 2014. Fewer ounces were also recovered from the heap leach operation as the operation transitioned from primary to secondary leaching midway through 2014.
- Revenues in the fourth quarter of 2014 decreased 23% to \$360.1 million, as a result of 19% fewer ounces sold and a 6% lower realized gold price. The lower ounces sold is a reflection of the lower production in the fourth quarter at both operations.
- Cost of sales for the fourth quarter of 2014 decreased 32% to \$183.5 million compared to the same quarter of 2013. The decrease reflects fewer ounces sold at both operations and the reversal in the fourth quarter of the inventory impairment of \$12.2 million recorded in the third quarter of 2014 at Kumtor.
- Regional administration and corporate administration costs increased 25% and 28% respectively in the fourth quarter of 2014 as compared to the same period of 2013. The increase resulted primarily from higher share-based compensation as the Company's share price increased in the fourth quarter of 2014 by 20% while it decreased by 10% in the comparative quarter of 2013.
- Cash provided by operations was \$217.0 million in the fourth quarter of 2014 compared to \$359.5 million in the same period of 2013. The decrease reflects lower earnings in the fourth quarter 2014 and a more significant reduction in working capital levels in the comparative quarter of 2013.
- Cash used in investing activities in the fourth quarter of 2014 totaled \$79.5 million, compared to \$205.3 million in the same quarter of 2013. The fourth quarter of 2014 reflects 37% less capital purchased and 79% fewer purchases of short-term investments.
- Capital expenditures (spent and accrued) in the fourth quarter of 2014 were \$57.7 million as compared to \$86.7 million in the same period of 2013. Sustaining capital^{NG} in the fourth

quarter of 2014 of \$13.4 million compared to \$10 million in 2013, with the increase reflecting more equipment overhauls at Kumtor in 2014. Growth capital^{NG} of \$11.8 million in the fourth quarter of 2014 compares to \$5.9 million in the same quarter of 2013. The increase in 2014 reflects spending at Kumtor, mainly related to the infrastructure relocation. Capitalized stripping in the fourth quarter of 2014 was \$32.5 million compared to \$70.8 million in the fourth quarter of 2013 reflecting lower tonnage of waste stripping in the fourth quarter of 2014 as more of the mining fleet at Kumtor was committed to advancing the ore production out of cut-back 16. In the fourth quarter of 2013, the mining fleet was split between stripping cut-backs 16 and 17, and completing ore mining in cut-back 15.

- Centerra's all-in sustaining costs per ounce sold^{NG}, which excludes revenue-based tax and income tax, in the fourth quarter of 2014, increased to \$439 compared to \$433 in the same period of 2013. The increase resulted from lower gold ounces sold, partially offset by the reduction in operating costs.
- All-in costs per ounce sold^{NG}, which exclude revenue-based tax and income tax, were \$501 in the fourth quarter of 2014 compared to \$474 in the same quarter of 2013. The increase reflects fewer ounces sold, higher spending on growth and sustaining capital^{NG} and increased spending on the Company's Öksüt Project, partially offset by lower capitalized stripping costs at Kumtor and lower exploration spending.

Quarterly Results – Previous Eight Quarters

Over the last eight quarters, Centerra's results reflect the impact of an overall decline in gold prices as well as increasing costs. Production continues to be concentrated at the end of the year and this was reflected in the fourth quarters of 2014 and 2013. Non-cash costs have progressively increased until 2013 resulting from the expanded mining fleet and the increased amortization of capitalized stripping at Kumtor resulting from increased stripping as the pit gets larger. The 2014 year showed a slight decrease in non-cash costs due to the lower stripping requirements of cut-back 16 at Kumtor. The Company recorded a non-cash impairment of goodwill related to its Kyrgyz CGU of \$111.0 million. The quarterly financial results for the last eight quarters are shown below:

\$ million, except per share data Quarterly data unaudited	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	360	136	119	148	469	155	128	192
Net earnings (loss)	(11)	(3)	(32)	2	107	(2)	2	51
Basic earnings (loss) per share	(0.05)	(0.01)	(0.13)	0.01	0.45	(0.01)	0.01	0.22
Diluted earnings (loss) per share	(0.05)	(0.02)	(0.13)	-	0.44	(0.01)	-	0.21

Balance Sheet

Inventory

Total inventory at December 31, 2014 of \$408.4 million (\$378.5 million at December 31, 2013) includes gold inventory of \$234.4 million (\$204.6 million in 2013) and supplies inventory of \$174.0 million (\$173.9 million in 2013). The increase in 2014 reflects higher stockpiles of ore coming from cut-back 16 at Kumtor.

Property, Plant and Equipment

The aggregate book value of property, plant and equipment at December 31, 2014 of \$524.7 million, compares to \$539.1 million at the end of 2013 and is allocated as follows: Kyrgyz Republic \$437.1 million (2013- \$444.8 million), Mongolia \$86.8 million (2013- \$93.1 million) and corporate entities \$0.8 million (2013- \$1.2 million). The decrease in 2014 of \$14.4 million reflects a lower asset base at Boroo as the operation nears its completion and lower capital spending at Kumtor.

Goodwill

During the year ended December 31, 2014, the Company undertook its normal annual review of the \$129.7 million of goodwill recorded by the Kyrgyz CGU. The annual test was performed on September 1 and included the then current Kumtor life of mine plan as well as updated assumptions for the discounted cash flow model to estimate the market value of the CGU. As at September 1, 2014, management concluded that current circumstances did not indicate that the carrying value of the unit exceeded its recoverable value.

Subsequent to September 1, the Company evaluated whether an impairment trigger existed thereby requiring a further review of recoverability. The Company completed its regular update to its reserves and resources in early 2015, the result of this update indicated a significant reduction in reserves and resources. The reserve decrease is a result of negative production reconciliation in 2014 and the impact from the construction of the buttress at Kumtor, development of a new resource model for the Kumtor Central Pit, , and design changes to the Kumtor Central Pit resulting from the new resource model and flattening of certain pit slopes. The reserves decrease was the primary reason for the need to revise the Kumtor life of mine plan. The Company determined that the impact of this reserve reduction was considered an indicator of impairment.

As a result, the Company performed a re-assessment of the recoverable amount of its Kyrgyz CGU as at December 31, 2014, which incorporated the results of the 2014 year end reserve and resource update which were published by the Company on February 9, 2015. Assumptions in the discounted cash flow model were updated as of December 31, 2014 resulting in a reduction of the consensus future gold prices, a measure of the lower gold spot prices, and an increase in the risk-adjusted discount rate for the Kyrgyz Republic, a reflection of increasing country risk and higher bond yield rates, as compared to the September 1, 2014 annual test. As a result of this assessment, the Company's carrying value exceeded the recoverable value by \$111.0 million resulting in a non-cash impairment charge of the goodwill attributable to the Company's Kumtor Project.

The remaining goodwill at December 31, 2014 totals \$18.7 million, compared to \$129.7 million at December 31, 2013.

Asset Retirement Obligations

The total future asset retirement obligations were estimated by management based on the estimated costs to reclaim the mine sites and facilities and the estimated timing of the costs to be incurred in future periods.

The Company has estimated the net present value of the total asset retirement obligations to be \$67.9 million as at December 31, 2014 (December 31, 2013 - \$60 million). These payments are expected to commence over the next 1 to 12 years. The Company used a risk-free rate of 2.23% at Kumtor, 2.26% at Boroo and 2.23% at Gatsuurt to calculate the present value of the asset retirement obligations.

The increase in 2014 in the present value of the obligation of \$7.9 million was mainly as a result of the regularly scheduled update to the closure costs estimates at Boroo and Gatsuurt which was completed in late 2014. As a result, Boroo recorded a net increase to its provision of \$2.5 million and Gatsuurt increased its provision by \$1.8 million, while the revision to the closure costs at Kumtor increased its provision by \$3.0 million. The last regularly scheduled closure cost update at Kumtor was completed in 2013. The accretion expense for 2014 was \$1.7 million, and cash spending on on-going reclamation was \$1.1 million.

The Company's future undiscounted decommissioning and reclamation costs have been estimated to be \$87.3 million at December 31, 2014 before salvage value.

Share capital

As of February 19, 2015, Centerra had 236,454,141 shares outstanding and options to acquire 3,868,334 common shares outstanding under its stock option plan with exercise prices ranging between Cdn\$3.82 and Cdn\$22.28 per share, with expiry dates ranging between 2016 and 2021.

Contractual Obligations

The following table summarizes Centerra's contractual obligations, including payments due for the next five years and thereafter, as of December 31, 2014.

<i>\$ millions</i>	Total	Due in Less than One Year	Due in 1 to 3 Years	Due in 4 to 5 Years	Due After 5 Years
Kumtor					
Reclamation trust deed ⁽¹⁾	\$ 27.9	\$ 2.7	\$ 8.8	\$ 5.8	\$ 10.6
Capital equipment ⁽²⁾	7.6	7.6	-	-	-
Operational supplies	37.6	37.6	-	-	-
Lease of premises	0.1	0.1	-	-	-
Boroo					
Lease of premises	0.3	0.3	-	-	-
Corporate					
Loan repayment (principal only)	76.0	76.0	-	-	-
Lease of premises ⁽³⁾	3.6	0.5	1.0	1.0	1.1
Total contractual obligations ⁽⁴⁾	\$ 153.1	\$ 124.8	\$ 9.8	\$ 6.8	\$ 11.7

⁽¹⁾ Centerra's future decommissioning and reclamation costs for the Kumtor mine are estimated to be \$43.9 million to be incurred beyond 2026. The estimated future cost of closure, reclamation and decommissioning of the project are used as the basis for calculating the amount remaining to be deposited in the Reclamation Trust Fund (\$27.9 million). This restricted cash is funded by sales revenue, annually in arrears and on December 31, 2014 the balance in the fund was \$16.0 million (2013 - \$13.5 million), with the remaining \$27.9 million to be funded over the life of the mine.

⁽²⁾ Agreements as at December 31, 2014 to purchase capital equipment.

⁽³⁾ Lease of corporate office premises expiring in November 2021.

⁽⁴⁾ Excludes trade payables and accrued liabilities.

Other Financial Information- Related Party Transactions

Kyrgyzaltyn JSC

Revenues from the Kumtor gold mine are subject to a management fee of \$1.00 per ounce based on sales volumes, payable to Kyrgyzaltyn, 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, a subsidiary of the Company, to Kyrgyzaltyn and the amounts paid and accrued by Kyrgyzaltyn to KGC according to the terms of a Restated Gold and Silver Sales 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:

	2014	2013
<i>Included in sales:</i>		
Gross gold and silver sales to Kyrgyzaltyn	\$ 697,903	\$ 814,416
Deduct: refinery and financing charges	(3,313)	(3,472)
Net sales revenue received from Kyrgyzaltyn	\$ 694,590	\$ 810,944

Included in expenses:

Management fees to Kyrgyzaltyn	\$ 561	\$ 602
Contracting services	1,628	1,762
Expenses paid to Kyrgyzaltyn	\$ 2,189	\$ 2,364

Dividend:

	2014	2013
Dividends declared to Kyrgyzaltyn	\$ 11,164	\$ 11,915
Withholding taxes	(558)	(599)
Net dividends declared to Kyrgyzaltyn	10,606	11,316
Realized exchange difference	(9)	-
Net dividends transferred to restricted cash	(2,596)	(5,284)
Net dividends paid to Kyrgyzaltyn	\$ 8,001	\$ 6,032

Related party balances

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

	2014	2013
Amounts receivable	\$ 62,143	\$ 69,382
Dividend payable (net of withholding taxes)	\$ 13,828	\$ 11,233
Net unrealized foreign exchange gain	(1,574)	(597)
Dividend payable (net of withholding taxes) ^(a)	12,254	10,636
Amount payable	616	157
Total related party liabilities	\$ 12,870	\$ 10,793

(a) Equivalent of Cdn \$14.2 million as at December 31, 2014 (2013 - Cdn \$11.3 million).

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to a Gold and Silver Sale Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. 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. Subsequent to December 31, 2014, the balance receivable from Kyrgyzaltyn was paid in full.

Dividends payable and restricted cash held in trust

An Ontario court order last updated on June 5, 2013, set a maximum of approximately Cdn\$11.3 million of Centerra dividends otherwise payable to Kyrgyzaltyn to be held in trust for the benefit of the court proceedings commenced by a Turkish company, Sistem Muhendislik Insaat Sanayi ve Ticaret A.S against the Kyrgyz Republic and Kyrgyzaltyn. The maximum amount under the court order was achieved in July 2013.

On September 8, 2014, a decision of the Ontario Court of Appeal required Centerra to pay to Kyrgyzaltyn all of the amounts held in trust for the Sistem proceedings, subject to the satisfaction of certain conditions. The Company understands that those conditions were satisfied on September 23, 2014. However prior to receiving instructions from Kyrgyzaltyn with respect to the transfer of the funds, a subsequent order of the Ontario Superior Court of Justice on October 10, 2014 which was amended on October 20, 2014 (the “Stans Order”) was made that restricts Centerra from paying such monies to Kyrgyzaltyn. The Stans Order also requires Centerra to hold in trust for the benefit of court proceedings between Stans Energy and the Kyrgyz Republic, all dividends (net of withholding taxes) otherwise payable to Kyrgyzaltyn.

See “Other Corporate Developments – Corporate”.

Other Corporate Developments

The following is a summary of corporate developments with respect to matters affecting the Company and its subsidiaries in the Kyrgyz Republic and Mongolia. For a more complete discussion of these matters, see the Company’s most recently filed Annual Information Form (the “2013 Annual Information Form”) available on SEDAR at www.sedar.com.

Readers are cautioned that there are a number of legal and regulatory matters that are currently affecting the Company and that the following brief description is only a summary of the current status of such matters. For more complete background and information on these matters, including with respect to the Kyrgyz Parliamentary and State Commissions and their reports, Kyrgyz Parliamentary resolutions, discussions with the Government of the Kyrgyz Republic in relation to the Heads of Agreement relating to the proposed restructuring of the Kumtor Project, various environmental and other claims made by Kyrgyz state agencies and the draft Kyrgyz Law on Denunciation of the Agreement on New Terms for the Kumtor Project, please refer to the description contained in the 2013 Annual Information Form.

Kyrgyz Republic

Negotiations between Kyrgyz Republic and Centerra

Following discussions with representatives of the Kyrgyz Government in the second half of 2013, Centerra announced on December 24, 2013 that it had entered into a non-binding heads of agreement with the Government of the Kyrgyz Republic in connection with a potential restructuring transaction under which Kyrgyzaltyn would exchange its 32.7% equity interest in Centerra for an interest of equivalent value in a joint venture company that would own the Kumtor Project. The agreement was revised and re-executed on January 18, 2014 (the “HOA”). On February 6, 2014, after its review of the HOA, the Kyrgyz Parliament adopted a resolution which appears to support the concept of the restructuring described in the HOA but also contains a number of recommendations that are materially inconsistent with the terms of the HOA.

Centerra expects to continue its discussions with the Government regarding a potential restructuring transaction to resolve all outstanding concerns relating to the Kumtor Project. However, it maintains that any agreement to resolve matters must be fair to all of Centerra’s shareholders. Any definitive agreement for a potential restructuring remains subject to required approvals in the Kyrgyz Republic, including the Government and Parliament of the Kyrgyz Republic, Centerra Special Committee and Board approval, as well as compliance with all applicable legal and regulatory requirements and approvals, including an independent formal valuation and shareholder approval.

However, Centerra notes that if the Kyrgyz Republic does not succeed in overturning the Stans Arbitration Award (as discussed above and defined below) in the Russian courts and Kyrgyzaltyn is unsuccessful in the Sistem Appeal (as discussed above and defined below), Centerra expects that Stans would likely succeed in enforcing the Stans Arbitration Award in Ontario and in seizing a sufficient number of the Centerra shares held by Kyrgyzaltyn to satisfy the Stans Arbitration Award. If Stans ultimately seizes such shares, Kyrgyzaltyn would no longer hold a sufficient number of Centerra shares to contribute to the HOA restructuring transaction such that it could receive 50% of a new Kumtor joint venture. In such circumstances, the Company believes that the restructuring of the Kumtor Project in accordance with the HOA would be impossible.

While Centerra expects to continue discussions with the Government, there can be no assurance that any transaction will be consummated or that Centerra will be able to successfully resolve any of the matters currently affecting the Kumtor Project. The inability to successfully resolve matters, including obtaining all necessary approvals, and/or further actions of the Kyrgyz Republic Government and/or Parliament, and/or the inability of the Kyrgyz Republic to overturn the Stans Arbitration Award and/or for Kyrgyzaltyn to successfully challenge the determination that the Kyrgyz Republic beneficially owns the Centerra shares held by Kyrgyzaltyn, could have a material adverse impact on Centerra’s future cash flows, earnings, results of operations and financial conditions.

Kyrgyz Permitting and Regulatory Matters

In the normal course of operations at Kumtor, KGC prepares annual mine plans and other documents for approval for the Kumtor project which are considered and approved by, among others, the State Agency for Environmental and Forestry under the Government of the Kyrgyz Republic (“SAEPF”) and the State Agency for Geology and Mineral Resources (“SAGMR”). As was previously disclosed, KGC experienced delays in 2014 in obtaining the required approval of the annual mine plan and other permits and approvals due to concerns raised by SAEPF and SAGMR and other regulatory agencies regarding, among other things, the mining of ice at Kumtor. After months of negotiating, Centerra announced on June 2, 2014 that the continuing absence of such approvals and permits created significant uncertainty and risk for Centerra and its employees and that accordingly, Centerra had instructed Kumtor to begin an orderly shutdown of operations if the approvals and permits were not received by June 13, 2014. Fortunately, the approvals and permits were received prior to any shut down being initiated.

In the fourth quarter of 2014, Kumtor submitted to SAEPF, SAGMR and other relevant agencies various documents for approval, including its 2015 annual mine plan and its ecological passport, which provides for, among other things, allowable levels of environmental emissions and discharges. Similar to 2014, Kumtor received correspondence from such agencies declining to review such documents and expressing concern regarding the mining of ice at Kumtor.

As previously disclosed, the Parliament of the Kyrgyz Republic passed a law prohibiting activities which affect glaciers in the Kyrgyz Republic. This law passed by Parliament on April 23, 2014, but was not approved by the President of the Kyrgyz Republic who returned it to Parliament for revision. Centerra understands that this matter is still being reviewed by Kyrgyz Parliament. In addition, Kyrgyz regulators have also referred to older legislation, the 2005 Law of Water (the “Water Law”), which purports to prohibit the mining of ice by Kumtor. Centerra disputes the reasons stated by the regulatory authorities and have urged the relevant agencies and the Kyrgyz Government to provide the approvals and permits which are necessary for the operation of the Kumtor Project, including the 2015 annual mine plan and ecological passport. Centerra believes that the stabilization and non-discrimination provisions contained in the Kumtor Project Agreements (the “Kumtor Project Agreements”) and the laws of the Kyrgyz Republic which implemented the Kumtor Project Agreements support the view that the Water Law and any new law which could purport to prohibit the mining of ice would not apply to Kumtor operations. Centerra believes that any disagreement in relation to the application of the Water Law to Kumtor would be subject to the international arbitration provisions of the Kumtor Project Agreements. Centerra has also explained that (i) the Kumtor Project Agreements require the relevant Government authorities to be reasonable in their consideration of such approvals; (ii) the mining of ice has been a constant feature of the Kumtor Project since its inception; and (iii) that the continued mining of ice is critical to ensuring efficient and stable mining operations. In addition, Centerra also notes that with respect to permits and approvals, Kumtor is entitled to maintain, have renewed and receive such licenses, consents, permissions and approvals as are from time to time necessary or convenient for the operation of the Kumtor Project.

Centerra also notes that Kumtor has not received notice from any governmental authority ordering or threatening to order it to suspend operations. Furthermore, successive Kyrgyz

governments have consistently emphasized the strategic importance to the Kyrgyz Republic of continued operation of the Kumtor mine. The Restated Investment Agreement requires that any order of suspension be stayed pending the outcome of the dispute resolution provisions of the Restated Investment Agreement, unless necessary to prevent imminent harm to human health and safety or imminent material harm to the environment.

While Centerra and KGC expect to continue discussions with the Government and the relevant Kyrgyz authorities in relation to the approval of the 2015 annual mine plan and other related approvals and permits, there can be no assurance that any such approvals and permits will be received or that a suspension of mining operations will not occur. The inability to successfully resolve matters, including obtaining all necessary approvals, and/or further actions of the Kyrgyz Republic Government and/or Parliament, could have a material adverse impact on Centerra's future cash flows, earnings, results of operations and financial conditions.

Kumtor Dividend Claim and Japarov Criminal Proceeding

As previously disclosed, the Kyrgyz Republic General Prosecutor's Office ("GPO") filed on May 23, 2014 a civil claim in Kyrgyz court against KGC which sought to unwind a \$200 million inter-corporate dividend declared and paid by KGC to Centerra in December 2013. KGC and Centerra believe the dividend complied with the Kumtor Project Agreements and all applicable Kyrgyz laws, and that the payment of the dividend does not have an impact on the valuation which underlies the restructuring contemplated by the HOA. Effective October 10, 2014, the case has been suspended at the request of the GPO until the completion of the criminal proceedings against Mr. Japarov (see below).

The GPO has brought criminal proceedings against Mr. D. Japarov, who was a member of the KGC board of directors (as nominee of Kyrgyzaltyn) in December 2013, when the KGC board of directors approved the declaration and payment of a \$200 million inter-corporate dividend to Centerra. Mr. Japarov was also Chairman of the management board of Kyrgyzaltyn at that time. Such court hearings are ongoing and Mr. Japarov remains in custody.

Environmental Claims

As previously disclosed, Kumtor has received very substantial claims from various Kyrgyz Republic state agencies in relation to alleged environmental offences and other matters. In aggregate, these claims amount to approximately \$470 million at the then current exchange rates. Such claims continue to be before the Kyrgyz courts. For further detail on such claims, please refer to the Company's news releases dated February 19, 2014, May 6, 2014, July 29, 2014, October 29, 2014 and the Company's 2013 Annual Information Form.

As previously stated, Kumtor believes the claims are exaggerated and without merit. The Kumtor Project has been the subject of systematic audits and investigations over the years by Kyrgyz and international experts, including by an independent internationally recognized expert who carried out a due diligence review of Kumtor's performance on environmental matters at the request of Centerra's Board of Directors. The report of this expert was released in October 2012

and can be found on the Kumtor website at <http://www.kumtor.kg/en/> under the “Environment” section.

Land Use Claim

As previously disclosed on November 11, 2013, the Company received a claim from the Kyrgyz Republic General Prosecutor’s Office requesting the Inter-District Court of the Issyk-Kul Province to invalidate the Company’s land use certificate and seize certain lands within Kumtor’s concession area. Kumtor challenges this claim and the matter is currently before the Kyrgyz courts. For further details of the claim, see the Company’s news releases dated February 19, 2014, May 6, 2014, July 29, 2014, October 29, 2014 and the Company’s 2013 Annual Information Form.

Management Assessment

There are several important outstanding issues affecting the Kumtor Project, which require consultation and co-operation between the Company and Kyrgyz regulatory authorities. The Company has benefited from a close and constructive dialogue with Kyrgyz authorities during project operations and remains committed to working with them to resolve these issues in accordance with the Kumtor Project Agreements, which provide for all disputes to be resolved by international arbitration, if necessary. However, there are no assurances that the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project. There are also no assurances that continued discussions between the Kyrgyz Government and Centerra will result in a mutually acceptable solution regarding the Kumtor Project, that any agreed upon proposal for restructuring would receive the necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law and that the Kyrgyz Republic Government and/or Parliament will not take actions that are inconsistent with the Government’s obligations under the Kumtor Project Agreements, including adopting a law “denouncing” or purporting to cancel or invalidate the Kumtor Project Agreements or laws enacted in relation thereto. The inability to successfully resolve all such matters would have a material adverse impact on the Company’s future cash flows, earnings, results of operations and financial condition. See “Caution Regarding Forward-looking Information”.

Mongolia

Gatsuurt

The Company announced on January 23, 2015 that the Gatsuurt project, which is located approximately 35 km from the Company’s Boroo mine in Mongolia, has been designated as a mineral deposit of strategic importance by the Mongolian Parliament. This designation allows the Gatsuurt project to move forward within the application of the Water and Forest Law and also allows Mongolia to acquire up to a 34% interest in the project. The terms of such participation are subject to continued discussions between the Company and the Mongolian Government. Centerra understands that, on February 17, 2015, the Government’s proposal on state ownership of 20% was considered by Parliament but voted down and returned to the Government for review. The Company now expects that Parliament will consider a new

proposal for the level of state ownership in the project during its spring session which begins in early April.

Further development of the Gatsuurt project will be subject to, among other things, receiving Parliamentary approval of the Mongolia's state ownership as well as the all required approvals and regulatory commissioning from the Mongolian Government. There are no assurances that the Company and the Mongolian Government will be able to finalize and agree upon the terms of the Government's involvement in the project, that the Mongolian Parliament will agree upon and approve a level of ownership of the Gatsuurt project, and that applicable approvals and regulatory commissions from the Mongolian Government are received (in a timely fashion or at all). The inability to successfully resolve all such matters would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Corporate

Enforcement Notice by Sistem

In March 2011, a Turkish company, Sistem Muhendislik Insaat Sanayi ve Ticaret A.S. ("Sistem") initiated a claim in an Ontario court which alleged that the shares in Centerra owned by Kyrgyzaltyn are, in fact, beneficially owned by the Kyrgyz Republic. This claim was made as part of court proceedings seeking to enforce in Ontario an arbitration award received by Sistem against the Kyrgyz Republic in the amount of approximately \$9 million plus interest. On April 15, 2014, the Ontario Superior Court of Justice found in favour of Sistem, ruling that the shares of Centerra owned by Kyrgyzaltyn could be seized to satisfy the arbitration award. Kyrgyzaltyn appealed this ruling to the Ontario Court of Appeal where it was heard on October 29, 2014 (the "Sistem Appeal"). No decision has been issued as of the date of this disclosure.

Pursuant to a separate order issued by the Ontario Superior Court of Justice, Centerra was ordered to hold in trust (for the credit of the Sistem court proceedings) dividends otherwise payable to Kyrgyzaltyn in the amount of approximately Cdn\$11.3 million. As a result of an agreement reached between Sistem and Kyrgyzaltyn on September 8, 2014, the Ontario Court of Appeal issued an order requiring Centerra to release to Kyrgyzaltyn all of the amounts held in trust for the Sistem proceedings. However prior to receiving instructions from Kyrgyzaltyn with respect to the transfer of the funds, a subsequent order of the Ontario Superior Court of Justice on October 10, 2014 (as later amended) in relation to the Stans Application (as defined below) was made that restricts Centerra from paying such monies to Kyrgyzaltyn. Centerra has advised Kyrgyzaltyn that it will continue holding such funds in trust in accordance with this court order. See "Enforcement Notice by Stans" below.

Enforcement Notice by Stans

On October 10, 2014, Centerra was served with a temporary order (the "Stans Order") from the Ontario Superior Court of Justice in favour of Stans Energy Corp. ("Stans") which prohibits Kyrgyzaltyn from, among other things: (i) selling, disposing or exchanging 47,000,000 shares (the "Frozen Shares") of the 77,401,766 shares it holds in the capital of Centerra; (ii) obtaining share certificates in respect of such shares; or (iii) exercising its rights as a registered shareholder

of Centerra in a manner that is inconsistent with or would undermine the terms of the Stans Order. The order also prohibits Centerra from, among other things, registering the transfer of the Frozen Shares, and requires Centerra to hold in trust for the proceeding under the Stans Application (as defined below) any amounts payable to Kyrgyzaltyn in respect of dividends or distributions that Centerra may declare or pay in the future.

Centerra was also served by Stans with a notice of application to the Ontario Superior Court of Justice (the “Stans Application”) which seeks to enforce a June 30, 2014 arbitral award (the “Stans Arbitration Award”) obtained by Stans against the Kyrgyz Republic from the arbitration tribunal of the Moscow Chamber of Commerce in the amount of approximately \$118 million. The Stans Application seeks, among other things, an order declaring that the Kyrgyz Republic has a beneficial interest in all of the shares in Centerra held by Kyrgyzaltyn and that monies, interest, dividends and other rights of Kyrgyzaltyn in the stock of Centerra may be seized in order to satisfy the Stans Arbitration Award. The notice of application was originally served in October 2014, and was recently re-filed in January 2015 with new affidavits. We understand that the Kyrgyz Republic is appealing the Stans Arbitration Award to Russian courts in Moscow and that the hearing is expected to occur in the first quarter of 2015. The Kyrgyz Republic is arguing that the Moscow Chamber of Commerce lacked the jurisdiction to hear the matter and accordingly, the arbitration award must be revoked.

As noted above, in a separate proceeding Kyrgyzaltyn has appealed to the Ontario Court of Appeal the decision of the Ontario Superior Court of Justice in the Sistem matter, which found that the Kyrgyz Republic had a beneficial interest in the Centerra shares held by Kyrgyzaltyn. There is no decision as of the date of this disclosure.

If the Kyrgyz Republic does not succeed in overturning the Stans Arbitration Award in the Russian courts and the Ontario Court of Appeal rules that the Kyrgyz Republic has a beneficial interest in the Centerra shares held by Kyrgyzaltyn, Stans would likely succeed in enforcing the Stans Arbitration Award in Ontario and in seizing a sufficient number of the Centerra shares held by Kyrgyzaltyn to satisfy the Stans Arbitration Award. If Stans ultimately seizes such shares, Kyrgyzaltyn would no longer hold a sufficient number of Centerra shares to contribute to the HOA restructuring transaction such that it could receive 50% of a new Kumtor joint venture. In such circumstances, the Company believes that the restructuring of the Kumtor Project in accordance with the HOA would be impossible.

Critical Accounting Estimates

Centerra prepares its consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented and in the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience, guidelines established by the Canadian Institute of Mining, Metallurgy and Petroleum and various other factors believed to be reasonable under the circumstances. In reference to the Company’s significant accounting policies as described in note 3 to the

Consolidated Financial Statements management believes the following critical accounting policies reflect its more significant estimates and judgments used in the preparation of the consolidated financial statements. Actual results could differ from these estimates.

i. *Impairment of long-term assets and goodwill*

The Company reviews and tests the carrying amounts of long-term assets and intangible assets with definite lives when an indicator of impairment is considered to exist. The Company considers both external and internal sources of information in assessing whether there are any indications that long-term assets and goodwill are impaired. When an indicator of impairment is identified or for goodwill annually at the anniversary date, an impairment test is performed by comparing the carrying amount of the asset or cash-generating unit to their recoverable amount, which is calculated as the higher of an asset's or cash-generating unit's value-in-use or fair value less costs to dispose. The estimated recoverable amount is calculated normally based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, gold prices, discount rates, exchange rates and future growth rates. While management believes that estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the recoverable value of the long-term asset or cash generating unit ("CGU"). Changes in these estimates which decrease the estimated recoverable value of the asset or CGU could affect the carrying amounts of assets and result in an impairment charge.

ii. *Inventories of stockpiled ore, in-circuit and gold doré*

Management makes estimates of recoverable quantities of gold in stockpiled ore, ore stacked on heap leach pads and in process to determine the average costs of finished goods sold during the period and the value of the inventoried costs in the Company's Statements of Financial Position. Costs that are incurred in or benefit the mine and mill production process are accumulated as stockpiles of ore, ore on leach pads, heap leach in circuit and gold-in circuit. Net realizable value tests are performed at least annually based on the estimated future sales price of the gold doré, based on prevailing and long-term gold prices, less estimated costs to complete production and bring the gold to selling condition.

The recoverable quantity of ore on stockpiles is estimated based on tonnage added and removed from the stockpiles, the amount of contained gold ounces based on assay data, and the estimated recovery percentage based on the historical recoveries obtained in the expected processing method. Stockpiled ore tonnage is verified by periodic surveys. Changes in these estimates can result in a change in mine operating costs of future periods and carrying amounts of inventories.

iii. *Asset retirement obligation*

Amounts recorded for asset retirement obligations and the related accretion expense require the use of estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mine site. The Company assesses and revises its asset retirement obligations on

an annual basis or when new material information becomes available. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

iv. *Deferred income taxes*

The Company operates in a number of tax jurisdictions and is, therefore, required to estimate its income taxes in each of these tax jurisdictions in preparing its financial statements. In calculating the income taxes, consideration is given to factors such as tax rates in the different jurisdictions, non-deductible expenses, valuation allowances, changes in tax law and management's expectations of future results. The Company estimates deferred income taxes based on temporary differences between the income and losses reported in its financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effect of these temporary differences is recorded as deferred tax assets or liabilities in the financial statements. If it is not more likely than not that the deferred tax assets will be utilized, a valuation allowance is provided for. The calculation of income taxes requires the use of judgment and estimates. If these judgments and estimates prove to be inaccurate, future earnings may be materially impacted.

v. *Share-based Compensation*

Share based compensation costs recognized for the share-based compensation plans are based on estimates of what the ultimate payout will be, using the Black-Scholes option pricing model or Monte Carlo simulation model, which are based on significant assumptions such as volatility, expected life, expected dividends, risk-free interest rate and expected forfeiture rates.

vi. *Depreciation, depletion and amortization period for property plant and equipment*

The Company makes estimates about the expected useful lives of property plant and equipment and the expected residual values of the assets based on the estimated current fair value of the assets, the Company's mine plan and the cash flows they generate. Changes to these estimates, which can be significant, could be caused by a variety of factors, including future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful lives and residual values for the computation of depreciation, depletion and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

vii. Mineral reserve and resources estimation

The Company estimates its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects requirements. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transportation costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analyzing geological data such as drilling samples. This process may require complex and difficult geological judgments to interpret the data. Economic assumptions used to estimate reserves could change from period to period and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position.

viii. Litigation and contingency

On an ongoing basis the Company is subject to various claims and other legal disputes, the outcomes of which cannot be assessed with a high degree of certainty. A liability is recognized where, based on the Company's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably.

By their nature, these contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment of the potential outcome of future events.

Changes in Accounting Policies

Recently issued but not adopted accounting guidance are as follows:

The IASB has issued IFRS 9 *Financial Instruments* ("IFRS 9") which proposes to replace IAS 39 *Financial Instruments Recognition and Measurement*. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets — amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available-for-sale and loans and receivable categories. The effective date of this standard is January 1, 2018, with earlier application permitted. The Company has not adopted IFRS 9 in its financial statements for the current period, but will continue to monitor and evaluate the impact of any required changes to its consolidated financial statements based on the characteristics of its financial instruments at the date of adoption.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"). IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2017, and permits early adoption.

The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* (“IAS 1”) to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016, with earlier application permitted. The Company has not adopted the amendments to IAS 1 in its financial statements for the current period, but will continue to monitor and evaluate the impact of any required changes to its consolidated financial statements at the date of adoption.

Adoption of New Accounting Standards and Developments

Effective January 1, 2014, the Company adopted IFRIC 21, *Levies* (“IFRIC 21”). IFRIC 21 is an interpretation of the accounting for levies imposed by governments which were accounted for under IAS 37, *Provisions, contingent liabilities and contingent assets* (“IAS 37”). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

As of December 31, 2014, Centerra adopted COSO's revised 2013 Internal Control Framework for the design of its internal controls over financial reporting.

The evaluation of disclosure controls and procedures and internal controls over financial reporting under the new framework was carried out under the supervision of and with the participation of management, including Centerra’s Chief Executive Officer and the Chief Financial Officer. Based on these evaluations, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures and internal control over financial reporting were effective.

2015 Outlook

Kumtor’s forecast 2015 production and unit costs are provided on a 100% basis and the forecast does not make any assumptions regarding possible changes in the structure and management of the Kumtor Project, including without limitation the level of ownership resulting from ongoing discussions with the Government of the Kyrgyz Republic and Kyrgyzaltyn JSC, Centerra’s largest shareholder. See “Material Assumption and Risks” for other material assumptions or factors used to forecast production and costs for 2015.

Centerra's 2015 gold production and unit costs are forecast as follows:

	2015 Production Forecast (ounces of gold)	2015 Adjusted Operating Costs^{NG} (\$ per ounce sold)	All-in Costs^{NG} (\$ per ounce sold)
Kumtor	470,000 – 520,000	\$366 – \$406	\$869 – \$963
Boroo	10,000 – 15,000	\$1,092 – \$1,639	\$1,482 – \$2,225
Consolidated	480,000 – 535,000	\$387 – \$432	\$1,003 – \$1,121

2015 Gold Production

Centerra's 2015 consolidated gold production is expected to be 480,000 to 535,000 ounces. The Kumtor mine is expected to produce between 470,000 and 520,000 ounces in 2015. Kumtor's 2015 production guidance range is lower than that outlined in the life of mine plan set out in the Kumtor technical report filed on December 20, 2012 primarily as a result of negative block model reconciliation, as previously disclosed, timing of ore release due to deferral of capital for mine haulage equipment and lower than expected metallurgical recovery. An updated technical report and life of mine plan is expected to be filed on SEDAR by March 26, 2015.

At the Boroo mine, gold production is forecast to be 10,000 to 15,000 ounces. The forecast annual production at Boroo represents ounces from the secondary leaching of the heap leach pad. The 2015 forecast assumes no mining activities at Boroo or Gatsuurt, and no gold production from Gatsuurt.

2015 All-in Unit Costs

Centerra's 2015 all-in sustaining costs per ounce sold^{NG} and all-in costs per ounce sold^{NG} are forecast as follows:

	Kumtor	Boroo⁽⁴⁾	Consolidated
Ounces sold forecast	470,000-520,000	10,000-15,000	480,000-535,000
US \$ / gold ounces sold			
Operating Costs	368 – 408	364 – 546	368 – 411
Changes in inventories	(45) – (50)	465 – 697	(31) – (34)
Operating Costs (on a sales basis)	\$323 – 358	\$829 – 1,243	\$337 – 377
Regional office administration	37 – 41	241 – 362	43 – 48
Social Development costs	5 – 6	24 – 36	6
Refining costs and by-product credits	1	(2)	1
Sub-Total (Adjusted Operating Costs)⁽¹⁾	\$366 – 406	\$1,092 – 1,639	\$387 – 432
Corporate general & administrative costs	-	-	69 – 77
Accretion expense	2 – 3	32 – 48	3 – 4
Capitalized stripping costs – cash	356 – 394	-	346 – 386
Capital expenditures (sustaining) ⁽¹⁾	95 – 105	7 – 11	93 – 104
All-in Sustaining Costs⁽¹⁾	\$819 – 908	\$1,131 – 1,698	\$898 – 1,003
Capital expenditures (growth) ⁽¹⁾	50 – 55	-	48 – 54
Other costs ⁽²⁾	-	351 – 527	57 – 64
All-in Costs	\$869 – 963	\$1,482 – 2,225	\$1,003 – 1,121
Revenue-based tax and income taxes ⁽³⁾	164	-	160
All-in Costs (including taxes)^{(1), (3)}	\$1,033 – 1,127	\$1,482 – 2,225	\$1,163 – 1,281

- (1) Adjusted operating costs per ounce sold, all-in sustaining costs per ounce sold, all-in costs per ounce sold, all-in costs (including taxes) per ounce sold, as well as capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under “Non-GAAP Measures”.
- (2) Other costs per ounce sold include costs to place the Boroo mill on care and maintenance, global exploration expenses, business development expense and project development costs not related to current operations.
- (3) Includes revenue-based tax that reflects a forecast gold price assumption of \$1,175 per ounce sold.
- (4) At the Boroo operation, all forecast production and sales are a result of secondary leaching and mill cleanup.

2015 Exploration Expenditures

Planned exploration expenditures for 2015 total approximately \$11 million, which is \$9 million lower than the 2014 forecast of \$20 million. The 2015 exploration plan includes \$1.3 million for further exploration work on the Öksüt property, \$1.2 million in Portugal on the Lagares gold property (a joint venture with Medgold Corp.), and \$8 million to fund other ongoing projects and generative exploration programs.

2015 Capital Expenditures

Centerra’s projected capital expenditures for 2015, excluding capitalized stripping, are estimated to be \$76 million, including \$50 million of sustaining capital^{NG} and \$26 million of growth capital^{NG}.

Projected capital expenditures (excluding capitalized stripping) include:

Projects	2015 Growth Capital^{NG} (millions of dollars)	2015 Sustaining Capital^{NG} (millions of dollars)
Kumtor	\$26	\$49
Mongolia (Boroo and Gatsuurt)	-	\$1
Consolidated Total	\$26	\$50

Kumtor

At Kumtor, 2015 total capital expenditures, excluding capitalized stripping, are forecast to be \$75 million. Spending on sustaining capital^{NG} of \$49 million relates primarily to the major overhaul maintenance of the heavy duty mine equipment (\$36 million), construction to raise the tailings dam (\$7 million) and other items (\$6 million).

Growth capital^{NG} investment at Kumtor for 2015 is forecast at \$26 million and includes the relocation of certain infrastructure at Kumtor related to the KS-13 life-of-mine expansion plan amounting to \$25 million and dewatering projects (\$1 million).

The projected cash component of capitalized stripping costs related to the development of the open pit is expected to be \$185 million of the \$234 million total capitalized stripping forecast in 2015.

Mongolia (Boroo and Gatsuurt)

At Boroo, 2015 sustaining capital^{NG} expenditures are expected to be minimal and no growth capital^{NG} is forecast for Boroo or Gatsuurt. In January 2015, Gatsuurt was designated as a mineral deposit of strategic importance by the Mongolian Parliament which allows the project to move forward within the application of the Mongolian Water and Forest Law. The Company will continue to hold discussions with the Mongolian Government regarding the terms and conditions of participation of the Mongolian Government in the Gatsuurt Project. See “Other Corporate Developments – Mongolia”, “Risk Factors”, and “Cautionary Note Regarding Forward-Looking Information”.

2015 Öksüt Project

The Company expects to complete the feasibility study for its Öksüt property in the middle of 2015. The total planned spending in 2015 of \$11 million includes work for technical studies, environmental and social impact assessment and project support (collectively, \$10 million) and \$1.3 million for exploration (as noted earlier).

2015 Trans-Canada Project

As announced on February 5, 2015, Centerra has acquired a 50% interest in the Trans-Canada Project from Premier Gold. The Company is currently working with Premier to close the agreement which is expected to occur around March 6, 2015. In addition, Centerra is working

with Premier to establish the inaugural budget and will report on the expected expenditures in its first quarter report.

2015 Corporate Administration and Community Investment

Corporate and administration expense for 2015 is forecast to be \$40 million, which includes \$36 million for corporate and administration costs, and \$4 million for business development activities.

Total planned community investments for 2015 are forecast at \$3 million for donations, and sustainable development projects in the various communities in which Centerra operates.

2015 Depreciation, Depletion and Amortization

Consolidated depreciation, depletion and amortization expense included in costs of sales expense for 2015 is forecasted to be between \$208 million and \$220 million, including between \$204 million and \$216 million at Kumtor and approximately \$3 million at Boroo.

<i>(In millions)</i>	2015 DD&A Forecast (Unaudited)	2014 DD&A Actual
Kumtor		
Mine equipment	\$ 64	\$ 95
Less DD&A capitalized to stripping costs ⁽¹⁾	(49)	(74)
Capital stripping costs amortized	94 - 104	246
Other mining assets	5	3
Mill assets	8 - 9	7
Administration assets and other	14	11
Inventory adjustment (non-cash depreciation)	68 - 69	(18)
Subtotal for Kumtor	\$ 204 - 216	\$ 270
Boroo		
Mine and mill assets	\$ 1	\$ 5
Administration assets and other	1	5
Inventory adjustment (non-cash depreciation)	1	3
Subtotal for Boroo	\$ 3	\$ 13
Subtotal for Other	1	-
Consolidated Total	\$ 208 - 220	\$ 283

- (1) Use of the Company's mining fleet for stripping activities results in a portion of the depreciation related to the mine fleet to be allocated to capitalized stripping costs. In 2014, \$74 million of depreciation costs was allocated to capitalized stripping costs.

Kumtor

At Kumtor, depreciation, depletion and amortization expense included in costs of sales expense for 2014 was \$270 million which is \$5 million lower than the guidance for 2014 provided in the Company's announcement of January 13, 2014. The decrease in the DD&A expense reflects higher than forecasted levels of gold stockpile inventory at the end of 2014. Advanced development of cut-back 16 in 2014 led to higher amortization of capitalized stripping costs for

that cut-back in 2014. At the same time, higher than forecasted levels of gold stockpile inventory as a result of more ore coming from cut-back 16 than planned, resulted in more DD&A costs being charged to closing gold stockpile inventory.

The forecast for 2015 DD&A to be expensed as part of costs of sales is between \$204 million and \$216 million. The amortization of capitalized stripping costs is the largest component of depreciation expense in 2015 forecasted to be between \$94 million to \$104 million. Capitalized stripping costs include mining operating costs such as labour, diesel and maintenance costs, as well as the depreciation expense for the mine equipment used in the stripping campaign. The capitalized stripping costs are amortized over the ounces contained in the ore body exposed by the stripping campaign.

The mine equipment assets are depreciated on a straight-line basis over their estimated useful lives. The total mine equipment depreciation for 2015 is forecasted at \$64 million reflecting reduced depreciation on aging mining equipment. The depreciation related to mine equipment engaged in a stripping campaign and capitalized as stripping costs is forecasted to be \$49 million in 2015.

Boroo

At Boroo, depreciation, depletion and amortization expense included in costs of sales expense for 2014 was \$13 million which is \$2 million lower than the guidance for 2014 provided in the Company's announcement of January 13, 2014. The decrease in the DD&A expense is mainly due to higher than forecasted estimated levels of gold inventory in the heap leach facility at the end of 2014.

The forecast for 2015 DD&A expensed as part of costs of sales is approximately \$3 million compared to \$13 million in 2014. The decrease in 2015 reflects the winding down of Boroo's operations in 2015.

2015 Taxes

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

The corporate income tax rate for Centerra's Mongolian subsidiary, Boroo Gold LLC, is 25% for taxable income over 3 billion Mongolian tugriks (approximately \$1.6 million at the December 31, 2014 foreign exchange rate) with a tax rate of 10% for taxable income up to that amount. Royalties payable to the Mongolian Government vary between 5% and 10% based on the price of gold, to a maximum of 10% for gold prices at or above \$1,300 an ounce and are currently set at a fixed 2.5% for gold sold to the Bank of Mongolia. Since January 2014, Boroo has been paying a royalty rate of 2.5% as all of its gold has been sold to the Bank of Mongolia during that time.

Sensitivities

Centerra's revenues, earnings and cash flows for 2015 are sensitive to changes in certain variables. The Company has estimated the impact of any such changes on revenues, net earnings and cash from operations.

	Change	Impact on (\$ millions)			
		Costs	Revenues	Cash flow	Earnings before income tax
Gold Price	\$50/oz	3.3 - 3.7	24.0 - 26.7	20.7 - 23.0	20.7 - 23.0
Diesel Fuel	10%	2.6	-	9.4	2.6
Kyrgyz som ⁽¹⁾	1 som	1.9	-	2.2	1.9
Mongolian tugrik ⁽¹⁾	25 tugrik	0.2	-	0.2	0.2
Canadian dollar ⁽¹⁾	10 cents	3.6	-	3.6	3.6

⁽¹⁾ 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

Material Assumptions and Risks

Material assumptions or factors used to forecast production and costs for 2015 include the following:

- a gold price of \$1,175 per ounce,
- exchange rates:
 - \$1USD:\$1.10 CAD
 - \$1USD:58.0 Kyrgyz som
 - \$1USD:1,815 Mongolian tugriks
 - \$1USD:0.77 Euro
- diesel fuel price assumption:
 - \$0.70/litre at Kumtor
 - \$1.10/litre at Boroo

The assumed diesel price of \$0.70/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic. Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was approximately \$77 per barrel.

Other material assumptions were used in forecasting production and costs for 2015. These material assumptions include the following:

- That current discussions between the Government of the Kyrgyz Republic and Centerra regarding a potential restructuring of the Kumtor Project will result in a mutually satisfactory solution to the outstanding matters affecting the Kumtor Project, which is fair to all of Centerra's shareholders, and that such proposal will receive all necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law.
- All mine plans and related permits and authorizations at Kumtor receive timely approval from all relevant governmental agencies.

- The buttress constructed at the bottom of the Davidov glacier continues to function as planned.
- 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 actions taken by the Kyrgyz Republic Parliament and Government do not have a material impact on operations or financial results. This includes any action being taken by the Parliament or Government to cancel the agreements governing the Kumtor Project, or taking any actions which would be inconsistent with the rights of Centerra and Kumtor Gold Company (KGC) under the project agreements.
- The previously disclosed environmental claims received from the Kyrgyz regulatory authorities in the aggregate amount of approximately \$470 million (at the then current exchange rates) and the claims of the Kyrgyz Republic's General Prosecutor's Office purporting to invalidate land use rights and/or seize land at Kumtor and to unwind the \$200 million inter-company dividend declared and paid by KGC to Centerra in December 2013, and any further claims, whether alleging environmental allegations or otherwise, are resolved without material impact on Centerra's operations or financial results.
- The movement in the Central Valley Waste Dump at Kumtor, referred to in the 2013 Annual Information Form, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production, including the successful demolition of buildings and relocation of certain other infrastructure as planned.
- Grades and recoveries at Kumtor will remain consistent with the 2015 production plan to achieve the forecast gold production.
- 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 Kumtor ball mill and the rotated ring gear or replacement ring gear continue to operate as expected.
- The "strategic deposit" designation of the Gatsuurt deposit will not materially change the capital forecasts for 2015.
- Prices of key consumables, costs of power and water usage fees are not significantly higher than prices assumed in planning.
- No unplanned delays in or interruption of scheduled production from our mines, including due to civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks.
- All necessary permits, licenses and approvals are received in a timely manner.

The Company cannot give any assurances in this regard.

Production, cost and capital forecasts for 2015 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings "Material Assumptions & Risks" and "Cautionary Note Regarding Forward-Looking Information" and under the heading "Risk Factors" in this MD&A.

Non-GAAP Measures

This MD&A contains the following non-GAAP financial measures: all-in sustaining costs, all-in costs, all-in costs including taxes and adjusted operating costs in dollars (millions) and per ounce sold, as well as cost of sales per ounce sold, capital expenditures (sustaining), capital expenditures (growth) and average realized gold price. 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 also 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 consistent with the WGC’s Guidance Note on these non-GAAP measures:

- *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, community costs related to current operations, refining fees and by-product credits.
- *All-in sustaining costs per ounce sold* include adjusted operating costs, the cash component of capitalized stripping costs, regional office administration costs, accretion expenses, and sustaining capital. The measure incorporates costs related to sustaining production.
- *All-in costs per ounce sold* include all-in sustaining costs and additional costs for growth capital, corporate general and administrative expenses, global exploration expenses and social development costs not related to current operations.
- *All-in cost per ounce sold* exclude the following:
 - Working capital (except for adjustments to inventory on a sales basis).
 - All financing charges (including capitalized interest).
 - Costs related to business combinations, asset acquisitions and asset disposals.

- Other non-operating income and expenses, including interest income, bank charges, and foreign exchange gains and losses.
- *All-in costs including taxes per ounce sold* measure includes revenue-based taxes at Kumtor and income taxes at Boroo.
- *Capital expenditures (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 expenditures (Growth)* is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.
- *Average realized gold price* is calculated by dividing revenue derived from gold sales by the number of ounces sold.

Adjusted Operating Cost, All-in Sustaining Costs and All-in Costs (including and excluding taxes) are non-GAAP measures and can be reconciled as follows:

(1) By operation

Kumtor

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Year ended December 31, ⁽¹⁾		Three months ended December 31, ⁽¹⁾	
	2014	2013	2014	2013
Cost of sales, as reported	\$ 444.4	\$ 473.0	\$ 171.5	\$ 255.1
Less: Non-cash component	270.0	282.0	108.5	185.0
Cost of sales, cash component	\$ 174.4	\$ 191.0	\$ 63.0	\$ 70.1
Adjust for:				
Regional office administration	20.1	18.1	6.0	4.8
Refining fees	3.3	3.5	1.7	2.0
By-product credits	(3.0)	(3.8)	(1.5)	(2.0)
Community costs related to current operations	5.1	6.2	1.2	1.9
Adjusted Operating Costs	\$ 199.9	\$ 215.0	\$ 70.4	\$ 76.8
Accretion expense	1.2	0.6	0.3	0.2
Capitalized stripping and ice unload	187.3	201.3	24.9	50.6
Capital expenditures (sustaining)	48.7	49.7	13.4	9.6
All-in Sustaining Costs	\$ 437.1	\$ 466.6	\$ 109.0	\$ 137.2
Capital expenditures (growth)	40.1	39.2	11.5	5.8
Exploration	(0.1)	6.1	-	0.8
Other project costs not related to current operations	-	1.5	-	0.1
All-in Costs	\$ 477.1	\$ 513.4	\$ 120.5	\$ 143.9
Revenue-based taxes and income taxes	97.2	113.5	48.5	62.9
All-in Costs (including taxes)	\$ 574.3	\$ 626.9	\$ 169.0	\$ 206.8
Ounces sold (000)	561	602	289	353
Adjusted Operating Costs per ounce sold	\$ 356	\$ 357	\$ 244	\$ 217
All-in Sustaining Costs per ounce sold	\$ 779	\$ 775	\$ 378	\$ 388
All-in Costs per ounce sold	\$ 851	\$ 853	\$ 418	\$ 407
All-in Costs (including taxes) per ounce sold	\$ 1,024	\$ 1,042	\$ 585	\$ 585

(1) Results may not add due to rounding.

Boroo

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Year ended December 31, ⁽¹⁾		Three months ended December 31, ⁽¹⁾	
	2014	2013	2014	2013
Cost of sales, as reported	\$ 58.1	\$ 86.3	\$ 11.9	\$ 16.7
Less: Non-cash component	12.7	27.2	2.1	3.7
Cost of sales, cash component	\$ 45.4	\$ 59.1	\$ 9.8	\$ 13.0
Adjust for:				
Regional office administration	5.1	5.7	1.6	1.4
Mine stand-by costs	1.1	-	0.9	-
Refining fees	0.1	0.3	-	0.1
By-product credits	(0.2)	(0.5)	-	-
Community costs related to current operations	0.3	0.1	0.1	(0.2)
Adjusted Operating Costs	\$ 51.8	\$ 64.7	\$ 12.4	\$ 14.3
Accretion expense	0.5	0.3	0.1	0.1
Capital expenditures (sustaining)	0.3	7.4	-	0.4
All-in Sustaining Costs	\$ 52.6	\$ 72.4	\$ 12.5	\$ 14.8
All-in Costs	\$ 52.6	\$ 72.4	\$ 12.5	\$ 14.8
Income taxes	2.8	12.8	(0.5)	0.1
All-in Costs (including taxes)	\$ 55.4	\$ 85.2	\$ 12.0	\$ 14.9
Ounces sold (000)	54.1	94.9	11.5	15.7
Adjusted Operating Costs per ounce sold	\$ 959	\$ 683	\$ 1,072	\$ 901
All-in Sustaining Costs per ounce sold	\$ 973	\$ 765	\$ 1,083	\$ 931
All-in Costs per ounce sold	\$ 973	\$ 765	\$ 1,083	\$ 931
All-in Costs (including taxes) per ounce sold	\$ 1,025	\$ 899	\$ 1,043	\$ 934

(1) Results may not add due to rounding.

2) Consolidated

Centerra

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Year ended December 31, ⁽¹⁾		Three months ended December 31, ⁽¹⁾	
	2014	2013	2014	2013
Cost of sales, as reported	\$ 502.5	\$ 559.2	\$ 183.5	\$ 271.8
Less: Non-cash component	282.6	309.0	110.6	188.7
Cost of sales, cash component	\$ 219.9	\$ 250.2	\$ 72.9	\$ 83.1
Adjust for:				
Regional office administration	25.2	23.7	7.6	6.1
Mine stand-by costs	1.1	-	0.9	-
Refining fees	3.4	3.8	1.7	2.1
By-product credits	(3.2)	(4.3)	(1.5)	(2.1)
Community costs related to current operations	5.4	6.4	1.3	1.7
Adjusted Operating Costs	\$ 251.8	\$ 279.8	\$ 82.9	\$ 90.9
Corporate general administrative costs	34.4	30.3	10.4	8.0
Accretion expense	1.7	0.9	0.4	0.2
Capitalized stripping and ice unload	187.3	201.3	24.9	50.6
Capital expenditures (sustaining)	49.2	57.7	13.4	10.0
All-in Sustaining Costs	\$ 524.4	\$ 570.0	\$ 132.0	\$ 159.7
Capital expenditures (growth)	40.9	39.9	11.8	5.9
Exploration and business development	15.7	29.6	4.1	8.8
Other project costs not related to current operations	6.4	1.9	2.5	0.2
All-in Costs	\$ 587.4	\$ 641.4	\$ 150.4	\$ 174.6
Revenue-based taxes and income taxes	100.1	126.3	48.0	62.9
All-in Costs (including taxes)	\$ 687.5	\$ 767.7	\$ 198.4	\$ 237.5
Ounces sold (000)	615.2	696.8	300.4	369.0
Adjusted Operating Costs per ounce sold	\$ 409	\$ 402	\$ 276	\$ 247
All-in Sustaining Costs per ounce sold	\$ 852	\$ 818	\$ 439	\$ 433
All-in Costs per ounce sold	\$ 955	\$ 920	\$ 501	\$ 474
All-in Costs (including taxes) per ounce sold	\$ 1,118	\$ 1,102	\$ 661	\$ 644

(1) Results may not add due to rounding.

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

Year ended December 31,	Kumtor	Boroo	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>				
2014				
Capitalized stripping –cash	187.3	-	-	187.3
Sustaining capital - cash	48.7	0.3	0.2	49.2
Growth capital - cash	40.1	-	0.8	40.9
Net increase in accruals included in additions to PP&E	(1.2)	-	-	(1.2)
Total - Additions to PP&E	274.9	0.3	1.0	276.2⁽¹⁾
2013				
Capitalized stripping – cash	201.3	-	-	201.3
Sustaining capital – cash	49.7	7.4	0.6	57.7
Growth capital - cash	39.2	-	0.7	39.9
Net decrease in accruals included in additions to PP&E	9.8	-	-	9.8
Total - Additions to PP&E	300.0	7.4	1.3	308.7⁽¹⁾

Three months ended December 31,	Kumtor	Boroo	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>				
2014				
Capitalized stripping –cash	24.9	-	-	24.9
Sustaining capital - cash	13.4	-	-	13.4
Growth capital - cash	11.5	-	0.2	11.7
Net decrease in accruals included in additions to PP&E	3.0	-	-	3.0
Total - Additions to PP&E	52.8	-	0.2	53.0⁽¹⁾
2013				
Capitalized stripping – cash	50.6	-	-	50.6
Sustaining capital – cash	9.6	0.4	0.1	10.1
Growth capital - cash	5.8	-	0.1	5.9
Net decrease in accruals included in additions to PP&E	19.4	-	-	19.4
Total - Additions to PP&E	85.4	0.4	0.2	86.0⁽¹⁾

⁽¹⁾ As reported in the Company's Consolidated Statement of Cash Flows as "Investing Activities - Additions to property, plant & equipment".

Qualified Person & QA/QC

All reserve and resource estimates, production information and other related scientific and technical information in this MD&A were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* 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 with the exception of the Kumtor Project as described in its technical report.

The Kumtor deposit is described in Centerra's 2013 Annual Information Form and a technical report dated December 20, 2012, which is filed on SEDAR at www.sedar.com. The technical report is prepared in accordance with NI 43-101 and describes the exploration history, geology and style of gold mineralization at the Kumtor deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kumtor site are described in the technical report.

The Boroo deposit is described in Centerra's 2013 Annual Information Form and a technical report dated December 17, 2009 prepared in accordance with NI 43-101, which is available on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Boroo deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Boroo site are the same as, or similar to, those described in the technical report.

The Gatsuurt deposit is described in Centerra's 2013 Annual Information Form and a technical report dated May 9, 2006 prepared in accordance with NI 43-101. The technical report has been filed on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Gatsuurt deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Gatsuurt project are the same as, or similar to, those described in the technical report.

Risk Factors

Below are the risk factors that Centerra believes can have a material effect on the profitability, future cash flow, earnings, results of operations, stated reserves and financial condition of the Company. If any event arising from these risks occurs, the Company's business, prospects, financial condition, results of operations or cash flows could be adversely affected, the trading price of Centerra's common shares could decline and all or part of any investment may be lost. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect the Company's business operations, prospects, financial condition, results of operations or cash flows.

You should note that the following is not, however, a complete list of the potential risks we face. Additional risks and uncertainties not currently known to us, or that are currently deemed immaterial, may also materially and adversely affect our business operations, prospects, financial condition, results of operations or cash flows.

STRATEGIC

Country, Political & Regulatory

Centerra's principal operations and mineral resources are located in the Kyrgyz Republic, Mongolia and Turkey and are subject to country risk

Our mining operations and gold exploration activities are affected in varying degrees by political stability and government regulations relating to foreign investment, social unrest, corporate activity, and the mining business in the countries in which we operate, explore and develop properties. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation. The relevant governments have entered into contracts with us or granted permits, licenses or concessions that enable us to conduct operations or exploration and development activities. Notwithstanding these arrangements, our ability to conduct operations or exploration and development activities is subject to obtaining and/or renewing permits or concessions (including a certificate of temporary land use in relation to its concession area around the Kumtor project, which was issued in 2010 and then purported to have been cancelled in 2012 and is subject to a further claim of invalidation in 2013; annual mine plan approval in the Kyrgyz Republic; and permits and licenses to begin mining activities at Gatsuurt), changes in laws or government regulations or shifts in political attitudes beyond our control.

All of our current gold production and our principal mineral reserves and resources are derived from assets located in the Kyrgyz Republic, Mongolia, and Turkey, countries that have experienced political difficulties in recent years including, in the case of the Kyrgyz Republic, civil unrest in April 2010 that resulted in the ouster of the incumbent President, in Mongolia, the resignation of the Prime Minister and Government in 2014 and a history of fractious governing coalitions comprised of many political parties, and, in the case of Turkey anti-government protests as well as unrest following investigations initiated in December 2013 into alleged government corruption. Accordingly, there continues to be a risk of future political instability.

We do not currently carry political risk insurance covering our investments in the Kyrgyz Republic, Mongolia or Turkey. From time to time, we assess the costs and benefits of obtaining and maintaining such insurance. There can be no assurance that, if we chose to obtain it, political risk insurance would be available to us, or that particular losses we may suffer with respect to our foreign investments will be covered by any insurance that we may obtain in the future. Any such losses could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Resource nationalism could adversely impact Centerra's business

Companies in the mining and metals sector continue to be targeted to raise government revenue, particularly as governments struggled with deficits and concerns over the effects of depressed

economies. Governments are continually assessing the fiscal terms of the economic rent for mining companies to exploit resources in their countries. Numerous countries, including the Kyrgyz Republic and Mongolia, have in the past introduced changes to their respective mining regimes that reflect increased government control or participation in the mining sector, including, but not limited to, changes of laws or governmental regulations affecting foreign ownership, mandatory government participation, taxation and royalties, labour mine safety, exchange rates, exchange controls, permitting and licensing of exploration development and production, land use restrictions, annual fees to maintain mineral properties in good standing, price controls, export controls, export and import duties, restrictions on repatriation of income or return of capital, environmental protection, as well as requirements for employment of local staff or contractors, and contributions to infrastructure and social support systems. Our operations may be affected in varying degrees by such laws and government regulations.

There can be no assurance that industries deemed of national or strategic importance like mineral production will not be nationalized. Government policy may change to discourage foreign investment; renationalization of mining industries may occur; or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that our assets will not be subject to nationalization, expropriation or confiscation, whether legitimate or not, by any authority or body. While there are often provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would effectively restore the value of our original investment or that such restoration would occur within a reasonable timeframe. There also can be no assurance that the laws in these countries protecting foreign investments will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above. Furthermore, there can be no assurance that the agreements we have with the governments of these countries will prove to be enforceable or provide adequate protection against any or all of the risks described above.

The Kumtor project has, in recent years, been threatened with nationalization. During 2012, a Parliamentary Commission proposed to the Kyrgyz Parliament a Draft Decree which called for the cancellation of the current Kumtor Project Agreements and the creation of a new state-owned Kyrgyz Republic entity to assume control over Kumtor which if approved and given full effect by the Kyrgyz Government, would have, in substance, resulted in the nationalization of Kumtor. In late June 2012, the Kyrgyz Parliament voted against the Draft Decree and instead adopted an alternative resolution (2117-V). In addition, in February 2013, the Kyrgyz Parliament adopted Decree 2805-V (described in greater detail below) which recommends that the Kyrgyz Government conduct negotiations with Centerra with a view to revising the Kumtor Project Agreements and, if the parties cannot agree on mutually acceptable terms within three months' time, instructs the Kyrgyz Government to take certain actions with respect to the Kumtor project, including among other things, to unilaterally terminate the Kumtor Project Agreements, invalidate the legislation which provides for the tax regime set out in the Kumtor Project Agreements, confiscate land plots granting surface rights in relation to the Kumtor Project and authorizing measures to have Kumtor Operating Company pay fines and other charges for violations of environmental, mining and geological and subsoil legislation. Such actions, in substance, also would result in the nationalization of Kumtor. Furthermore, in April 2013, an initiative group led by Mr. Beknazarov A.A. submitted a draft law "On Denunciation of the

Agreement for the Kumtor Project” (“Law on Denunciation”) for consideration by the Kyrgyz Parliament. The draft Law on Denunciation “denounces” the Agreement on New Terms for the Kumtor Project (“ANT”) entered into on April 29, 2009 and recognizes as invalid all other agreements associated with the ANT (namely, the agreements governing the Kumtor project) and calls for the Government to bring all of its decisions in accordance with the Law on Denunciation. Although, to date, the Draft Decree and the Law on Denunciation have not been approved by Parliament and the Kyrgyz Government has not acted upon the actions threatened in Decree 2805-V, there can be no assurance that subsequent resolutions will be brought before, or adopted by, the Kyrgyz Parliament to nationalize Kumtor. Finally, in December 2014, the Ata Meken faction of the Kyrgyz Republic Parliament submitted for public discussion a draft law on nationalization of the Kumtor project following a public statement made by the Republic’s president in which he suggested that nationalization may be the only course of action should negotiations with Centerra on a new deal fail. The Company continues discussions with the Kyrgyz Government with a view to reaching an agreement on a 50/50 joint venture arrangement that would see the Kyrgyz Government, through its state-owned company Kyrgyzaltyn JSC, exchange its 32.7% interest in Centerra Gold Inc. for a 50% direct interest in the Kumtor project. There can be no assurance that Centerra and the Kyrgyz Government will reach an agreement or that, should Centerra and the Kyrgyz Government fail to reach an agreement, or should a proposed agreement fail to be ratified by the Parliament of the Kyrgyz Republic, the Kumtor project will not be nationalized.

Changes in, or more aggressive enforcement of, laws, regulations and government practices could adversely impact Centerra’s business

Mining operations and exploration activities are subject to extensive laws and regulations, both in the countries where mining operations and exploration and development activities are conducted and in the mining company’s home jurisdiction. These relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, suppliers and contractors, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response, social responsibilities and sustainability, and other matters.

Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays, access to land, water, and power, and other effects associated with these laws and regulations may impact our decision as to whether to continue to operate existing mines, ore processing and other facilities or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, we are unable to predict the ultimate cost of compliance with these requirements or their effect on operations.

If the laws and regulations relating to our operations were to change, or the enforcement of such laws and regulations were to become more rigorous, we could be required to incur significant capital and operating expenditures to comply, which could have a material adverse effect on our financial position and our ability to achieve operating and development targets. Changes to laws and regulations may also impact the value of our reserves.

Community activism may influence laws and regulations, result in increased contributory demands, or in business interruption

Slow economic development in the countries in which the Company operates has resulted in an increase in community activism and expectations by local governments for resource companies to increase their contributions to local communities. Such activism and expectations have been intensified as a result of the commodity price boom during the 2008 to 2012 period which also increased the perception that resource companies have been taking an unfairly rich benefit from the countries' natural resources, while causing significant environmental damage. For example, Kumtor has experienced a number of roadblocks in the past resulting from the discontent of various community groups. Similarly, in Mongolia, community groups and NGOs have vigorously campaigned against foreign mining companies. The Mongolian Forest and Water Law, for example, was a response to heightened civil concern about the environmental impact of mining enterprises. Heightened global concern for the environment and water in particular, as a result of both climate change impacts as well as following certain significant industrial accidents, has led to increased scrutiny of mining operations and a review of legislation aimed at environmental protection. There can be no assurance that the company's operations will not be disrupted by civil action or be subject to restrictions or imposed demands that will impact future cash flows, earnings, results of operation, financial condition, and reputation.

The Kyrgyz Government and Parliament may take actions in connection with the State Commission Report and the Parliament Decree adopted on February 21, 2013

A State Commission was formed by the Kyrgyz Government in July 2012 for the purpose of reviewing the report of a Parliamentary Commission on Kumtor which was issued in June 2012 and which made a number of assertions regarding the operation of the Kumtor project, including non-compliance with Kyrgyz environmental and other laws. The State Commission was also given the responsibility of inspecting and reviewing Kumtor's compliance with Kyrgyz operational and environmental laws and community standards.

The State Commission issued its own report in late December 2012 (the State Commission Report). The State Commission Report included a large number of allegations in regard to prior transactions relating to the Kumtor project and its management, including the following:

- (i) that the Kumtor project violated Kyrgyz Republic legislation relating to corporate, environment, and subsoil legislation at various times since project activities began in 1993, including allegations relating to the tender process for the deposit in 1993, the approval process for the initial development of the Kumtor project, the placing of waste rock on glaciers, and causing environmental damage to water and land resources in the area of the Kumtor Project;
- (ii) that the Kumtor management is ineffective;
- (iii) that incorrect valuation of assets occurred during the 2003/2004 restructuring process, which purportedly led to significant losses sustained by the Kyrgyz Republic; and

- (iv) that the Kumtor Project Agreements adopted in 2009 were improperly approved and violate the Kyrgyz Republic constitution.

The State Commission Report recommended that the Kyrgyz Government open negotiations of the arrangements under which the Kumtor project is governed, including requiring Kumtor to accept the current tax regime and pay higher environmental charges; changes in the management of Kumtor and Centerra including greater representation by Kyrgyzaltyn on the Centerra board of directors and greater representation of Kyrgyz citizens in management of the Kumtor project; and recommendations for additional charges and fees to be paid by the Kumtor Project including for land use, and for those items raised by SIETS (as discussed below). The State Commission Report also recommended various actions to be taken by Kyrgyzaltyn, by the Kyrgyz Government, including revisions to Kyrgyz law, and the Kyrgyz Republic General Prosecutor's Office with respect to investigating the personal liability of parties who were involved in negotiating previous agreements governing the Kumtor project for violations of Kyrgyz legislation and for inflicting losses to the Kyrgyz Republic's interests. The State Commission recommended the establishment of a working group to give effect to the recommendations, in particular the opening of negotiations with Centerra and Kumtor.

The Kyrgyz Government received the State Commission Report and adopted a decree dated January 24, 2013, #34 (Decree #34), accepting the State Commission Report and sending it to the Kyrgyz Parliament. Pursuant to Decree #34, the Kyrgyz Government also established a working group to hold discussions on the revisions of terms governing the Kumtor Project, particularly on revisions to the tax regime and other matters identified in the State Commission Report.

Kyrgyz Republic Parliament received the State Commission Report on February 21, 2013 and adopted decree 2805-V (Decree 2805-V) regarding the Kumtor project. Decree 2805-V recommends that the Kyrgyz Republic Government ensure the continuous operation of the Kumtor mine, and within three months of the date of the decree, conduct negotiations with Centerra with a view to revising the Kumtor Project Agreements to return to conditions that existed prior to the restructuring of the project in 2003, but subject to the application of current Kyrgyz legislation, and to enter into new agreements on these terms.

If the parties cannot agree on mutually acceptable terms within such three month time period, the Parliament in Decree 2805-V instructs the Government to take certain actions with respect to the Kumtor project, including among other things, to:

- (i) invalidate the legislation enacted by Parliament in 2009 approving the Kumtor Project Agreements, and to unilaterally terminate the Kumtor Project Agreements;
- (ii) invalidate the legislation enacted by Parliament in 2009 amending the Kyrgyz Republic Tax Code (which provides for the tax regime set out in the Kumtor Project Agreements);
- (iii) confiscate land plots in connection with the adoption of Government Decree, "On abolition of the Government Decree on allocation of lands to Kumtor Gold Company CJSC dated March 25, 2010", approved by the Government Decree dated July 5, 2012. (This March 25,

2010 Decree granted Kumtor surface rights in relation to the Kumtor Project. See our news release dated July 6, 2012.); and

- (iv) authorize SIETS to take measures to have Kumtor Operating Company pay fines and other charges for violations of environmental, mining and geological and subsoil legislation.

In Decree 2805-V, the Parliament also requests that the Government develop and submit to the Parliament for consideration certain matters, including the following:

- (i) draft amendments to existing legislation or draft new legislation relating to biosphere territories, the protection and preservation of glaciers, and prohibiting the placement of pollutants on glaciers;
- (ii) provide for the obligation of Kumtor to develop a technical plan on reclamation of the Kumtor project in accordance with Kyrgyz legislation and to determine funding for reclamation based on such plan and to enforce this obligation;
- (iii) for the entire period of the Kumtor project, to invoice Kumtor for the use of water and make Kumtor pay for changes in the glacial regime and disposal of waste; and
- (iv) when negotiating with Centerra and Kumtor Operating Company, to require that goods and services be purchased for the Kumtor Project in the domestic market.

Decree 2805-V also instructed the General Prosecutor's Office and the National Security Committee to investigate allegations that Kumtor deliberately understated reserves, including silver and tellurium.

Decree 2805-V called on the Kyrgyz Republic Government, General Prosecutor's Office and the National Security Committee to report on the implementation of the instructions set out in the Decree by June 1, 2013. This deadline was extended by Resolution #3169-V until September 1, 2013 for the Government to present final agreements incorporating a mutually acceptable solution. Resolution #3169-V also provides that if a mutually acceptable solution has been agreed to, the Government is instructed to develop and submit a draft Law on Denunciation (discussed above) for review by the Kyrgyz Parliament.

Following discussions with the Government, in September 2013, Centerra entered into a non-binding memorandum of understanding ("MOU") with the Government in connection with a potential restructuring transaction under which Kyrgyzaltyn would exchange its 32.7% equity interest in Centerra for an interest in a joint venture company that would own the Kumtor project. On October 23, 2013, the MOU was considered by the Kyrgyz Parliament and rejected by a decree ("Decree") which ordered the Government to (among other things) continue negotiations with Centerra with a view to improving the Kyrgyz Republic's position and increasing its interest in the joint venture project to no less than 67%, to provide for the project to develop the Kumtor mine using underground mining methods, and to provide for the establishment and financing of a centre to monitor the preservation of glaciers. In the Decree, Parliament also recommends that the Kyrgyz Republic General Prosecutor's Office consider

pursuing allegations that management of the former parent company of Centerra, Centerra, Kumtor Operating Company, and Kumtor Gold Company violated environmental regulations and committed “other offenses”, and that precious metal reserves (silver, tellurium, and other associated components) at the Kumtor deposit were deliberately understated.

In the Decree, Parliament requested that the Government and the General Prosecutor’s Office report to Parliament on these matters by December 23, 2013. The Decree provides that if a mutually acceptable solution on the outstanding matters cannot be reached, the Government is ordered to initiate a process to cancel the Kumtor Project Agreements.

Subsequently, on December 24, 2013, Centerra and the Government entered into a non-binding heads of agreement (the “HOA”) which retained most of the material terms of the MOU and which was submitted to the Kyrgyz Parliament for consideration. The HOA was revised and re-executed on January 18, 2014. On February 6, 2014, the Kyrgyz Parliament adopted a resolution that appears to support the concept of the restructuring described in the HOA. However, the resolution also contains a number of recommendations that are materially inconsistent with the terms of the HOA. Among other things, the resolution calls for further audits of the Kumtor operation and for the Government and the General Prosecutor’s Office to continue pursuing claims for environmental and economic damages, which the Company disputes. Centerra expects to continue discussions with the Kyrgyz Government relating to the potential restructuring transaction reflected in the HOA, but notes that there can be no certainty that any definitive agreements for a potential restructuring will obtain required approvals in the Kyrgyz Republic.

While we believe that the findings of the Parliamentary Commission Report and the State Commission Report are without merit and that the Kumtor Project Agreements between us and the Kyrgyz Republic are legal, valid and enforceable obligations, there can be no assurance that we will be able to successfully resolve any or all of these matters currently affecting the Kumtor project. There can also be no assurances that the Kyrgyz Republic Government and/or Parliament will not take actions that are inconsistent with the Kyrgyz Republic’s obligations under the Kumtor Project Agreements or cancel government decrees, orders or licenses under which Kumtor currently operates. Any such actions could have a material adverse impact on our future cash flows, earnings, results of operations and financial condition.

The purported cancellation of Kumtor’s land use rights could adversely impact the Kumtor operations

On July 5, 2012 the Kyrgyz Government purported to cancel Government Decree #168, which provided Kumtor with land use rights over the surface of the Kumtor concession area for the duration of the Restated Concession Agreement. A related land use certificate issued by the local land office was also cancelled. This action was contemplated in Government Resolution 2117-V, which was adopted in late June 2012 after the Kyrgyz Republic Parliament received the Parliamentary Commission report.

In the third quarter of 2012, we requested the issuance of a new land use certificate pursuant to the Restated Investment Agreement dated June 6, 2009 between us and the Kyrgyz Republic. Under the Restated Investment Agreement, the Kumtor project is guaranteed all necessary access

to the Kumtor concession area, including all surface lands as is necessary or desirable for the operation of the Kumtor project. The Restated Investment Agreement also provides that the Kyrgyz Government shall use its best efforts to reserve or cancel any action that conflicts with our rights under that agreement.

Further, in November 2013, the Company received a claim from the Kyrgyz Republic General Prosecutor's Office requesting the Inter-District Court of the Issyk-Kul Province to invalidate the Company's land use certificate and seize certain lands within the Kumtor concession area. As of the date of this disclosure, this matter remains before the Kyrgyz courts.

Although we believe, based on advice from Kyrgyz legal counsel, that the purported cancellation of Kumtor's land rights, invalidation of its land use certificate and seizure of lands are in violation of the Kyrgyz Republic Land Code and the Restated Investment Agreement, there can be no assurance that cancellation of Kumtor's land rights will not be upheld and enforced by the Kyrgyz Government. If Kumtor's land rights are cancelled, it could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

The government of Mongolia has the right to take up to a 51% interest in certain mineral deposits

In 2006, the Mongolian Parliament passed the Minerals Law that, among other things, empowers Parliament to designate mineral deposits that have a potential impact on national security, economic and social development or deposits that have a potential of producing above 5% of the country's GDP as deposits of strategic importance. The state may take up to a 51% interest in the exploitation of a minerals deposit of strategic importance where state funded exploration was used to determine proven mineral reserves and up to a 34% interest in an investment to be made by a license holder in a mineral deposit of strategic importance where proven reserves were determined through funding sources other than the state budget.

On January 23, 2015, the Mongolian Parliament designated the Gatsuurt project as a "mineral deposit of strategic importance" which allows the Mongolian Government to take up to a 34% interest in the project. The level of state involvement in the project and the applicable terms and conditions of such participation remain subject to further discussions between the Company and the Government of Mongolian. Such decision (and any further decisions regarding ownership interest in any of our Mongolian deposits) could have a significant material adverse effect on our future cash flows, earnings, results of operations, stated reserves and financial conditions.

The royalty payment for Centerra's Mongolian operations may increase significantly

The royalty structure on mineral projects in Mongolia has fluctuated in recent years. In November 2010, the Mongolian Parliament passed amendments to the Minerals Law of Mongolia that modified the existing royalty structure on mineral projects. Pursuant to the amended royalty structure, the royalty rate is no longer a fixed percentage but is graduated and dependent upon the commodity price in US dollars. In the case of gold, there is a basic 5% royalty fee that applies while gold is less than \$900 per ounce. For any increase of \$100 to the price of gold, there is a corresponding 1% increase to the royalty fee. Accordingly, at \$900 per ounce, the royalty fee increases to 6%, at \$1,000 per ounce, the royalty increases to 7%, at \$1,100 per ounce, the royalty increases to 8%, and at \$1,200, the royalty increases to 9%. The

highest royalty fee rate is 10% when the price of gold is \$1,300 per ounce and above. The graduated royalty became effective as of January 1, 2011 for all mining projects in Mongolia.

In January 2014 the Mongolian Parliament amended the royalty regime to provide for a two-tiered royalty structure. For producers selling gold to the Bank of Mongolia, Mongolia's central bank ("BoM"), or other commercial banks authorized by the BoM, the basic royalty fee is reduced to 2.5% and the incremental royalty rate is annulled. While the Company is currently selling gold to the BoM, the BoM has not entered into any agreements with any of the Company's subsidiaries relating to the sale of gold and there can be no assurance that the BoM will continue to purchase any gold from the Company's subsidiaries, that the royalty rate of 2.5% applicable to gold sales to the BoM will continue to apply to such sales or that the proceeds of such sales can be converted to foreign currencies at favourable rates. For producers selling gold to other parties, the graduated 5% to 10% royalty rate remains in place.

Increases in the royalty rates on any of our operations in Mongolia could have a significant material adverse effect on Centerra's future cash flows, earnings, results of operations, stated mineral reserves and financial conditions.

The Company's operations at the Boroo project have been subject to scrutiny from Mongolian regulatory authorities

On June 12, 2009, the main operating licenses at our Boroo project were suspended by the MRAM following extensive inspections of the Boroo mine operation conducted by the SSIA. In its report, the SSIA expressed its view that a number of deficiencies existed at the Boroo project. After discussions with both the MRAM and the SSIA, the suspension of the operating licenses was lifted on July 27, 2009. Despite the lifting of the suspension, several issues arising from the inspections continued to be discussed until they were resolved in January 2012. As part of this resolution, we paid a settlement of approximately \$2.6 million in response to claims for compensation received by the SSIA.

The SSIA inspections in 2009 also raised a concern about the production and sale of gold from the Boroo heap leach facility. The heap leach facility was operated under a temporary permit from June 2008 until the expiry of the temporary permit in April, 2009 and paid all relevant royalties and taxes with respect to gold produced from the heap leach facility during that period. Final Mongolian regulatory approval for the mine plan for Boroo's heap leach facility was not granted until September 19, 2012, at which time heap leach operations resumed at Boroo.

Although issues arising from the SSIA inspections in 2009 have been resolved and Mongolian regulatory approvals have been received for Boroo's heap leach facility, there can be no assurance that future scrutiny from Mongolian regulatory authorities, or delay in permitting or licensing aspects of the Boroo project and/or the Company's other potential projects in Mongolia (including Gatsuurt), will not occur. Such developments could have an adverse impact on our future cash flows, earnings, results of operations, stated mineral reserves and financial condition.

If the environmental laws and regulations relating to the Company's operations were to change, or the enforcement of such laws and regulations were to become more rigorous, the Company could be required to incur significant capital and operating expenditures

We are subject to environmental regulation in connection with our exploration, development and operation activities in each of the jurisdictions in which we operate. The financial and operational effects of our environmental protection requirements relate primarily to our operations in the Kyrgyz Republic, where we operate the Kumtor project; in Mongolia, where we operate the Boroo project, and have a 100% interest in the Gatsuurt, ATO and Ulaan Bulag exploration and development properties; and in Turkey, where we have 100% interest in the Öksüt exploration and development property. Local regulatory regimes in the Kyrgyz Republic, Mongolia, and Turkey may be influenced by increased local community concern in respect of the environmental footprint of mining operations as well as concerns over the management of water resources, and the mine closure plans.

If the environmental laws and regulations relating to our operations, including our operations and projects in the Kyrgyz Republic, Mongolia and Turkey, were to change, or the enforcement of such laws and regulations were to become more rigorous, we could be required to incur significant capital and operating expenditures to comply, which could have a material adverse effect on our future cash flows, earnings, results of operations and financial condition, our ability to develop projects further, and increase our reserves and resources.

Centerra may not be able to successfully negotiate an investment agreement for Gatsuurt

There can be no assurance that we will be able to successfully negotiate with the Government of Mongolia a mutually acceptable investment agreement for the development and operation of the Gatsuurt project. While there is no legal requirement for an investment agreement to be executed before we commence development and mining operations at Gatsuurt, we believe that it is important for the viability of the project. The Company is in discussions with the Government of Mongolia regarding a potential investment agreement. Furthermore, even if an investment agreement is successfully concluded with the Government of Mongolia for the Gatsuurt project, there are no assurances that the Government will not later seek to re-negotiate its terms and conditions.

Centerra may not be able to obtain all necessary permits and commissions for Gatsuurt

Mining activities at Gatsuurt are subject to Centerra obtaining from the Government of Mongolia the necessary permits and commissions. There are no assurances that the Mongolian Government will grant such permits and commissions to us in a timely manner or at all, and on terms acceptable to us. While we did receive several permits during the course of 2010 in relation to the Gatsuurt project, in November 2010, we received a letter from Mongolia's Ministry of Finance indicating that operations at the Gatsuurt project cannot be commenced while the implementation of the Water and Forest Law is being resolved. While the Gatsuurt deposit has been designated as a mineral deposit of strategic importance, there can be no assurance that all necessary permits and commissions for the Gatsuurt project will be granted in a timely manner or at all. Our inability to develop and operate the Gatsuurt project could have an adverse effect on our future cash flows, earnings, results of operations and financial condition.

Legal and Other

Current and future litigation may impact the revenue and profits of the Company

We may be subject to claims based on allegations of negligence, breach of statutory duty, public nuisance or private nuisance or otherwise in connection with our operations or investigations relating thereto. While we are presently unable to quantify our potential liability under any of the above categories of damage, such liability may be material to us and may materially adversely affect our ability to continue operations.

Centerra's properties may be subject to defects in title

We have investigated our rights to explore and exploit all of our material properties, and, except as described below, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that such rights will not be revoked or significantly altered to our detriment. There can also be no assurance that our rights will not be challenged or impugned by third parties, including local governments.

On July 5, 2012, the Kyrgyz Government cancelled Government Decree #168, which provided Kumtor with land use (surface) rights over the Kumtor Concession Area for the duration of the Restated Concession Agreement. At the same time, the related land use certificate issued by the local land office was also cancelled. In addition, in November 2013, the Company received a claim from the Kyrgyz Republic General Prosecutor's Office requesting the Inter-District Court of the Issyk-Kul Province to invalidate the Company's land use certificate and seize certain lands within the Kumtor concession area. Based on advice from Kyrgyz legal counsel, we believe that the purported cancellation of our land use rights, invalidation of the land use certificate and seizure of lands are in violation of the Kyrgyz Republic Land Code, because the Land Code provides that land rights can only be terminated by court decision and on the listed grounds set out in the Land Code. To the extent that the land use rights are considered invalid (which we do not accept), we would seek to enforce our rights under the Restated Investment Agreement to obtain the reissuance of its land use rights, which are guaranteed pursuant to the Restated Investment Agreement.

On December 6, 2006, Gatsuurt LLC commenced arbitration before the Mongolian National Arbitration Court (MNAC) alleging non-compliance by our subsidiary, CGM, with its obligation to complete a feasibility study on the Gatsuurt property by December 31, 2005 and seeking the return of the license. We believed that Gatsuurt LLC's position was without merit. CGM challenged the MNAC's jurisdiction and the independence and impartiality of the Gatsuurt LLC nominee to the arbitration panel. We later reached an agreement with Gatsuurt LLC to terminate arbitration proceedings. Further to that agreement CGM paid \$1.5 million to Gatsuurt LLC. On signing of a definitive agreement, but subject to CGM having entered into an investment agreement with the Government of Mongolia in respect of the development of the Gatsuurt project, CGM will make a further non-refundable payment to Gatsuurt LLC in the amount of \$1.5 million. Final settlement with Gatsuurt LLC is subject to the negotiation and signing of a definitive settlement agreement.

Although we are not currently aware of any existing title uncertainties with respect to any of our properties except as discussed in the preceding paragraphs, there is no assurance that such

uncertainties will not result in future losses or additional expenditures, which could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Centerra may be unable to enforce its legal rights in certain circumstances

In the event of a dispute arising at our foreign operations, we may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. We may also be hindered or prevented from enforcing our rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

The dispute resolution provisions of: (i) the Restated Investment Agreement and (ii) the Boroo Stability Agreement (now expired) stipulate that any dispute between the parties thereto is to be submitted to international arbitration. However, there can be no assurance that a particular governmental entity or instrumentality will either comply with the provisions of these or any other agreements or voluntarily submit to arbitration. Our inability to enforce our rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

Centerra's largest shareholder is a state-owned entity of the Kyrgyz Government

Our largest shareholder is Kyrgyzaltyn, which is a state-owned entity. Kyrgyzaltyn owns approximately 33% of the common shares of Centerra. Pursuant to the terms of the Restated Investment Agreement, Kyrgyzaltyn has two nominees on our board of directors. There can be no assurance that the Kyrgyz Government, through its ownership and control of Kyrgyzaltyn, will not use its influence to materially change the direction of the Company. This concentration of ownership may have the effect of delaying or preventing a change in control of Centerra, which may deprive our shareholders of a control premium that might otherwise be offered in connection with such a change of control. We are aware that Kyrgyzaltyn has in the past received inquiries regarding the potential acquisition of some or all of its common shares in the Company and the sale by Kyrgyzaltyn of its shareholdings to a third party could result in a new purchasing shareholder obtaining a considerable interest in the Company. Should Kyrgyzaltyn sell some or all of its interest in Centerra, there can be no assurance that an offer would be made to the other shareholders of Centerra or that the interests of such a shareholder would be consistent with the plans of the Company or that such a sale would not decrease the value of the common shares.

Centerra's directors may have conflicts of interest

Certain of our directors also serve as directors and/or officers of other companies involved in natural resource exploration, development and production and consequently there exists the possibility for such directors to be in a position of conflict.

Centerra is subject to Anti-Corruption Legislation

Centerra is subject to Canada's *Corruption of Foreign Public Officials Act* (the "Anti-Corruption Legislation"), which prohibits Centerra or any officer, director, employee or agent of Centerra or any shareholder of Centerra acting on its behalf from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member,

political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The Anti-Corruption Legislation also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. Centerra's international activities create the risk of unauthorized payments or offers of payments by Centerra's employees, consultants or agents, even though they may not always be subject to Centerra's control. Centerra discourages these practices by its employees and agents. However, Centerra's existing safeguards and any future improvements may prove to be less than effective, and Centerra's employees, consultants and agents may engage in conduct for which Centerra might be held responsible. Any failure by us to adopt appropriate compliance procedures and ensure that Centerra's employees and agents comply with the Anti-Corruption Legislation and applicable laws and regulations in foreign jurisdictions could result in substantial penalties or restrictions on Centerra's ability to conduct business in certain foreign jurisdictions, which may have a material adverse impact on Centerra and its share price.

Concentration of Assets

The company's operations and projects are all located in emerging countries of Central Asia, with the exception of Turkey, a country that has seen significant development in the last decade. This represents a concentration risk for the company limiting its ability to diversify country and political risk to any material degree. Further, certain countries in the region that neighbour the company's countries of interest have experienced rising geopolitical risk, and there can be no assurance that such geopolitical risk will not ultimately impact the countries in which we operate, explore and develop projects.

Strategy and Planning

Centerra's future exploration and development activities may not be successful

Exploration for and development of gold properties involve significant financial risks and may be subject to political risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves by drilling, constructing mining and processing facilities at a site, connecting to a reliable infrastructure, developing metallurgical processes and extracting gold from ore. We cannot ensure that our current exploration and development programs will result in profitable commercial mining operations or replacement of current production at existing mining operations with new mineral reserves. Also, substantial expenses may be incurred on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define mineral reserves that can be mined economically.

Our ability to sustain or increase present levels of gold production is dependent on the successful acquisition or discovery and development of new orebodies and/or expansion of existing mining operations. The economic feasibility of development projects is based upon many factors, including the accuracy of mineral reserve estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, water consumption, importing and exporting, environmental protection; and gold prices, which are highly volatile. Development projects are also subject to the successful completion of socio-

environmental impact assessments, feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

Development projects have no operating history upon which to base estimates of future cash flow. Estimates of proven and probable mineral reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. We also conduct feasibility studies that derive estimates of capital and operating costs based upon many factors, including access to required infrastructure, power and water, anticipated tonnage and grades of ore to be mined and processed; the configuration of the orebody; ground and mining conditions; expected recovery rates of the gold from the ore; and anticipated environmental and regulatory compliance costs.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from our best estimates. It is not unusual for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated. These uncertainties could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Centerra's mineral reserves may not be replaced

The Kumtor and Boroo projects are currently our only sources of gold production. Based on the current life-of-mine plan, Kumtor will be depleted by 2023, with milling operations concluding in 2026. At Boroo, mining operations have ceased as of September 2012, and at the current reserve gold price assumption, the Boroo operation is expected to recover gold from the heap leach into 2015.

If our existing mineral reserves (including mineral reserves at the Gatsuert deposit in Mongolia) are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at Kumtor or through the acquisition or development of an additional producing mine, this could have an adverse impact on our future cash flows, earnings, results of operations and financial condition, including as a result of requirements to expend funds for reclamation and decommissioning. Although we are actively engaged in programs to increase mineral reserves, there can be no assurance that these programs will be successful.

Centerra may experience difficulties with its exploration partners

We have a number of exploration partners and we may in the future enter into additional exploration agreements with third party partners. We are subject to the risks normally associated with the conduct of exploration arrangements with partners. These risks include disagreement with a partner on how to develop, operate and finance a project and possible litigation between us and a partner regarding matters in the agreement. This may be particularly the case when we are not the operator on the property. These matters may have an adverse effect on our ability to pursue the projects subject to the partner, which could affect its future cash flows, earnings, results of operations and financial condition.

Centerra's mineral reserve and resource estimates may be imprecise

Mineral reserve and resource figures are estimates and no assurances can be given that the indicated levels of gold will be produced or economically extracted, or that we will receive the price assumed in determining our mineral reserves. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates and the assumptions such estimates rely on made at a given time may significantly change when new information becomes available or conditions change. While we believe that the mineral reserve and resource estimates included are well established and reflect management's best estimates, by their nature mineral reserve and resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove unreliable.

Furthermore, fluctuations in the market price of gold, as well as increased capital or production costs or reduced recovery rates may render mineral reserves uneconomic and may ultimately result in a reduction of reserves. The extent to which mineral resources may ultimately be reclassified as proven or probable mineral reserves is dependent upon the demonstration of their profitable recovery. The evaluation of mineral reserves or resources is always influenced by economic and technical factors, which may change over time.

No assurances can be given that any mineral resource estimate will ultimately be reclassified as proven or probable mineral reserves.

If our mineral reserve or resource figures are inaccurate or are reduced in the future, this could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Centerra's production and cost estimates may be inaccurate

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

Our estimates on production and costs are, where applicable, based on historical costs and productivity experience. Despite this, actual production and costs may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of orebodies and the processing of new or different ore grades; risks and hazards associated with mining; natural phenomena, such as

inclement weather conditions, floods, earthquakes, ice or ground movements, pit wall failures and cave-ins; equipment failures; unexpected labour shortages or strikes, and civil action; and insufficient modelling robustness. Costs of production may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade metallurgy, labour costs, costs of supplies and services (such as, for example, fuel and power), general inflationary pressures and currency exchange rates. Failure to achieve production estimates or production cost estimates could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Natural Phenomena

Centerra may experience further ground movements at the Kumtor project

On July 8, 2002, a highwall ground movement at the Kumtor project resulted in the death of one of our employees and the temporary suspension of mining operations. The movement led to a considerable shortfall in 2002 gold production because the high-grade Stockwork Zone was rendered temporarily inaccessible. Consequently, we milled lower grade ore and achieved lower recovery rates. In February 2004, movement was also detected in the southeast wall of the open pit and a crack was discovered at the crest of the wall. In February 2006, there was further movement detected in the southeast wall of the open pit. In July 2006, there was ground movement in the northeast wall of the open pit that required the adoption of a new mining sequence at Kumtor and resulted in lower than anticipated gold production in 2006. In the first quarter of 2007, minor slope movement was detected in the waste rock dump above the SB Zone highwall in the Central pit. Deformation cracks in the waste rock above the till focused attention on wall instability seated in the glacial till between the waste rock dumps and the underlying bedrock. Drilling has indicated that further push backs of the Central pit will encounter unfrozen, water saturated till. The outer face of the till is frozen and hence the water behind the slope face is pressurized. Depressurization and dewatering programs which were established at the mine in 2008 and continuously operated since, have reduced the hydrological content of the waste rock dump and the till.

In 2013, sudden acceleration of ground movement within the central valley waste rock dump impacted site facilities and required the design and construction of new infrastructure in a different area of the site requiring allocation of additional significant capital. Furthermore, waste rock dumping plans may require modification in an effort to manage waste rock dump movement rates. In addition to continued dewatering efforts, further geotechnical drilling is expected to provide further data to increase understanding of wall structural parameters, and pit wall design may require modification to reduce slope angle in certain sections.

Although extensive efforts are employed by Centerra to prevent and anticipate further ground movement, there is no guarantee that sudden unexpected ground movements will not recur. A future ground movement could result in a significant interruption of operations. We may also experience a loss of mineral reserves or a material increase in costs, if it is necessary to redesign the open pit or waste rock dumps as a result of a ground movement. The consequences of a ground movement will depend upon the magnitude, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or the mine experiences a

significant loss of mineral reserves or materially higher costs of operation, this would have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Centerra will experience further ice movement at the Kumtor project

Continued movement of ice from the South East Ice Wall into the Kumtor Central pit above the high grade SB Zone section requires the mining of ice and waste to maintain our planned production of ore. While management has implemented a plan to manage this movement (which plan has seen positive results from 2011 to 2013), there is no guarantee that these efforts will avert further negative impact on our expected production, costs and earnings.

During 2012, a substantial acceleration of ice movement, which was exacerbated by a 10-day illegal strike which occurred in early February 2012, required us to revise our mine plan to maintain safe access to the Kumtor Central pit. Under the new mine plan, mining of cut-back 12B, where ore for the second quarter of 2012 was to be released, was stopped to permit pre-stripping of ice and waste in the southwest portion of the pit (cut-back 14B) and unloading of ice and waste material from the High Movement Area to provide access to the southeast section of the Kumtor Central pit. The changes to the mine plan and the delayed release of ore from cut-back 12B resulted in a seven week shutdown of the Kumtor mill and required us to revise our 2012 production and cost guidance.

In February 2014, increased movement of the South arm of the Davydov glacier required the construction of a buttress to ensure continued safe mining in the open pit.

Although we are employing extensive efforts to manage further waste and ice movements, there is no guarantee that such efforts will be successful or that further waste and ice movements will not adversely affect operations at the Kumtor project. Future movements could result in a significant interruption of operations, impede access to ore deposits, or require redeployment of mobile equipment away from mining of ore. We may also experience a loss of mineral reserves or a material increase in costs if it is necessary to redesign the open pit and surrounding infrastructure as a result of waste and ice movements. The consequences of further ice movement into the Kumtor Central pit will depend upon the extent, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or the mine experiences a significant loss of mineral reserves or materially higher costs of operation, this would have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Centerra's operations and projects in the Kyrgyz Republic, Mongolia and Turkey are located in areas of seismic activity

The areas surrounding our Kumtor, Boroo and Öksüt project are seismically active. While the risks of seismic activity were taken into account when determining the design criteria for our Kumtor and Boroo operations, there can be no assurance that our operations will not be adversely affected by this kind of activity, all of which could have an adverse impact on our future cash flows, earnings, results of operations and financial condition. Similarly, there can be no assurance that the development of the Öksüt project will not be materially impacted by a significant seismic event.

Competition

Centerra's future prospects may suffer due to increased competition for mineral acquisition opportunities

Significant and increasing competition exists for mineral acquisition opportunities throughout the world, particularly for opportunities in jurisdictions considered politically safer. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, we may be unable to acquire rights to exploit additional attractive mining properties on terms we consider acceptable. Accordingly, there can be no assurance that we will acquire any interest in additional operations that would yield mineral reserves or result in commercial mining operations. Our inability to acquire such interests could have an adverse impact on our future cash flows, earnings, results of operations and financial condition. Even if we do acquire such interests, the resulting business arrangements may not ultimately prove beneficial to our business.

FINANCIAL

Commodity Market

Centerra's business is sensitive to the volatility of gold prices

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

The market price of gold decreased significantly in 2013, followed by a moderate increase in 2014. If the market price of gold falls and remains below production costs of any of our mining operations for an extended period, losses would be sustained, and, under certain circumstances, there may be a curtailment or suspension of some or all of our mining and exploration activities. We would also have to assess the economic impact of any sustained lower gold prices on recoverability and, therefore, the cut-off grade and level of our gold mineral reserves and resources. These factors could have an adverse impact on our future cash flows, earnings, results of operations, stated mineral reserves and financial condition.

Centerra's operations are sensitive to fuel price volatility

The company is also exposed to price volatility in respect of key inputs, the most significant of which is fuel. Increases in global fuel prices can materially increase operating costs, erode operating margins and project investment returns, and potentially reduce viable reserves. Conversely, a significant and sustained decline in world oil prices may offset other costs and improve returns.

Currency Volatility

Currency fluctuations

Our earnings and cash flow may also be affected by fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Kyrgyz som, the Mongolian tugrik, the Canadian dollar, the Euro, and the Turkish Lira. Our consolidated financial statements are expressed in U.S. dollars. Our sales of gold are denominated in U.S. dollars, while production costs and corporate administration costs are, in part, denominated in Kyrgyz soms, Mongolian tugriks, Turkish Lira, Canadian dollars, Euros and other currencies. Fluctuations in exchange rates between the U.S. dollar and other currencies may give rise to foreign exchange currency exposures, both favourable and unfavourable, which may materially impact Centerra's future financial results. Although from time to time we enter into short-term forward contracts to purchase Canadian dollars and Euros, we do not utilize a hedging program to limit the adverse effects of foreign exchange rate fluctuations in other currencies. In the case of the Kyrgyz som and the Mongolian tugrik, we cannot hedge currency exchange risk because such currencies are not freely traded.

Economy, Credit and Liquidity

Global financial conditions

The financial crisis which began in the latter part of 2007 has resulted in global financial conditions which are characterized by continued high volatility, and financial institutions are still recovering from significant losses. Access to public financing and bank credit has been negatively impacted by the liquidity crisis as financial institutions saw their balance sheet impaired. Notwithstanding some improvement in the financial health of major financial institutions, continued concern over the pace of sustainable economic recovery in both developed and key developing nations has kept liquidity conditions constrained. Further, the significant decrease in the price of metals during 2013 along with sustained depressed prices over 2014 has affected investor interest in the sector. Global financial conditions may affect our ability to obtain equity or debt financing in the future on favourable terms. Additionally, these factors, as well as other related factors, may cause decreases in our asset values that may be other than temporary, which may result in impairment losses. These factors may also increase our exposure to financial counterparty risk. If such increased levels of volatility and market turmoil continue, or if more extensive disruptions of the global financial markets occur, our operations could be adversely impacted and the trading price of our common shares may be adversely affected.

Centerra may experience reduced liquidity and difficulty in obtaining future financing

The further development and exploration of mineral properties in which we hold or acquire interests may depend upon our ability to obtain financing through earn-in arrangements, debt financing, equity financing or other means. While we successfully negotiated a three-year \$150 million revolving credit facility in 2010, the term of which was extended to 2016, there is no assurance that Centerra will be successful in obtaining required financing as and when needed in the future.

Volatile gold markets and/or capital markets, reduced global financial liquidity, and increased restrictions on capital reserves of financial institutions, may make it difficult or impossible for us to obtain further debt financing or equity financing on favourable terms or at all. Our principal operations are located in, and our strategic focus is on, Central Asia and other markets worldwide each of which are developing areas that may have experienced past economic and political difficulties and may be perceived as unstable. This perceived increased country or political risk may make it more difficult for us to obtain debt financing. Failure to obtain additional financing on a timely basis may cause us to postpone development plans, forfeit rights in our properties or partners or reduce or terminate our operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Restrictive covenants in Centerra's revolving credit facility may prevent the Company from pursuing business activities

Pursuant to our Credit Facility with EBRD, we must maintain certain financial ratios and satisfy other non-financial maintenance covenants. Centerra and our material subsidiaries are also subject to other restrictive and affirmative covenants in respect of our respective operations. Compliance with these covenants and financial ratios may impair our ability to finance our future operations or capital needs or to take advantage of other favourable business opportunities. Our ability to comply with these covenants and financial ratios will depend on our future performance, which may be affected by events beyond our control. Our failure to comply with any of these covenants or financial ratios will result in a default under the Credit Agreement and may result in the acceleration of any indebtedness under the Credit Agreement. In the event of a default and we are unable to repay any amounts then outstanding, the lender, EBRD may be entitled to take possession of the collateral securing the Credit Facility, including certain mobile equipment used in the operations at Kumtor, to the extent required to repay those borrowings.

Counterparty

Short-term investment risks

We may, from time to time, invest excess cash balances in short-term instruments. Recent market conditions affecting certain types of short-term investments of some North American and European issuers and certain financial institutions have resulted in heightened risk in holding some of these investments. There can be no guarantee that further market disruptions affecting various short-term investments or the potential failure of financial institutions will not have a negative effect on the liquidity of our investments.

Concentration Risk

As a holding company, Centerra's ability to make payments depends on the cash flows of its subsidiaries

We are a holding company that conducts substantially all of its operations through subsidiaries, many of which are incorporated outside North America. We have no direct operations and no significant assets other than the shares of our subsidiaries. Therefore, we are dependent on the cash flows of our subsidiaries to meet our obligations, including payment of principal and

interest on any debt we incur. The ability of our subsidiaries to provide the parent company with payments may be constrained by the following factors: (i) the cash flows generated by operations, investment activities and financing activities; (ii) the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which they operate and in Canada; and (iii) the introduction of exchange controls and repatriation restrictions or the availability of hard currency to be repatriated. As at December 31, 2014, a significant majority of the company's cash flows were generated by its operations in the Kyrgyz Republic. Further, should the Gatsuurt deposit in Mongolia not receive the necessary governmental approvals to allow development and operation, cash flows from the company's Mongolian operations will cease in 2015, at which time 100% of all cash flows will depend on successful and ongoing operations in the Kyrgyz Republic.

If we are unable to receive sufficient cash from our subsidiaries, we may be required to refinance our indebtedness, raise funds in a public or private equity or debt offering or sell some or all of our assets. We can provide no assurances that an offering of our debt or equity or a refinancing of our debt can or will be completed on satisfactory terms or that it would be sufficient to enable us to make payment with respect to our debt. The foregoing events could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

OPERATIONAL

Health, Safety and Environment

Centerra is subject to environmental, health and safety risks

We expend significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of different jurisdictions. We believe we are in material compliance with these laws. The historical trend that we observe is toward stricter laws, and we expect this trend to continue. The possibility of more stringent laws or more rigorous enforcement of existing laws exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining sites, restriction of areas where exploration, development and mining activities may take place, consumption and treatment of water, and other environmental matters, each of which could have a material adverse effect on our exploration activities, operations and the cost or the viability of a particular project.

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

Centerra's workforce may be exposed to widespread pandemic

Centerra's operations are located in areas relatively remote from local towns and villages and represent a concentration of personnel working and residing in close proximity to one another. Further, the sites receive frequent visitors from all over the world, and a number of employees travel frequently abroad. Should an employee or visitor become infected with a serious illness that has the potential to spread rapidly, this could place Centerra's workforce at risk. The 2014 outbreak of the Ebola virus in several African countries is one example of such an illness. We take every precaution to strictly follow industrial hygiene and occupational health guidelines, and medical services are in place along with pandemic management protocols. There can be no assurance that this virus or another infectious illness will not impact Centerra personnel and ultimately its operations.

The Kumtor project is subject to significant claims of environmental damage

In December 2012, we received five claims from SIETS and a claim from SAEPF (which was subsequently withdrawn) relating to alleged environmental damages at the Kumtor project. The SIETS claims are for an aggregate amount of approximately \$150 million (all figures are at then current exchange rates) and include:

- a claim for approximately \$142 million for alleged damages in relation to the placement on waste dumps of waste rock from mining operations (2000 to date)
- a claim for approximately \$4 million for use of water resources for the period of 2000 to date
- a claim for approximately \$0.3 million for unaccounted industrial and household waste; and
- a claim for approximately \$2.3 million for alleged damages caused to land resources at the time of initial construction of Kumtor.

In addition, Centerra also received a directive from SIETS requiring that actions be taken to correct various alleged environmental and technical violations discovered in its review.

Each of these claims were dismissed by the Bishkek Inter-District Court and, on appeal, by the Bishkek City Court on the basis that the arbitration clause in the Restated Investment Agreement require that all such disputes be resolved through international arbitration. After a further appeal to the Kyrgyz Supreme Court, each of these claims were returned to the Bishkek Inter-District Court for "new consideration".

In addition to the original four claims of SIETS discussed above, SIETS has filed the following additional claims against KOC: (i) on October 12, 2013, a claim in the amount of approximately \$485,000 for damages caused to land resources due to disturbance of land at the Kumtor project (similar to the claim in the fourth bullet above but involving a different area of the Kumtor concession); (ii) on January 21, 2014, a claim for approximately \$8.5 million for lost agricultural production and lost profits from 1994 to 2012; and (iii) on November 17, 2014, a further claim for approximately \$540,000 for damages caused to land resources (covering a different area of

the Kumtor mine). Kumtor has responded in writing to SIETS disputing all of these additional claims.

On February 21, 2013, we received a claim from the State Agency for Environmental Protection and Forestry under the Government of the Kyrgyz Republic (SAEPF) relating to alleged environmental damages at the Kumtor Project. The claim issued by SAEPF is for approximately \$315 million (at then current exchange rates) for alleged damage in relation to waste placed in the tailings management facility, waste rock dumps, and for the generation, management and treatment of other types of wastes. The claim covers the period from 1996 to 2011. Proceedings have been commenced by SAEPF in the Bishkek Inter-District Court.

On October 11, 2013, Centerra received a statement of claim from the Green Party of Kyrgyzstan in the Bishkek Inter-District Court which seeks damages of approximately \$9 billion for alleged environmental damages arising from the Kumtor operations since 1996. In February 2014, the claim was withdrawn and re-filed, together with certain resident of the village of Saruu, in the Jety-Oguz District Court, which returned the claim indicating that its proper jurisdiction is the Bishkek Inter-District Court. The Green Party unsuccessfully appealed this decision in April 2014. There are no assurances that the Green Party and/or other interested individuals will not seek to commence another claim on similar grounds.

While we believe that the allegations contained in these claims are exaggerated or without foundation and are subject to the Release Agreement between Centerra and the Kyrgyz Republic dated June 6, 2009, there can be no assurance that the claims of environmental damage from SIETS, SAEPF or the Green Party of Kyrgyzstan will not be upheld and enforced. If such claims should be upheld and enforced against us, it could have an adverse impact on our future cash flows, earnings, results of operations and financial condition. In addition, additional claims for alleged environmental violations may be forthcoming.

Centerra's heap leach operations could unintentionally discharge hazardous materials, such as sodium cyanide, into the environment

The Kumtor and Boroo operations employ sodium cyanide, which is a hazardous material, to extract gold from ore. In addition, the Boroo operation uses heap leaching as a means of applying sodium cyanide to gold-bearing ore and collecting the resulting gold-bearing solution. The Öksüt and Gatsuert projects, if they proceeds to production, may also employ a heap leach operation. There is inherent risk of unintended discharge of hazardous materials in the operation of leach pads.

If any spills or discharges of sodium cyanide were to occur (at site or during transport), we could become subject to liability for remediation costs, which could be significant and may not be insured against. In addition, production could be delayed or halted to allow for remediation, resulting in a reduction or loss of cash flow. Finally, increased sensitivity in respect to the use of cyanide and the potential and perceived environmental impacts of cyanide use in mining operations could exacerbate potential reputational damage to the company in the event of a cyanide release. While we take appropriate steps to prevent discharges and accidental releases of sodium cyanide and other hazardous materials into the ground water, surface water and the

downstream environment, there is inherent risk in the operation of leach pads and there can be no assurance that a release of hazardous materials will not occur.

There is currently a capacity shortfall of the tailings management facility at Kumtor

The Kumtor tailings dam design is currently approved by the Kyrgyz authorities to elevation 3,670.5 metres. The dam crest is presently at elevation 3,667 metres. Kumtor is required to apply and obtain permits from the Kyrgyz Government from time to time to address interim raising and construction activities. The next tailings dam raise is scheduled for 2016. Further tailings dam increases may also be required in the future, subject to Kumtor's life of mine plan which is being reviewed by management and expected to be released by March 26, 2015.

While we have obtained the necessary permits and authorizations in the past in connection with tailings dam raises, there are no assurances that such permits and authorizations can be obtained in the future or obtained in the timeframe required by us. If all necessary permits and authorizations are not obtained, delays in, or interruptions or cessation of our production from the Kumtor project may occur, which may have an adverse impact on our future cash flows, earnings, results of operations or financial condition.

We may also be subject to liability or sustain losses in relation to certain risks and hazards against which we cannot insure or for which we may elect not to insure. The occurrence of operational risks and/or a shortfall or lack of insurance coverage could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Centerra faces substantial decommissioning and reclamation costs

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

Asset Management

Centerra may experience mechanical breakdowns

Our gold production operations at Kumtor and Boroo use expensive, large mining and processing equipment that requires a long time to procure, build and install. Although we conduct extensive preventive maintenance programs at Kumtor and Boroo, there can be no assurance that we will not experience mechanical breakdowns of mining and processing equipment.

In the past, we have experienced such mechanical breakdowns at Kumtor and Boroo, which have resulted in unplanned mill shutdowns and reduced mill capacity. In addition, obtaining replacement components for the equipment can take considerable time which may also impact production.

Any extended breakdown in mining or processing equipment could have an adverse impact on our future cash flows, earnings, results of operations and financial conditions.

Human Resources

Both the Kumtor Project and the Boroo Projects are unionized and may be subject to labour disturbances

Non-management employees at Kumtor and Boroo (including those in head office) are unionized and subject to collective agreements. At Kumtor, the collective bargaining agreement expired on December 31, 2014. Subsequently, in January 2015, a new 2-year collective bargaining agreement was approved and ratified. At Boroo, the collective bargaining agreement expired on June 30, 2014. A new 2-year collective bargaining agreement was approved and ratified. There can be no assurance that, when such agreements expire, there will not be any delays in the renewal process, that negotiations will not prove difficult or that Centerra will be able to renegotiate the collective agreement on satisfactory terms, or at all. The renewal of the collective agreement could result in higher on-going labor costs, which could have a material adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Centerra could be subject to labour unrest or other labour disturbances including strikes as a result of any failure of negotiations which could, while ongoing, have a material adverse impact on Centerra, including the achievement of any annual production guidelines and costs estimates. On February 6, 2012, unionized employees at the Kumtor project began a 10-day illegal strike, during which operations at the mine were suspended. The illegal work stoppage related to a dispute regarding social fund deductions, which resulted in higher labour costs, of approximately \$2 million (for 2012). Existing collective agreements may not prevent a strike or work stoppage, and any such work stoppage could have a material adverse impact on us.

Centerra's success depends on its ability to attract and retain qualified personnel

Recruiting and retaining qualified personnel is critical to our success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As our business activity grows, it will require additional key financial, administrative and mining personnel as well as additional operations staff. The Restated Concession Agreement relating to the Kumtor operations also requires two thirds of all administrative or technical personnel to be citizens of the Kyrgyz Republic. However, it has been necessary to engage expatriate workers for our operations in Mongolia and, to a lesser extent, the Kyrgyz Republic because of the shortage locally of trained personnel. Although we believe that we will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If we are not successful in attracting and training qualified personnel, the efficiency of our operations could be affected, which could have an adverse impact on our future cash flows, earnings, results of operations and financial condition. Further, the planned closure of Boroo operations, in 2015, combined with ongoing delays in receiving necessary approvals to develop the Gatsuurt deposit and prolong operations in Mongolia has resulted in personnel departures. There is no assurance that we will be able to re-hire required personnel, should Gatsuurt proceed to development. This risk is heightened by the increased presence of new companies in the country seeking qualified personnel. Further, the increased risk associated

with potential reduced company control over its Kyrgyz operation with increased control therein by the Kyrgyz Government may have an adverse effect on employee morale potentially leading to the departure of some employees.

Supply Chain

Centerra's properties are located in remote locations and require a long lead time for equipment and supplies

We operate in remote locations and depend on an uninterrupted flow of materials, supplies and services to those locations. In addition, each of Kumtor and Boroo use expensive, large equipment that requires a long time to procure, build and install. Access to the Kumtor project has been restricted on several occasions by illegal roadblocks. Should the Gatsuurt deposit receive the necessary approvals for development and operation, existing milling equipment may need to be purchased to replace ageing equipment at the Boroo mill. Any interruptions to the procurement of equipment, or the flow of materials, supplies and services to our properties could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Centerra's operations may be impacted by supply chain disruptions

Our operations depend on uninterrupted supply of key consumables, equipment and components. Both the Kyrgyz and Mongolian operations are limited with respect to alternative suppliers of fuel, and any disruption at supplier facilities could result in curtailment or suspension of operations. In addition, major equipment and components and certain key consumables are imported. Recent and potential future economic sanctions imposed on Russia by the U.S. and European Union in 2014, may impact delivery of goods and services to the Kumtor operation. The accession of the Kyrgyz Republic to the Eurasian Economic Union may also impact Kumtor supply chains. Any disruption in the transportation of or restriction in the flow of these goods or the imposition of customs clearance requirements may result in production delays.

Security

Illegal trespass and illegal mining has occurred and may continue to occur, on Centerra's properties

Illegal mining is widespread in Mongolia. Illegal miners have and may continue to trespass on our properties and engage in very dangerous practices, including climbing inside caves and old exploration shafts without any safety devices. We are unable to continuously monitor the full extent of our exploration and operating properties. The presence of illegal miners could also lead to project delays and disputes regarding the development or operation of commercial gold deposits, including disputes with Mongolian governmental authorities regarding reporting of reserves and mine production. The illegal activities of these miners could cause environmental damage (including environmental damage from the use of mercury by these miners) or other damage to our properties or personal injury or death, or conflict with local communities for which we could potentially be held responsible, all of which could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

While our Kyrgyz operations are located in a remote area, attempts have been made by protesters and other groups, in the past, to access the site. These rare events have not resulted in harm to personnel, business interruption or damage to property, however there can be no assurance that future attempts to access the site will not cause harm to employees or property, or result in business interruption.

Information Technology Systems

Centerra's critical operating systems may be compromised

Cyber threats have evolved in severity, frequency and sophistication in recent years, and target entities are no longer primarily from the financial or retail sectors. Individuals engaging in cyber crime may target corruption of systems or data, or theft of sensitive data. While we invest in robust security systems to detect and block inappropriate or illegal access to its key systems, including SCADA operating systems at our operations, and regularly review policies, procedures and protocols to ensure data and system integrity, there can be no assurance that a critical system is not inadvertently or intentionally breached and compromised. This may result in business interruption losses, equipment damage, or loss of critical or sensitive information.

Insurance

Centerra may not be adequately insured for certain risks

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

We may also be subject to liability or sustain losses in relation to certain risks and hazards against which the company cannot insure or for which it may elect not to insure. The occurrence of operational risks and/or a shortfall or lack of insurance coverage could have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

Caution Regarding Forward-Looking Information

Information contained in this MD&A which are not statements of historical facts, and the documents incorporated by reference herein, may be “forward-looking information” for the purposes of Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward looking information. The words “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things, the successful and timely closing of the transaction contemplated with Premier Gold Mines Limited to develop in partnership the Trans-Canada project; the general economic indicators for 2015, including the Company’s expectations for gold in 2015; the Company’s ability to fund all planned capital and operating expenditures in 2015 through operating cash flow; timing for filing of an updated Kumtor technical report; the continuation of gold production from the heap leach operations at Boroo into 2015; expectations that the Boroo mill will be shut down by the end of February 2015 and thereafter put into stand-by awaiting the finalization of agreements and permits with the Mongolian Government for the development of the Gatsuurt project; the Company’s plans to keep future gold production unhedged; the successful resolution of any of the items discussed under the heading, “Other Corporate Developments”, including without limitation, the successful resolution of outstanding matters in the Kyrgyz Republic to the benefit of all shareholders including matters relating to the State Commission report, government resolutions and decrees, discussions with the Kyrgyz Government on the Kumtor Project Agreements and a possible restructuring of the Kumtor Project into a joint venture pursuant to the terms of the HOA, the potential effects of the Stans Application and the Stans Order on the proposed restructuring of the Kumtor Project in accordance with the HOA, the claims of the Kyrgyz General Prosecutor’s Office’s purporting to invalidate Kumtor’s land use certificate and to seize certain lands within the Kumtor concession area, and to unwind an inter-corporate dividend declared and paid by KGC to Centerra, the timely receipt of all approvals and consents required for the continued operation of the Kumtor mine, and continued discussions with the Mongolian Government regarding the level of ownership in the Gatsuurt project (up to 34%) and the terms and conditions of such participation; all disclosure under the heading, “2015 Outlook” including planned production in 2015 and expected costs; 2015 exploration expenditures; 2015 capital expenditures; 2015 corporate administration and community investments; and planned activities at the Öksüt project including expectations regarding planned expenditures and completing a feasibility study by the middle of 2015.

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) political and regulatory risks, including the political risks associated with the Company’s principal operations in the Kyrgyz Republic and Mongolia, resource nationalism, the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company

operates, the impact of any actions taken by the Government and Parliament relating to the Kumtor Project Agreement, any impact on the purported cancellation of Kumtor's land use rights at the Kumtor Project, the impact of the failure of relevant Kyrgyz Government agencies to provide approvals required permits and authorizations, the impact of the Stans Application and the Stans Order on the ability of Stans to seize Centerra shares held by Kyrgyzaltyn and the ability of the Company to complete the proposed restructuring of the Kumtor Project in accordance with the HOA, the effect of the Water and Forest Law on the Company's operations in Mongolia, the impact of continued scrutiny from Mongolian regulatory authorities on the Company's Boroo project, the impact of changes to, the increased enforcement of, environmental laws and regulations relating to the Company's operations; the impact of any sanctions imposed by Canada, the United States or other jurisdictions against various Russian individuals and entities; (B) risks related to operational matters and geotechnical issues, including the movement of the Davidov Glacier and the Davidov Waste-rock Dump (Central Valley Waste Dump), the waste and ice movement at the Kumtor Project and the Company's continued ability to successfully manage such matters, including by the building of a buttress at the bottom of the Davidov Glacier, the occurrence of further ground movements at the Kumtor Project, the timing of the infrastructure move potentially impacting the maintenance of the mobile fleet and its availability, the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities, the adequacy of the Company's insurance to mitigate operational risks, mechanical breakdowns, the Company's ability to obtain the necessary permits and authorizations to (among other things) raise the tailings dam at the Kumtor Project to the required height, 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, seismic activity in the vicinity of the Company's operations in the Kyrgyz Republic and Mongolia, long lead times required for equipment and supplies given the remote location of the Company's properties, 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; (C) risks relating to financial matters including the sensitivity of the Company's business to the volatility of gold prices, 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 revolving credit facility which may, among other things, restrict the Company from pursuing certain business activities, 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 (D) risks related to environmental and safety matters, including the ability to continue obtaining necessary operating and environmental permits, licenses and approvals, the impact of the significant environmental claims made since 2012 relating to the Kumtor Project, inherent risks associated with using sodium cyanide in the mining operations; legal and other factors such as litigation, defects in title in connection with the Company's properties, the Company's ability to enforce its legal rights, risks associated with having a significant shareholder, and possible

director conflicts of interest. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See “Risk Factors” in the Company’s 2013 Annual Information Form available on SEDAR at www.sedar.com.

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

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 February 19, 2015. 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.