Centerra Gold Inc.
Management's Discussion and Analysis ("MD&A")
For the Period Ended September 30, 2014

The following discussion has been prepared as of October 29, 2014, 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 nine months ended September 30, 2014 in comparison with the corresponding periods ended September 30, 2013. This discussion should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the three and nine months ended September 30, 2014. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2013 and 2012, the related MD&A and the Annual Information Form for the year ended December 31, 2013 (the "2013 Annual Information Form"). The condensed interim financial statements of Centerra are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and the Company's accounting policies as described in note 3 of its annual consolidated financial statements for the year ending December 31, 2013. All dollar amounts are expressed in United States (U.S.) dollars, except as otherwise indicated. In addition, this discussion contains forward-looking information regarding Centerra's business and operations. See "Caution Regarding Forward-Looking Information" in this discussion and "Risk Factors" in the Company's 2013 Annual Information Form. The Company's 2013 Annual Report and 2013 Annual Information Form are 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 32 to 36.

1 University Avenue, Suite 1500
Toronto, ON
M5J 2P1
tel 416-204-1953
fax 416-204-1954
www.centerragold.com

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Overview

Centerra is a gold mining company focused on operating, developing, exploring and acquiring gold properties primarily in Asia, the former Soviet Union and other markets worldwide. Centerra is a leading North American-based gold producer and is the largest Western-based gold producer in Central Asia.

The Company's significant subsidiaries include Kumtor Gold Company ("KGC") 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, each of which is a wholly-owned subsidiary.

Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is headquartered in Toronto, Ontario, Canada.

Recent Developments

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 is analyzing the potential impact on Kumtor's reserves of the buttress constructed to manage the movement of the Davidov Glacier. The Company is also reviewing the performance of the Kumtor block model. See "Operations Update – Kumtor Operating Results – Ongoing Technical Matters" below.

Mongolian Operations

- Discussions with the Mongolian Government regarding the Gatsuurt project continued during the third quarter, including as to possible levels of Government ownership in the project as well as the potential designation by Parliament of Gatsuurt as a strategic deposit. The Company expects that the Mongolian Parliament will consider the designation of Gatsuurt as a strategic deposit by the end of 2014. If Parliament ultimately approves this designation, it would have the effect of excluding Gatsuurt from the application of the Mongolian Water and Forest Law and would allow the Mongolian Government to acquire up to a 34% interest in Gatsuurt. The terms of any such participation are currently unclear and will be determined through negotiations with the Mongolian Government. See "Other Corporate Developments – Mongolia".

Corporate

- On October 10, 2014, Centerra was served with an order (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 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. We understand that the Kyrgyz Republic is appealing the Stans Arbitration Award to Russian courts in Moscow.

- 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 Muhenkislik Insaat Sanayi Tiacaret SA 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".

Consolidated Financial and Operational Highlights

Unaudited ($ millions, except as noted)	**Three months ended September 30,**			**Nine months ended September 30,**		
Financial Highlights	**2014**	2013	% Change	**2014**	2013	% Change
Revenue	**$ 135.8**	$ 155.0	(12%)	**$ 403.3**	$ 475.5	(15%)
Cost of sales	**100.7**	111.7	(10%)	**319.1**	287.5	11%
Revenue-based taxes	**16.4**	16.4	0%	**48.8**	50.7	(4%)
Exploration and business development (1)	**5.0**	7.3	(32%)	**11.7**	20.8	(44%)
Corporate administration	**5.9**	8.6	(31%)	**24.2**	22.5	8%
(Loss) Earnings from operations	**(1.0)**	2.6	(138%)	**(26.3)**	70.0	(138%)
Net (loss) earnings	**(3.2)**	(1.8)	78%	**(32.8)**	51.1	(164%)
Earnings (loss) per common share - $ basic (2)	**$ (0.01)**	$ (0.01)	0%	**$ (0.14)**	$ 0.22	(164%)
Earnings (loss) per common share - $ diluted (2)	**$ (0.02)**	$ (0.01)	100%	**$ (0.14)**	$ 0.20	(170%)
Cash (used in) provided by operations	**(14.0)**	(8.4)	67%	**159.4**	124.4	28%
Average gold spot price - $/oz (3)	**1,282**	1,326	(3%)	**1,288**	1,456	(12%)
Average realized gold price - $/oz(4)	**1,265**	1,337	(5%)	**1,281**	1,450	(12%)
Capital expenditures (5)	**83.1**	80.6	3%	**293.5**	289.9	1%
Operating Highlights						
Gold produced – ounces	**110,792**	113,840	(3%)	**319,585**	328,486	(3%)
Gold sold – ounces	**107,367**	115,941	(7%)	**314,864**	327,864	(4%)
Operating costs (on a sales basis) (6)	**56.2**	66.8	(16%)	**147.1**	167.1	(12%)
Adjusted operating costs (4)	**63.4**	74.9	(15%)	**169.0**	188.9	(11%)
All-in Sustaining Costs(4)	**122.3**	140.1	(13%)	**392.4**	410.2	(4%)
All-in Costs (4)	**144.3**	155.7	(7%)	**437.1**	466.6	(6%)
All-in Costs - including taxes (4)	**164.0**	176.0	(7%)	**489.2**	530.0	(8%)
Unit Costs						
Cost of sales - $/oz sold(4)	**938**	963	(3%)	**1,013**	877	16%
Adjusted operating costs - $/oz sold (4)	**590**	646	(9%)	**537**	576	(7%)
All-in sustaining costs – $/oz sold(4)	**1,139**	1,208	(6%)	**1,246**	1,251	(0%)
All-in costs – $/oz sold (4)	**1,344**	1,343	0%	**1,388**	1,423	(2%)
All-in costs (including taxes) – $/oz sold (4)	**1,527**	1,518	1%	**1,554**	1,617	(4%)

(1) Includes business development of $0.2 million and $0.3 million for the three and nine months ended September 30, 2014, respectively (nil for three and nine months ended September 30, 2013, respectively).

(2) As at September 30, 2014, the Company had 236,400,254 common shares issued and outstanding.

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

(4) Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs - including taxes ($ millions and per ounce sold) as well as average realized gold price per ounce and cost of sales per ounce sold are non-GAAP measures and are discussed under "Non-GAAP Measures".

(5) Includes capitalized stripping of $53.5 million and $228.5 million in the three and nine months ended September 30, 2014 respectively ($56.4 million and $207.9 million in the three and nine months ended September 30, 2013, respectively).

(6) Operating costs (on a sales basis) are 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. Operating costs (on a sales basis) represents the cash component of cost of sales associated with the ounces sold in the period.

Results of Operations

Third Quarter 2014 compared to Third Quarter 2013

The Company recorded a net loss of $3.2 million in the third quarter of 2014, compared to net loss of $ 1.8 million in the comparative quarter of 2013, reflecting fewer ounces sold and lower realized gold prices, partially offset by lower share-based compensation and a reduction in the inventory impairment at Kumtor.

Production:
Gold production for the third quarter of 2014 totaled 110,792 ounces compared to 113,840 ounces in the comparative quarter of 2013. The decrease in ounces poured reflects lower production at Boroo due to the processing of lower grade ore and fewer ounces from heap leach which is now under secondary leaching. Production was 6% higher at Kumtor in the third quarter of 2014 as compared to the third quarter of 2013 as cracking in the ring gear of the Kumtor mill resulted in lower mill throughput.

Safety and Environment:
Centerra had three recordable injuries in the third quarter of 2014, two lost time injuries and one medical aid injury. The lost time injuries included one fatality at Kumtor where a contract alpinist was involved in an avalanche while performing routine maintenance at the Sary Moinok microwave station near Kumtor.

There were no reportable releases to the environment during the third quarter of 2014.

Financial Performance:
Lower revenue for the third quarter of 2014 resulted primarily from a 5% lower average realized gold price[NG] ($1,265 per ounce compared to $1,337 per ounce in the same quarter of 2013). In addition, sales volumes in the third quarter of 2014 were 7% lower than the same period of 2013 (107,367 ounces compared to 115,941 ounces in the third quarter of 2013).

Cost of sales decreased by 10% to $100.7 million in the compared to the same period of 2013, due primarily to fewer ounces sold and a reduction in the inventory impairment charge at Kumtor. Depreciation, depletion and amortization ("DD&A") associated with production was $44.5 million in the third quarter of 2014, similar to the same period of 2013. Kumtor lowered its inventory impairment to $12.2 million at September 30, 2014, a reduction of $2.4 million in the third quarter of 2014, as it started mining and processing ore from cut-back 16 beginning in early September which resulted in a reduction to the average operating cost per ounce in inventory.

Exploration expenditures in the third quarter totaled $4.8 million compared to $7.3 million in the same period of 2013. The decrease in the third quarter reflects the cessation of all exploration activities at Kumtor and reduced spending at the Company's Öksüt project in Turkey, as the project is transitioning to the pre-development stage.

Corporate administration costs decreased to $5.9 million in the third quarter from $8.6 million in the third quarter of 2013 due to a decrease in share-based compensation resulting from the revaluation, at September 30, 2014, of the awards issued under the Company's share-based plans. The Company's share price decreased by 25% during the third quarter of 2014 as compared to an increase in share price of 45% during the same quarter of 2013. Share-based compensation was a credit of $0.2 million in the third quarter of 2014, compared to a charge of $1.9 million in the same period in 2013.

The $1.7 million decrease in income tax expense is due to lower taxable income at Boroo. As Boroo is forecasting taxable earnings for 2014, based on its local Tugrik results and tax positions, an income tax expense was recorded in the third quarter 2014. Kumtor pays taxes based on revenue (not taxable income) while losses incurred by Centerra's other entities are not tax effected.

Operating Costs:
Operating costs (on a sales basis) decreased by $10.6 million to $56.2 million in the third quarter compared to the third quarter of 2013, reflecting lower milling, leaching and site support costs and a higher charge for a build-up of inventory at both sites. In particular, $5.2 million of operating costs were charged to inventory in the third quarter of 2014 reflecting increased mining levels at Kumtor. At Boroo, leaching costs were lower as secondary leaching commenced in the third quarter of 2014 and site support costs reflected reduced personnel levels.

Centerra's all-in sustaining costs per ounce sold[NG], which excludes revenue-based tax and income tax, for the third quarter decreased to $1,139 from $1,208 in the comparative period of 2013. The decrease results primarily from lower spending in the third quarter of 2014 on capital (sustaining[NG] and capitalized stripping), lower royalties paid by Boroo and a higher charge for the build-up of inventory, partially offset by lower ounces sold.

Centerra's all-in costs per ounce sold[NG] for the third quarter of 2014, was $1,344, and includes all cash costs related to gold production, excluding revenue-based tax and income tax. This is unchanged from all-in costs per ounce sold[NG] reported in the third quarter of 2013.

First Nine Months 2014 compared to First Nine Months 2013

The Company recorded a net loss of $32.8 million in the first nine months, compared to net earnings of $51.1 million in the comparative period of 2013, reflecting higher DD&A and an inventory impairment at Kumtor, as well as fewer ounces sold and lower realized gold prices in the current period.

Production:
Gold production for the first nine months totaled 319,585 ounces compared to 328,486 ounces in the comparative period of 2013. The decrease in ounces poured is due to lower production at Boroo due primarily to lower mill grades processed and fewer ounces under primary leach, partially offset by higher gold production at Kumtor due to processing more tonnes of ore at higher grade and higher recoveries.

Safety and Environment:
Centerra had nine recordable injuries in the first nine months of 2014, four 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 Kumtor.

There were no reportable releases to the environment during the first nine months of 2014.

Financial Performance:
Lower revenue resulted primarily from a 12% lower average realized gold price[NG] ($1,281 per ounce compared to $1,450 per ounce in the first nine months of 2013). Sales volumes were also 4% lower (314,864 ounces compared to 327,864 ounces in the first nine months of 2013).

Cost of sales increased by 11% to $319.1 million due primarily to higher DD&A and an inventory impairment charge of $12.2 million at Kumtor. DD&A associated with production increased to $172.0 million in the first nine months of 2014 from $120.4 million in the comparative period of 2013. The increase in DD&A resulted from processing higher cost ore from cut-back 15 compared to ore from cut-back 14B which was processed in the third quarter of 2013. Access to ore from cut-back 15 required more stripping of ice and waste thereby resulting in increased amortization of capitalized stripping costs as the ore was mined and stockpiled. Operating costs were capitalized for the stripping of 142 million tonnes of ice and waste for cut-back 15, whereas 61 million tonnes were stripped and capitalized for cut-back 14B. In addition, the expanded mobile fleet at Kumtor was fully commissioned in 2013 which resulted in a higher equipment cost to the ore from cut-back 15.

Exploration expenditures totaled $11.3 million compared to $20.8 million in the same period of 2013. The decrease in the first nine months of 2014 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 $24.2 million from $22.5 million in the first nine months of 2013 due primarily to an increase in share-based compensation of approximately $4.5 million, partially offset by a decrease in expenditures. The increase in share-based compensation reflects the movement in the Company's share price.

The $8.3 million reduction in income tax expense in the first nine months of 2014 is due to lower taxable income at Boroo. Boroo is forecasting taxable earnings for 2014, based on its local Tugrik results and tax positions.

Operating Costs:
Operating costs (on a sales basis) decreased by $20.0 million to $147.1 million in the first nine months compared to the same period of 2013, as a result of higher stripping capitalization at Kumtor 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 the first nine months of 2014.

Centerra's all-in sustaining costs per ounce sold[NG], which excludes revenue-based tax and income tax, for the first nine months of 2014, remained relatively unchanged at $1,246 compared to $1,251 in the same period of 2013.

For the first nine months of 2014, Centerra's all-in costs per ounce sold[NG], which excludes revenue-based tax at Kumtor and income tax, was $1,388, compared to $1,423 per ounce sold in the first nine months of 2013. The decrease is primarily due to lower spending on sustaining and growth capital[NG] and lower exploration spending, partially offset by fewer ounces sold and higher capitalized stripping costs at Kumtor.

Cash generation and capital investments

Cashflow

	Three months ended September 30,			Nine months ended September 30,		
Unaudited ($ millions, except as noted)	**2014**	2013	% Change	**2014**	2013	% Change
Cash (used in) provided by operating activities	**(14.0)**	(8.4)	67%	**159.4**	124.4	28%
Cash (used in) provided by investing activities:						
-Capital additions (cash)	**(67.2)**	(62.8)	7%	**(223.3)**	(222.7)	0%
-Short-term investment net redeemed (net purchased)	**(56.2)**	(29.8)	89%	**(77.3)**	10.2	(858%)
-other investing items	**3.5**	1.7	106%	**(4.5)**	(23.2)	(81%)
Cash used in investing activities:	**(119.9)**	(90.9)	32%	**(305.1)**	(235.7)	29%
Cash used in financing activities	**(10.1)**	(9.3)	9%	**(28.7)**	(23.8)	21%
Decrease in cash	**(144.0)**	(108.6)	33%	**(174.4)**	(135.1)	29%

Third Quarter 2014 compared to Third Quarter 2013

Cash used in operations was higher by $5.5 million in the third quarter of 2014 as a result of lower earnings and higher working capital levels.

An additional $29.0 million was used in investing activities totalling $119.9 million in the third quarter of 2014 reflecting an increase in the net purchase of short-term investments.

Cash used in financing for both quarters reflects the payment of dividends and payments of interest and commitment fees on the Company's credit facility.

First Nine Months 2014 compared to First Nine Months 2013

Cash provided by operations increased to $159.4 million in the first nine months of 2014 mainly from lower levels of working capital partially offset by lower earnings.

Cash used in investing activities increased to $305.1 million, reflecting a net purchase of short-term investments in 2014 compared to a net redemption in 2013. Other investing activities in the first nine months of 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 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 September 30, 2014 decreased to $404.4 million from $501.5 million at December 31, 2013. These amounts include $76 million drawn on the revolving credit facility with the European Bank for Reconstruction and Development.

Capital Expenditure (spent and accrued)

Unaudited ($ millions)		**Three months ended September 30,**			**Nine months ended September 30,**		
		2014	2013	% Change	**2014**	2013	% Change
Kumtor	Sustaining capital[NG]	**14.2**	13.3	7%	**35.3**	40.1	(12%)
	Capitalized stripping	**53.5**	56.4	(5%)	**228.5**	207.9	10%
	Growth capital[NG]	**15.2**	7.9	92%	**28.6**	33.3	(14%)
	Total	**82.9**	77.6	7%	**292.4**	281.3	4%
Boroo and Gatsuurt	Sustaining capital[NG]	**-**	2.7	(100%)	**0.3**	7.5	(96%)
	Growth capital[NG]	**0.1**	0.2	(50%)	**0.6**	0.6	0%
	Total	**0.1**	2.9	(97%)	**0.9**	8.1	(89%)
Other	Sustaining capital[NG]	**0.1**	-	100%	**0.2**	0.5	(60%)
	Total	**0.1**	-	100%	**0.2**	0.5	(60%)
Consolidated	Sustaining capital[NG]	**14.2**	16.0	(11%)	**35.8**	48.1	(26%)
	Capitalized stripping	**53.5**	56.4	(5%)	**228.5**	207.9	10%
	Growth capital[NG]	**15.4**	8.1	90%	**29.2**	33.9	(14%)
Total capital expenditures		**83.1**	80.5	3%	**293.5**	289.9	1%

Higher capital expenditures in the third quarter of 2014 resulted primarily from increased spending on the infrastructure relocation project and equipment purchases at Kumtor.

In the first nine months of 2014, capital expenditures increased by $3.6 million due to a 10% increase in costs for stripping cut-back 16, partially offset by lower maintenance expense for equipment overhauls at Kumtor.

Credit and Liquidity:

The Company has a $150 million revolving credit facility with the European Bank for Reconstruction and Development (EBRD) from which it has drawn $76 million. This amount is due to be repaid on February 11, 2015.

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 the quarter, the Company's expenditures (including capital) totaled approximately $188 million. About $100 million of this (53%) 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: 59% in Kyrgyz soms, 19% in Canadian dollars, 9% in Mongolian tugriks, 9% in Euros, and approximately 4% in Russian rubles, Australian dollars, Turkish lira, British pounds, Chinese yuan and Japanese yen. The Russian ruble, Mongolian tugrik, Kyrgyz som, Euro, Canadian dollar and Turkish lira decreased in value against the U.S. dollar by 15.6%, 10.2%, 9.4%, 6.6%, 3.6% and 3.1%, respectively. On average, the value of the British pound and the Australian dollar remained virtually flat compared to its value at December 31, 2013. 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 $13.9 million.

Share Capital and Share Options

As of October 29, 2014, Centerra had 236,400,254 common shares issued and outstanding. In addition, as at the same date, the Company had 3,906,165 share options outstanding under its share option plan with exercise prices ranging from Cdn$3.82 to Cdn$22.28 per share, and with expiry dates between 2016 and 2022.

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 9.6 million ounces of gold to September 30, 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. However, the Company is studying whether it will be necessary to reduce the width of the ultimate cut-back for the SB Zone, due to the positioning of the buttress, which could reduce the reserves accessible from that cut-back. Though further study is required, the Company believes that some contained ounces are likely to be downgraded from reserves to resources, however the Company does not expect that such downgrade would have a material effect on Kumtor's total reserves. The Company expects to provide an update on the impact of the buttress on Kumtor's reserves in its annual reserve statement in February 2015.

As previously reflected in its news release of February 5, 2014, the Company has experienced a negative production reconciliation at the Kumtor mine in 2013, resulting in contained ounces mined being lower than predicted by the current Kumtor resource model. Though the model has historically been an accurate predictor of Kumtor's production, the Company has retained AMEC Americas Limited ("AMEC") to assist it in a review of the model to determine if any adjustments to the model are required.

In addition, the Company has undertaken metallurgical studies to evaluate the significance, if any, of lower than expected metallurgical recoveries experienced in 2013.

The Company expects to complete its review of each of these matters in the first quarter of 2015 and will disclose the results, if material, when they are available. These reviews carried out by AMEC and the Company may result in adjustments to, among other things, expected grades and/or expected metallurgical recoveries, which may negatively impact the Company's reserves and resources estimates at the Kumtor mine. Any such changes may have a material adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

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. See "Other Corporate Developments – Kyrgyz Republic".

Kumtor Operating Results

Unaudited ($ millions, except as noted)	Three months ended September 30,			Nine months ended September 30,		
	2014	**2013**	**% Change**	**2014**	**2013**	**% Change**
Revenue	**117.0**	116.8	0%	**348.4**	362.0	(4%)
Cost of sales-cash	**43.8**	48.3	(9%)	**111.4**	120.9	(8%)
Cost of sales-non-cash	**41.1**	37.7	9%	**161.5**	97.1	66%
Cost of sales-total	**84.9**	86.0	(1%)	**272.9**	218.0	25%
Cost of sales - $/oz sold[(1)]	**916**	991	(8%)	**1,002**	877	14%
Tonnes mined - 000s	**48,649**	41,741	17%	**148,938**	129,827	15%
Tonnes ore mined – 000s	**1,422**	2,087	(32%)	**2,025**	3,095	(35%)
Average mining grade - g/t	**3.49**	2.78	26%	**2.87**	2.53	13%
Tonnes milled - 000s	**1,426**	1,312	9%	**4,338**	4,136	5%
Average mill head grade - g/t	**3.05**	3.04	0%	**2.68**	2.63	2%
Recovery - %	**72.7%**	76.4%	(5%)	**74.0%**	73.6%	1%
Mining costs - total ($/t mined material)	**0.55**	0.60	(8%)	**0.21**	0.31	(32%)
Milling costs ($/t milled material)	**12.98**	14.75	(12%)	**11.95**	12.22	(2%)
Gold produced – ounces	**95,265**	90,289	6%	**276,058**	252,272	9%
Gold sold – ounces	**92,645**	86,699	7%	**272,303**	248,635	10%
Average realized gold price - $/oz[(1)]	**1,263**	1,347	(6%)	**1,279**	1,456	(12%)
Capital expenditures (sustaining)[(1)]	**14.2**	13.3	7%	**35.3**	40.1	(12%)
Capital expenditures (growth)[(1)]	**15.2**	7.9	92%	**28.6**	33.4	(14%)
Capital expenditures (stripping)[(1)]	**53.5**	56.4	(5%)	**228.5**	207.8	10%
Operating costs (on a sales basis) [(2)]	**43.8**	48.3	(9%)	**111.4**	121.0	(8%)
Adjusted operating costs [(1)]	**49.8**	55.4	(10%)	**129.5**	138.3	(6%)
All-in Sustaining Costs [(1)]	**102.7**	109.6	(6%)	**328.0**	330.0	(1%)
All-in Costs[(1)]	**117.9**	118.4	(0%)	**356.6**	370.0	(4%)
All-in Costs - including taxes[(1)]	**134.3**	134.8	(0%)	**405.4**	420.0	(3%)
Adjusted operating costs - $/oz sold [(1)]	**539**	639	(16%)	**476**	556	(15%)
All-in sustaining costs – $/oz sold [(1)]	**1,110**	1,264	(12%)	**1,205**	1,327	(9%)
All-in costs – $/oz sold [(1)]	**1,274**	1,366	(7%)	**1,310**	1,488	(12%)
All-in costs (including taxes) – $/oz sold [(1)]	**1,451**	1,555	(7%)	**1,489**	1,689	(12%)

(1) Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs – including taxes (in $ millions and per ounce sold), 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.

Third Quarter 2014 compared to Third Quarter 2013

Production:

Mining activities in the third quarter of 2014 continued to focus on cut-back 16. The mining fleet obtained access to and commenced mining ore from cut-back 16 in early September. As such, Kumtor has ceased capitalizing waste stripping costs associated with cut-back 16 and expects to mine higher grade ore during the fourth quarter of 2014.

The total waste and ore mined was 48.6 million tonnes compared to 41.7 million tonnes in the comparative period of 2013, representing an increase of 17%, as Kumtor mined proportionately less ice in the third quarter of 2014.

Kumtor mined 1.4 million tonnes of ore at an average grade of 3.49 g/t from cut-back 16 during the third quarter of 2014, compared to 2.1 million tonnes of ore mined at an average grade of 2.78 g/t in the third quarter of 2013.

Gold production increased to 95,265 ounces compared to 90,289 ounces in the comparative quarter of 2013 due to higher throughput achieved by the mill, partially offset by lower recoveries from processing higher carbonaceous material. Kumtor's mill processed approximately 1.4 million tonnes for the third quarter of 2014, which was 9% higher than the comparative quarter in 2013, when the mill experienced issues with cracking in the ring gear and was not operating at full capacity.

Operating costs:
Mining costs, including capitalized stripping costs, totaled $65.2 million for the third quarter of 2014, which is consistent with the comparative quarter.

Operating costs (on a sales basis), excluding capitalized stripping, decreased 9% to $43.8 million reflecting a higher charge for the build-up of inventory.

DD&A associated with production increased to $41.1 million in the third quarter of 2014 from $37.7 million in the comparative period of 2013. The increase in DD&A resulted from processing higher cost ore from cut-back 15 compared to ore from cut-back 14B which was processed in the comparative period of 2013. Access to ore from cut-back 15 required more stripping of ice and waste thereby resulting in increased amortization of capitalized stripping costs as the ore was mined and stockpiled.

All-in sustaining costs per ounce sold[NG], which excludes revenue-based tax, decreased 12% to $1,110 compared to $1,264 in the comparative period of 2013. The decrease results primarily from higher ounces sold and a higher charge for the build-up of inventory.

All-in costs per ounce sold[NG], which excludes revenue-based tax, for the third quarter of 2014 was $1,274 compared to $1,366 in the comparative period of 2013, representing a decrease of 7%. The decrease is mainly due to more gold sold, partially offset by an increase in growth capital spending for the infrastructure relocation at Kumtor.

First Nine Months 2014 compared to First Nine Months 2013

Production:
With mining activities focused on stripping waste material from cut-back 16, Kumtor processed ore from 2013 stockpiles until early September when it accessed ore from cut-back 16.

The total waste and ore mined was 148.9 million tonnes compared to 129.8 million tonnes in the comparative period of 2013, representing an increase of 15% due to the increased volume of higher density material mined, the shorter haulage distances of waste material used for construction of the buttress, and the increased fleet capacity.

Kumtor produced 276,058 ounces of gold compared to 252,272 ounces of gold in the comparative period of 2013. The increase was mainly due to higher throughput, grade and recovery of stockpiled ore. Tonnes processed were approximately 5% higher than the comparative period in 2013 due to issues relating to cracking in the ring gear in 2013 which resulted in the mill operating at less than full capacity.

Operating costs:
Mining costs, including capitalized stripping, totaled $193.7 million in the first nine months of 2014 which is essentially unchanged from the prior year.

Operating costs (on a sales basis), excluding capitalized stripping, decreased by $9.5 million as a result of higher capitalization of stripping costs and lower prices for tires and fuel. This was partially offset by the cost of the mill liner replacement, higher cyanide costs due to price increases and higher maintenance costs.

All-in sustaining costs per ounce sold[NG], which excludes revenue-based tax, decreased 9% from the comparative period of 2013. This results primarily from 10% higher ounces sold and lower spending on sustaining capital[NG], partially offset by higher capitalized stripping.

All-in costs per ounce sold[NG], which excludes revenue-based tax, decreased 12% due to more gold sold and a 14% reduction in growth capital[NG] spending, partially offset by higher capitalized stripping. Capitalized stripping increased, reflecting higher tonnage moved and increased maintenance costs for the augmented fleet.

Boroo Mine

The Boroo gold mine, located in Mongolia, was the first hard rock gold mine in Mongolia. It has produced approximately 1.8 million ounces of gold since it began operation in 2004.

Mining activities at Boroo were completed in September 2012, though the mill continued to process stockpiled ore during the third quarter of 2014. Heap leach processing activities continued during the third quarter of 2014 however crushing and stacking was completed in 2013. The mill expects to run out of stockpiled ore in December 2014.

Boroo Operating Results

Unaudited ($ millions, except as noted)	**Three months ended September 30,**			**Nine months ended September 30,**		
	2014	2013	% Change	**2014**	2013	% Change
Revenue	**18.8**	38.2	(51%)	**54.9**	113.5	(52%)
Cost of sales-cash	**12.3**	18.5	(34%)	**35.7**	46.2	(23%)
Cost of sales-non-cash	**3.5**	7.2	(51%)	**10.5**	23.3	(55%)
Cost of sales-total	**15.8**	25.7	(39%)	**46.2**	69.5	(34%)
Cost of sales - $/oz sold(1)	**1,071**	880	22%	**1,087**	878	24%
Tonnes milled - 000s	**611**	604	1%	**1,617**	1,800	(10%)
Average mill head grade - g/t	**0.66**	1.04	(37%)	**0.66**	1.23	(46%)
Recovery - %	**61.1%**	58.5%	4%	**61.2%**	57.5%	6%
Milling costs ($/t milled material)	**9.42**	9.59	(2%)	**10.45**	9.42	11%
Gold produced – ounces	**15,527**	23,550	(34%)	**43,527**	76,214	(43%)
Gold sold – ounces	**14,722**	29,242	(50%)	**42,562**	79,229	(46%)
Average realized gold price - $/oz(1)	**1,278**	1,306	(2%)	**1,289**	1,432	(10%)
Capital expenditures (sustaining)(1)	**-**	2.7	(100%)	**0.3**	7.5	(96%)
Operating costs (on a sales basis) (2)	**12.4**	18.5	(33%)	**35.7**	46.2	(23%)
Adjusted operating costs (1)	**13.6**	19.5	(30%)	**39.6**	50.7	(22%)
All-in Sustaining Costs (1)	**13.7**	22.1	(38%)	**40.3**	58.0	(31%)
All-in Costs(1)	**13.7**	22.1	(38%)	**40.3**	58.0	(31%)
All-in Costs - including taxes(1)	**17.0**	26.0	(35%)	**43.6**	70.7	(38%)
Adjusted operating costs - $/oz sold (1)	**916**	670	37%	**929**	640	45%
All-in sustaining costs – $/oz sold (1)	**924**	758	22%	**944**	732	29%
All-in costs – $/oz sold (1)	**924**	758	22%	**944**	732	29%
All-in costs (including taxes) – $/oz sold (1)	**1,148**	892	29%	**1,022**	892	15%

(1) Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs – including taxes (in $ millions and per ounce sold), 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.

Third Quarter 2014 compared to Third Quarter 2013

Production:

Boroo produced 15,527 ounces of gold in the third quarter of 2014 as compared to 23,550 ounces of gold in the same period of 2013. The lower gold production results mainly from processing lower grade ore through the mill as the operation's stockpiles are being depleted. Additionally, fewer ounces were produced from the heap leach operation due to leaching lower grade ore, as secondary leaching commenced in August 2014.

Operating costs:

Operating costs (on a sales basis) in the third quarter were $12.4 million, compared to $18.5 million in the third quarter of the prior year. The reduction reflects lower activity at the project.

All-in sustaining costs per ounce sold[NG], which excludes income tax, for the quarter increased 23% due primarily to 50% lower ounces sold in the third quarter of 2014, partially offset by lower operating costs and royalties and lower sustaining capital[NG] spending.

All-in costs per ounce sold[NG], including all costs directly related to gold production except income tax, increased 22% due to 50% fewer ounces sold year-over-year, partially offset by lower operating costs[NG] and royalties and lower sustaining capital[NG] spending.

First Nine Months 2014 compared to First Nine Months 2013

Production:
Boroo produced 43,527 ounces of gold in the first nine months of 2014 compared to 76,214 ounces of gold in the first nine months of 2013. The lower gold production results mainly from processing lower grade ore through the mill and lower grade ore being leached as secondary leaching commenced in August 2014.

Operating costs:
Operating costs (on a sales basis) decreased by $10.5 million to $35.7 million in the first nine months of 2014, as a result of lower activity at the project.

All-in sustaining costs per ounce sold[NG], which excludes income tax, for the first nine months of 2014 increased to $944 from $732 in the comparative period of 2013. The increase results primarily from 46% lower ounces sold in the third quarter of 2014, partially offset by lower royalties and lower sustaining capital[NG] spending.

All-in costs per ounce sold[NG], which excludes income tax, for the first nine months of 2014 was $944 compared to $732 in the same period of 2013. The increase is primarily due to a decrease in ounces sold, partially offset by lower adjusted operating costs[NG] and lower sustaining capital[NG] spending.

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.

	Three months ended September 30,		**Nine months ended September 30,**	
(Thousands of U.S. Dollars)	**2014**	**2013**	**2014**	**2013**
Included in sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$ 117,524**	$ 117,310	**$ 350,013**	$ 363,459
Deduct: refinery and financing charges	**(559)**	(513)	**(1,605)**	(1,460)
Net sales revenue received from Kyrgyzaltyn	**$ 116,965**	$ 116,797	**$ 348,408**	$ 361,999
Included in expenses:				
Contracting services provided by Kyrgyzaltyn	**$ 684**	$ 625	**$ 1,176**	$ 1,377
Management fees to Kyrgyzaltyn	**92**	87	**272**	249
Expenses paid to Kyrgyzaltyn	**$ 776**	$ 712	**$ 1,448**	$ 1,626

Dividend

	Three Months Ended September 30,		**Nine months ended September 30,**	
(Thousands of U.S. Dollars)	**2014**	**2013**	**2014**	**2013**
Dividends declared to Kyrgyzaltyn	**$ 2,851**	$ 2,946	**$ 8,427**	$ 8,983
Withholding taxes	**(144)**	(147)	**(425)**	(449)
Net dividends declared to Kyrgyzaltyn	**2,707**	2,799	**8,002**	8,534
Net dividends transferred to restricted cash	**-**	-	**-**	(5,735)
Net dividends paid to Kyrgyzaltyn	**$ 2,707**	$ 2,799	**$ 8,002**	$ 2,799

1 University Avenue, Suite 1500
Toronto, ON
M5J 2P1
tel 416-204-1953
fax 416-204-1954
www.centerragold.com

Related party balances

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

(Thousands of U.S. Dollars)		September 30, 2014		December 31, 2013
Amounts receivable	**$**	**51,230**	$	69,382
Total related party assets	**$**	**51,230**	$	69,382
Dividend payable (net of withholding taxes)	**$**	**10,636**	$	11,233
Net unrealized foreign exchange gain		**(546)**		(597)
		10,090		10,636
Amount payable		**42**		157
Total related party liabilities	**$**	**10,132**	$	10,793

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.

As at September 30, 2014, $51.2 million was outstanding under the Sales Agreement (December 31, 2013 - $69.4 million). Subsequent to September 30, 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 Muhenkislik Insaat Sanayi Tiacaret SA. Pursuant to the court order, the maximum was met 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 (the "Stans Order") was made that appears to restrict Centerra from paying such monies to Kyrgyzaltyn.

See "Other Corporate Developments – Corporate".

Dividends declared and paid

Dividends declared and paid to Kyrgyzaltyn relate to the normal quarterly dividend declared by Centerra.

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 quarter of 2013 as it is similarly forecasted for the fourth quarter of 2014. Production and sales in 2012 were impacted by the accelerated ice movement at Kumtor which necessitated a change in the mine plan and a delay in the release of gold ore from the pit. Non-cash costs have also progressively increased since 2011 as depreciation at Kumtor increased due to its expanded mining fleet and the increased amortization of capitalized stripping resulting from increased stripping as the pit gets larger. The fourth quarter of 2012 includes a charge for the loss on de-recognition of the underground assets at Kumtor in the amount of $180.7 million, following the decision to expand the open pit which will partially consume the underground declines. The quarterly financial results for the last eight quarters are shown below:

$ million, except per share data *Quarterly data unaudited*	**2014**			**2013**				**2012**
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	**136**	**119**	**148**	469	155	128	192	368
Net earnings (loss)	**(3)**	**(32)**	**2**	107	(2)	2	51	(71)
Basic earnings (loss) per share	**(0.01)**	**(0.13)**	**0.01**	0.45	(0.01)	0.01	0.22	(0.30)
Diluted earnings (loss) per share	**(0.02)**	**(0.13)**	-	0.44	(0.01)	-	0.21	(0.30)

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 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 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.

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.

Dividend Claim

On May 23, 2014, the Kyrgyz Republic General Prosecutor's Office ("GPO") filed a civil claim in Kyrgyz court against KGC which seeks to unwind a $200 million inter-corporate dividend declared and paid by KGC to Centerra in December 2013. KGC is a wholly-owned subsidiary of Centerra and the dividend was paid in the normal course of business. The GPO alleges that the dividend was contrary to the procedural requirements of Kyrgyz corporate law. Centerra and KGC dispute such allegations and believe that the dividend complied with the agreements governing the Kumtor Project and all applicable Kyrgyz laws. Centerra also stated that the dividend does not have an impact on the valuation which underlies the restructuring contemplated by the HOA. Accordingly, KGC has contested claims made by the GPO in the Kyrgyz courts. These include challenges to, among other things, the jurisdiction of the Kyrgyz courts to hear the claim due to the arbitration provisions of the Restated Investment Agreement which requires all such disputes to be resolved through international arbitration.

On October 10, 2014, the Bishkek Inter-District Court granted a petition of the GPO to suspend these proceedings until completion of the criminal proceedings against Mr. Japarov (described below).

Japarov Criminal Proceeding

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 over $450 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 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 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 agreements governing the Kumtor Project (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

Centerra continues to be in discussions with the Mongolian Government regarding the development of the Gatsuurt property. Centerra remains reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the Mongolian Water and Forest Law having a limited impact on the Gatsuurt project, in particular, and other of the Company's Mongolian activities, including the ATO deposit. As previously disclosed, the Mongolian Water and Forest Law prohibits mineral prospecting, exploration and mining in water basins and forestry areas in Mongolia.

During meetings with representatives of the Mongolian Government earlier in 2014, Centerra was advised that the Mongolian Government has developed a list of deposits, which includes

1 University Avenue, Suite 1500
Toronto, ON
M5J 2P1
tel 416-204-1953
fax 416-204-1954
www.centerragold.com

Gatsuurt, which was submitted to the Mongolian Parliament for consideration as "strategic deposits". Centerra expects that Parliament and/or any relevant committees of Parliament will consider this matter further in the fourth quarter of 2014. If the Mongolian Parliament ultimately approves this designation, it would have the effect of excluding the Gatsuurt deposit from the application of the Mongolian Water and Forest Law and would allow the Government of Mongolia to acquire up to a 34% interest in Gatsuurt. The terms of any such participation are currently unclear and will be determined through negotiations with the Mongolian Government.

There can be no assurance, however, that the Water and Forest Law will not have a material impact on Centerra's Mongolian operations. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the Gatsuurt project or Gatsuurt is designated by the Parliament of Mongolia as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources and the Company may be required to write-off approximately $37.5 million related to the investment in Gatsuurt and approximately $38.7 million of costs that remain capitalized for the Boroo mill facility and other surface structures. These amounts represent the capitalized costs at September 30, 2014 associated with its investment in Gatsuurt and Boroo (where Gatsuurt ore is planned to be milled).

Corporate

Enforcement Notice by Sistem

In March 2011, a Turkish company, Sistem Muhenkislik Insaat Sanayi Ticaret SA ("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. 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 an arbitration award against the Kyrgyz Republic. Kyrgyzaltyn has appealed this ruling to the Ontario Court of Appeal and a hearing in this matter has been set for the fourth quarter of 2014 (the "Sistem Appeal").

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 in relation to the Stans Application (as defined below) was made that appears to restrict Centerra from paying such monies to Kyrgyzaltyn. Centerra has advised Kyrgyzaltyn that it will continue holding such funds in trust until clarity on this matter is obtained from the courts. 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. We understand that the Kyrgyz Republic is appealing the Stans Arbitration Award to Russian courts in Moscow.

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 Muhenkislik Insaat Sanayi Tiacaret SA matter, which found that the Kyrgyz Republic had a beneficial interest in the Centerra shares held by Kyrgyzaltyn.

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.

Changes in Accounting Policies

Adoption of New Accounting Standards

Effective January 1, 2014, the Company adopted the new recommendations of 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 an impact on the Company’s consolidated financial statements.

Future Changes in accounting policies

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 for the mandatory application of IFRS 9 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, which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2017 and is to be applied retrospectively. The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting ("ICFR")

The Chief Executive Officer and Chief Financial Officer have evaluated whether there were changes to the ICFR during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our ICFR. No such significant changes were identified through their evaluation.

2014 Outlook

Kumtor's forecast for 2014 production and costs discussed in this MD&A 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 the level of ownership resulting from ongoing discussions with the Government of the Kyrgyz Republic and Kyrgyzaltyn, Centerra's largest shareholder. See "Material Assumption and Risks" for other material assumptions or factors used to forecast production and costs for 2014.

Centerra's 2014 guidance for exploration, Öksüt project development costs, corporate administration, and DD&A is unchanged from the previous guidance disclosed in the Company's news release of January 13, 2014, as updated on May 6, 2014 and July 29, 2014.

Centerra's 2014 guidance for production, unit costs, capital spending, and community costs, has been revised from the previous guidance. The revisions to the forecast are explained in more detail below.

	2014 Production Forecast (ounces of gold)	**2014 Adjusted Operating Costs**[NG] ($ per ounce sold)	**2014 All-in Costs**[NG] ($ per ounce sold)
Kumtor	550,000 – 600,000	$345 – $375	$835 – $910
Boroo	Approx. 50,000	$1,030	$1,050
Consolidated	**600,000 – 650,000**	**$397 – $430**	**$955 – $1,035**

Gold Production

Centerra's 2014 guidance for consolidated gold production has been revised to a range between 600,000 and 650,000 ounces, which is higher from the previous guidance of 595,000 to 645,000 ounces disclosed in the Company's news release of July 29, 2014 reflecting higher gold production expected to be achieved at the Boroo mine.

Centerra estimates that the Kumtor mine will produce between 550,000 and 600,000 ounces in 2014 which is unchanged from the previous guidance. Over 50% of gold production at Kumtor is expected during the fourth quarter creating a potential variability to Kumtor's 2014 production guidance. Ore production in the fourth quarter is planned to come from the high-grade SB Zone ore. The high-grade ore exposed by the cut-back 16 in the SB Zone was accessed as planned during the third quarter of 2014 and mining at Kumtor is currently estimated to be on track to meet the 2014 production guidance.

At the Boroo mine, gold production is forecast to increase to approximately 50,000 ounces from the previous guidance of approximately 45,000 ounces. The new production guidance reflects increased production achieved at the Boroo mine due to higher than expected recoveries in the first nine months of the current year from both the mill and heap leach operations. The forecasted annual production at Boroo includes approximately 25,000 ounces from heap leaching and 25,000 ounces from the mill. The Boroo mill is expected to process ore stockpiles during the last quarter of the year with an average grade of 0.66 g/t. The 2014 forecast assumes no mining activities at Boroo or Gatsuurt, and no gold production from Gatsuurt.

All-in Unit Costs

Centerra's 2014 guidance for all-in sustaining costs per ounce sold[NG], which excludes revenue-based tax in the Kyrgyz Republic, has been revised to $830-$897 from $857-$929. Similarly the guidance for all-in costs per ounce sold[NG], which excludes revenue-based tax in the Kyrgyz Republic and income taxes, has been revised to $955-$1,035 from the previous guidance of $971-$1,053 as disclosed in the Company's news release of July 29, 2014. The reduction in the guidance reflects the increased production forecasted at Boroo and an updated forecast for operating and capital costs at Kumtor and Boroo. The forecast for operating costs has been reduced due to lower labour, power, tire, diesel fuel, and explosives costs. Labour and power costs are paid in local currency and recent strengthening of the US dollar against the Kyrgyz Som and the Mongolian Tugrik have had a positive impact on costs. The forecast for tire, diesel fuel, and explosives costs have been reduced primarily due to lower unit costs. The forecast for capital costs has been increased for additional capital expenditures at Kumtor and Gatsuurt.

The revised estimates for revenue-based tax at Kumtor and current income tax at Boroo reflect an estimated gold price of $1,225 per ounce for the last quarter of 2014, which is lower than the gold price assumption of $1,250 per ounce used in the previous guidance. Based on the revised estimates, the Company is forecasting all-in sustaining unit costs per ounce sold[NG] and all-in costs per ounce sold[NG] as follows:

	Kumtor	Boroo[(4)]	Consolidated
Ounces sold forecast	550,000-600,000	Approximately 50,000	600,000-650,000
US $ / gold ounces sold			
Operating Costs (on a sales basis)	**$304 – 332**	**$915**	**$351 – 380**
Regional office administration	32 - 34	104	37 – 40
Social Development costs	9	11	9 - 10
Sub-Total (Adjusted Operating Costs) [(1)]	**$345 – 375**	**$1,030**	**$397 – 430**
Corporate general & administrative costs	-	-	55– 59
Accretion expense	2	10	3
Capitalized stripping costs – cash	325 – 355	-	300 – 325
Capital expenditures (sustaining)[(1)]	78 – 85	10	75 – 80
All-in Sustaining Costs [(1)]	**$750 – 817**	**$1,050**	**$830 – 897**
Capital expenditures (growth) [(1)]	85 – 93	-	80 – 85
Other costs [(2)]	-	-	45 – 53
All-in Costs	**$835 – 910**	**$1,050**	**$955 – 1,035**
Revenue-based tax and income taxes [(3)]	$175 – 190	55	$165 – 180
All-in Costs (including taxes) [(1)]	$1,010 –1,100	$1,105	$1,120 –1,215

(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 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 $1,225 per ounce sold for the fourth quarter of 2014.
(4) The Boroo operation is nearing the end of its mine life. All forecast production and sales are a result of drawing down the existing stockpiles and assume no mining activities.

2014 Capital Expenditures

Centerra's projected capital expenditures for 2014, excluding capitalized stripping, have been revised to $101 million from the previous guidance of $86 million, including $48 million of sustaining capital[NG] and $53 million of growth capital[NG]. The distribution of the capital between the projects has been revised as described below.

Projected capital expenditures (excluding capitalized stripping) include:

Projects	2014 Growth Capital NG (millions of dollars)	2014 Sustaining Capital NG (millions of dollars)
Kumtor	$52	$47
Mongolia (Boroo and Gatsuurt)	$1	$1
Consolidated Total	**$53**	**$48**

Kumtor
At Kumtor, 2014 total capital expenditures, excluding capitalized stripping, are forecast to be $99 million ($85 million in the previous guidance) including $47 million of sustaining capital NG ($42 million in the previous guidance). Spending on sustaining capital NG relates primarily to the major overhaul maintenance of the heavy duty mine equipment ($37 million), purchase of replacement mining equipment and ball mill girth gear ($5 million), tailings dam construction raise ($3 million) and other items ($2 million). The higher forecast for sustaining capital NG is due to increased overhaul and repair costs for Liebherr shovels, CAT 789 and CAT 785 trucks (increased to $37 million from $32 million in the previous guidance).

Growth capital NG investment at Kumtor for 2014 is forecast at $52 million ($43 million in the previous guidance) and includes the relocation of certain infrastructure at Kumtor related to the KS-13 life-of-mine expansion plan amounting to $39 million, dewatering projects ($6 million) and the purchase of new mining equipment ($7 million). The increase in the forecast for growth capital NG at Kumtor is due to higher costs related to the infrastructure relocation projects (increased to $39 million from $32 million in the previous guidance), and higher costs for the dewatering project (increased to $6 million from $4 million in the previous guidance).

The cash component of capitalized stripping costs related to the development of the open pit is expected to be $195 million in 2014 ($191 million in the previous guidance). The forecast for the cash component of capitalized stripping costs is higher due to the accelerated development of cut-back 17 as a result of higher equipment availability.

Mongolia (Boroo and Gatsuurt)
At Boroo, 2014 sustaining capital NG expenditures are expected to be $1 million (unchanged from the previous guidance) primarily for maintenance rebuilds and overhauls.

The forecasted growth capital NG for the Gatsuurt deposit has increased to $1 million related to environmental studies, technical and legal work related to the project.

2014 Social Development
Total planned social development expenditures for 2014 have been revised to $6 million ($8 million in the previous guidance) due to reduced planned spending.

Royalties

Since January 2014, Boroo has been paying a royalty rate of 2.5% for gold sold to the Bank of Mongolia (reduced from 9% using current gold prices for gold not sold to the Bank of Mongolia).

Sensitivities

Centerra's revenues, earnings and cash flows for the last three months of 2014 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**	2.4	16.7	14.3	14.3
Diesel Fuel[(1)]	**10%**	2.9	-	2.9	2.9
Kyrgyz som[(2)]	**1 som**	0.5	-	0.5	0.5
Mongolian tugrik[(2)]	**25 tugrik**	0.1	-	0.1	0.1
Canadian dollar[(2)]	**10 cents**	0.6	-	0.6	0.6

(1) a 10% change in diesel fuel price equals $9/oz produced

(2) appreciation of currency against the US dollar will result in higher costs and lower cash flow and earnings, depreciation of currency against the US 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 the fourth quarter of 2014 include the following:

- a gold price of $1,225 per ounce,
- exchange rates:
  - $1USD:$1.10 CAD
  - $1USD:54.0 Kyrgyz som
  - $1USD:1,800 Mongolian tugriks
  - $1USD:0.75 Euro
- diesel fuel price assumption:
  - $0.81/litre at Kumtor
  - $1.22/litre at Boroo

The assumed diesel price of $0.81/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 $95 per barrel.

Other material assumptions were used in forecasting production and costs for 2014. 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.
- The activities of the Kyrgyz Republic Parliament and Government, referred to in the 2013 Annual Information Form 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, Kumtor Gold Company and Kumtor Operating Company under the project agreements.
- The previously disclosed environmental claims received from the Kyrgyz regulatory authorities in the aggregate amount of approximately $476 million 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 2014 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 successful negotiation of a new collective agreement at Kumtor which expires on December 31, 2014, without any labour actions/strikes and without significantly increasing labour costs.
- 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.

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.

1 University Avenue, Suite 1500
Toronto, ON
M5J 2P1
tel 416-204-1953
fax 416-204-1954
www.centerragold.com

- *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

(unaudited)	Three months ended September 30,[(1)]		Nine months ended September 30,[(1)]	
($ millions, unless otherwise specified)	**2014**	**2013**	**2014**	**2013**
Cost of sales, as reported	$ **84.9**	$ 86.0	$ **272.9**	$ 218.0
Less: Non-cash component	**41.1**	37.7	**161.5**	97.0
Cost of sales, cash component	$ **43.8**	$ 48.3	$ **111.4**	$ 121.0
Adjust for:				
Regional office administration	**4.7**	4.8	**14.1**	13.3
Refining fees	**0.6**	0.5	**1.6**	1.5
By-product credits	**(0.6)**	(0.6)	**(1.6)**	(1.8)
Community costs related to current operations	**1.3**	2.4	**4.0**	4.3
Adjusted Operating Costs	**$ 49.8**	**$** 55.4	**$ 129.5**	**$** 138.3
Accretion expense	**0.3**	0.2	**0.9**	0.5
Capitalized stripping and ice unload	**38.5**	40.7	**162.4**	150.7
Capital expenditures (sustaining)	**14.1**	13.3	**35.3**	40.1
All-in Sustaining Costs	**$ 102.7**	**$** 109.6	**$ 328.1**	**$** 329.6
Capital expenditures (growth)	**15.2**	7.9	**28.6**	33.4
Exploration	**-**	0.9	**(0.1)**	5.3
Other project costs not related to current operations	**-**	-	**-**	1.4
All-in Costs	**$ 117.9**	**$** 118.4	**$ 356.6**	**$** 369.7
Revenue-based taxes and income taxes	**16.4**	16.4	**48.8**	50.7
All-in Costs (including taxes)	**$ 134.3**	**$** 134.8	**$ 405.4**	**$** 420.4
Ounces sold (000)	**93**	87	**272**	249
Adjusted Operating Costs per ounce sold	**$ 539**	**$** 638	**$ 476**	**$** 556
All-in Sustaining Costs per ounce sold	**$ 1,110**	**$** 1,263	**$ 1,205**	**$** 1,325
All-in Costs per ounce sold	**$ 1,274**	**$** 1,364	**$ 1,310**	**$** 1,486
All-in Costs (including taxes) per ounce sold	**$ 1,451**	**$** 1,552	**$ 1,489**	**$** 1,690

(1) Result may not add due to rounding

Boroo

(unaudited)	Three months ended September 30,[1]				Nine months ended September 30,[1]			
($ millions, unless otherwise specified)	**2014**		**2013**		**2014**		**2013**	
Cost of sales, as reported	**$**	**15.8**	**$**	25.7	**$**	**46.3**	$	69.6
Less: Non-cash component		**3.4**		7.2		**10.6**		23.4
Cost of sales, cash component	**$**	**12.4**	**$**	18.5	**$**	**35.7**	$	46.2
Adjust for:								
Regional office administration		**1.1**		1.3		**3.5**		4.3
Mine stand-by costs		**-**		-		**0.2**		-
Refining fees		**-**		0.1		**0.1**		0.3
By-product credits		**-**		(0.2)		**(0.1)**		(0.4)
Community costs related to current operations		**0.1**		(0.2)		**0.2**		0.3
Adjusted Operating Costs	**$**	**13.6**	**$**	19.5	**$**	**39.6**	$	50.7
Accretion expense		**0.1**		0.1		**0.4**		0.2
Capital expenditures (sustaining)		**-**		2.5		**0.3**		7.1
All-in Sustaining Costs	**$**	**13.7**	**$**	22.1	**$**	**40.3**	$	58.0
All-in Costs	**$**	**13.7**	**$**	22.1	**$**	**40.3**	$	58.0
Income taxes		**3.3**		3.9		**3.3**		12.7
All-in Costs (including taxes)	**$**	**17.0**	**$**	26.0	**$**	**43.6**	$	70.7
Ounces sold (000)		**14.7**		29.2		**42.6**		79.2
Adjusted Operating Costs per ounce sold	**$**	**916**	**$**	670	**$**	**929**	**$**	640
All-in Sustaining Costs per ounce sold	**$**	**924**	**$**	758	**$**	**944**	**$**	732
All-in Costs per ounce sold	**$**	**924**	**$**	758	**$**	**944**	**$**	732
All-in Costs (including taxes) per ounce sold	**$**	**1,148**	**$**	892	**$**	**1,022**	**$**	892

(1) Result may not add due to rounding

2) Consolidated

Centerra

(unaudited)	Three months ended September 30,(1)		Nine months ended September 30,(1)	
($ millions, unless otherwise specified)	**2014**	**2013**	**2014**	**2013**
Cost of sales, as reported	$ **100.7**	**$** 111.7	$ **319.1**	**$** 287.5
Less: Non-cash component	**44.5**	44.9	**172.0**	120.4
Cost of sales, cash component	$ **56.2**	**$** 66.8	$ **147.1**	**$** 167.1
Adjust for:				
Regional office administration	**5.8**	6.1	**17.6**	17.6
Mine stand-by costs	**-**	-	**0.2**	-
Refining fees	**0.6**	0.6	**1.7**	1.7
By-product credits	**(0.6)**	(0.8)	**(1.7)**	(2.2)
Community costs related to current operations	**1.4**	2.2	**4.1**	4.7
Adjusted Operating Costs	**$ 63.4**	**$** 74.9	$ **169.0**	**$** 188.9
Corporate general administrative costs	**5.8**	8.5	**24.0**	22.3
Accretion expense	**0.4**	0.2	**1.2**	0.7
Capitalized stripping and ice unload	**38.5**	40.7	**162.4**	150.7
Capital expenditures (sustaining)	**14.2**	15.8	**35.8**	47.6
All-in Sustaining Costs	**$ 122.3**	**$** 140.1	$ **392.4**	**$** 410.2
Capital expenditures (growth)	**15.4**	8.1	**29.2**	33.9
Exploration and business development	**5.0**	7.4	**11.6**	20.8
Other project costs not related to current operations	**1.6**	0.1	**3.9**	1.7
All-in Costs	**$ 144.3**	**$** 155.7	$ **437.1**	**$** 466.6
Revenue-based taxes and income taxes	**19.7**	20.3	**52.1**	63.4
All-in Costs (including taxes)	**$ 164.0**	**$** 176.0	$ **489.2**	**$** 530.0
Ounces sold (000)	**107.4**	115.9	**314.9**	327.9
Adjusted Operating Costs per ounce sold	**$ 590**	**$** 647	**$ 537**	**$** 576
All-in Sustaining Costs per ounce sold	**$ 1,139**	**$** 1,209	**$ 1,246**	**$** 1,251
All-in Costs per ounce sold	**$ 1,344**	**$** 1,343	**$ 1,388**	**$** 1,423
All-in Costs (including taxes) per ounce sold	**$ 1,527**	**$** 1,518	**$ 1,554**	**$** 1,617

(1) Result may not add due to rounding

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

Three months ended September 30,	Kumtor	Boroo	All other	Consolidated
($ millions) *(Unaudited)*				
2014				
Capitalized stripping –cash	**38.5**	**-**	**-**	**38.5**
Sustaining capital - cash	**14.1**	**-**	**0.1**	**14.2**
Growth capital - cash	**15.2**	**-**	**0.2**	**15.4**
Net increase in accruals included in additions to PP&E	**(0.9)**	**-**	**-**	**(0.9)**
Total - Additions to PP&E	**66.9**	**-**	**0.3**	**67.2 (1)**
2013				
Capitalized stripping – cash	40.7	-	-	40.7
Sustaining capital – cash	13.3	2.5	-	15.8
Growth capital - cash	7.9	-	0.2	8.1
Net decrease in accruals included in additions to PP&E	(1.8)	-	-	(1.8)
Total - Additions to PP&E	60.1	2.5	0.2	62.8 (1)

Nine months ended September 30,	Kumtor	Boroo	All other	Consolidated
($ millions) *(Unaudited)*				
2014				
Capitalized stripping –cash	**162.4**	**-**	**-**	**162.4**
Sustaining capital - cash	**35.3**	**0.3**	**0.2**	**35.8**
Growth capital - cash	**28.6**	**-**	**0.6**	**29.2**
Net increase in accruals included in additions to PP&E	**(4.1)**	**-**	**-**	**(4.1)**
Total - Additions to PP&E	**222.2**	**0.3**	**0.8**	**223.3 (1)**
2013				
Capitalized stripping – cash	150.7	-	-	150.7
Sustaining capital – cash	40.1	7.1	0.4	47.6
Growth capital - cash	33.4	-	0.5	33.9
Net increase in accruals included in additions to PP&E	(9.5)	-	-	(9.5)
Total - Additions to PP&E	214.7	7.1	0.9	222.7 (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

The scientific and technical information in this MD&A, including the production estimates were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 and were prepared, reviewed, verified and compiled by Centerra's geological and mining staff under the supervision of Gordon Reid, Professional Engineer and Centerra's Vice-President and Chief Operating Officer, who is the qualified person for the purpose of NI 43-101. Mr. Reid will supervise the preparation, review, verification and compilation of such information as the qualified person following the departure of Mr. Dan Redmond from the Company and until Mr. Redmond's replacement develops sufficient knowledge and familiarity with the Company's projects to take on such responsibility.

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, general economic indicators affecting the price of gold and gold production, interest rates, and exchange rates, 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, statements regarding the Company's ability to successfully manage the movement of the Davidov Glacier and the increased rate of movement of the Davidov Waste-rock Dump (Central Valley Waste Dump), the construction of a buttress at the bottom of the Davidov Glacier and the monitoring and effectiveness of the buttress, and the Company's ability to successfully demolish certain buildings and relocate other infrastructure at Kumtor, the Company's ability to mine high grade ore in the SB Zone at Kumtor, statements regarding the Company's future production in 2014, including estimates of cash operating costs, all-in sustaining costs per ounce sold[NG], all-in costs per ounce sold[NG], all-in costs per ounce sold (including taxes)[NG], capital expenditures (sustaining)[NG] and capital expenditures (growth)[NG], mining plans at Kumtor; processing activities at Boroo and royalties and taxes to be paid by Boroo; the outcome of discussions with the Mongolian government on the potential development of the Company's Gatsuurt deposit, the impact of the Water and Forest Law on the Company's Mongolian activities.

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 in December 2012 and February 2013 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 October 29, 2014. 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.

1 University Avenue, Suite 1500
Toronto, ON
M5J 2P1
tel 416-204-1953
fax 416-204-1954
www.centerragold.com