Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

For the Quarter Ended June 30, 2013
(Unaudited)

(Expressed in thousands of United States Dollars)

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

(Expressed in Thousands of United States Dollars)	Notes	June 30, 2013	December 31, 2012 (Restated)
Assets			
Current assets			
Cash and cash equivalents		$ 307,636	$ 334,115
Short-term investments		7,997	47,984
Amounts receivable	4	41,226	75,338
Inventories	5	249,185	292,565
Prepaid expenses	6	41,593	49,317
		647,637	799,319
Property, plant and equipment	7	766,290	625,923
Goodwill		129,705	129,705
Restricted cash		10,927	6,087
Other assets		23,695	23,270
Long-term inventories	5	5,662	10,094
		936,279	795,079
Total assets		$ 1,583,916	$ 1,594,398
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 47,175	$ 63,940
Short-term debt	9	75,162	74,617
Revenue-based taxes payable		5,936	18,643
Taxes payable		2,048	5,180
Current portion of provision		6,504	5,257
		136,825	167,637
Dividend payable		11,233	5,949
Provision		48,722	49,911
Deferred income tax liability		913	1,808
		60,868	57,668
Shareholders' equity	14		
Share capital		660,449	660,420
Contributed surplus		18,820	36,243
Retained earnings		706,954	672,430
		1,386,223	1,369,093
Total liabilities and shareholders' equity		$ 1,583,916	$ 1,594,398

Commitments and contingencies (note 15)
The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

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

(Unaudited)		Three months ended June 30,		Six months ended June 30,	
		2013	2012	2013	2012
(Expressed in Thousands of United States Dollars) (except per share amounts)			(Restated)		(Restated)
	Notes				
Revenue from Gold Sales		**$ 128,229**	$ 89,737	**$ 320,480**	$ 223,490
Cost of sales	10	**84,626**	82,377	**175,775**	161,496
Abnormal mining costs		**-**	3,864	**-**	4,522
Mine standby costs		**-**	-	**-**	4,584
Regional office administration		**5,869**	5,332	**11,490**	10,129
Earnings (loss) from mine operations		**37,734**	(1,836)	**133,215**	42,759
Revenue-based taxes		**13,510**	8,962	**34,328**	24,045
Other operating expenses	11	**2,150**	22,861	**4,096**	24,329
Exploration and business development		**6,259**	9,171	**13,429**	17,516
Corporate administration		**7,203**	1,920	**13,946**	10,466
Earnings (loss) from operations		**8,612**	(44,750)	**67,416**	(33,597)
Other expenses, net	12	**2,841**	807	**4,121**	30
Finance costs	13	**1,245**	743	**2,501**	1,659
Earnings (loss) before income taxes		**4,526**	(46,300)	**60,794**	(35,286)
Income tax expense		**2,974**	2,640	**7,890**	4,102
Net Earnings (loss) and comprehensive income (loss)		**$ 1,552**	$ (48,940)	**$ 52,904**	$ (39,388)
Basic earnings (loss) per common share	**14**	**$ 0.01**	$ (0.21)	**$ 0.22**	$ (0.17)
Diluted earnings (loss) per common share	**14**	**$ 0.01**	$ (0.21)	**$ 0.22**	$ (0.17)

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

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

(Expressed in Thousands of United States Dollars)	Notes	Three months ended June 30, 2013	Three months ended June 30, 2012 (Restated)	Six months ended June 30, 2013	Six months ended June 30, 2012 (Restated)
Operating activities					
Net earnings (loss)		**$ 1,552**	$ (48,940)	**$ 52,904**	$ (39,388)
Items not requiring (providing) cash:					
Depreciation, depletion and amortization		**31,714**	16,771	**75,614**	37,238
Finance costs		**1,245**	743	**2,501**	1,659
Loss on disposal of equipment		**2,143**	353	**2,152**	410
Share-based compensation expense		**812**	640	**1,563**	1,153
Change in long-term inventory		**3,480**	-	**4,432**	-
Change in provision		**(82)**	950	**(149)**	950
Income tax expense		**2,974**	2,640	**7,890**	4,102
Other operating items		**20**	(1,087)	**(172)**	(602)
		43,858	(27,930)	**146,735**	5,522
Change in operating working capital		**724**	16,196	**(6,495)**	14,692
Prepaid revenue-based taxes utilized (paid)	**6**	**1,077**	(30,155)	**3,845**	(30,155)
Income taxes paid		**(4,760)**	(417)	**(11,239)**	(341)
Cash provided by (used in) operations		**40,899**	(42,306)	**132,846**	(10,282)
Investing activities					
Additions to property, plant and equipment	**18**	**(86,246)**	(99,041)	**(159,919)**	(242,816)
Net redemption of short-term investments		**108,330**	122,236	**39,987**	342,434
Purchase of interest in Öksüt Gold Project- net of cash acquired	**3**	**-**	-	**(19,742)**	-
Increase in restricted cash		**(2,084)**	(239)	**(4,840)**	(179)
(Increase) decrease in long-term other assets		**(117)**	2,965	**(334)**	(7,508)
Proceeds from disposition of fixed assets		**-**	47	**27**	47
Cash (used in) provided by investing		**19,883**	25,968	**(144,821)**	91,978
Financing activities					
Dividends paid		**(6,747)**	(9,238)	**(13,096)**	(9,238)
Payment of interest and other borrowing costs		**-**	(280)	**(1,408)**	(734)
Proceeds from common shares issued for cash		**-**	-	**-**	148
Cash used in financing		**(6,747)**	(9,518)	**(14,504)**	(9,824)
(Decrease) increase in cash during the period		**54,035**	(25,856)	**(26,479)**	71,872
Cash and cash equivalents at beginning of the period		**253,601**	293,267	**334,115**	195,539
Cash and cash equivalents at end of the period		**$ 307,636**	$ 267,411	**$ 307,636**	$ 267,411
Cash and cash equivalents consist of:					
Cash		**$ 56,665**	$ 46,779	**$ 56,665**	$ 46,779
Cash equivalents		**250,971**	220,632	**250,971**	220,632
		$ 307,636	$ 267,411	**$ 307,636**	$ 267,411

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

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

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

	Number of Common Shares	Share Capital Amount	Contributed Surplus	Retained Earnings	Total
Balance at January 1, 2012 (restated)	236,339,041	$ 660,117	$ 33,994	$ 844,348	$ 1,538,459
Share-based compensation expense	-	-	1,153	-	1,153
Shares issued on exercise of stock options	30,752	235	(87)	-	148
Shares issued on redemption of restricted share units	3,343	47	-	-	47
Dividend declared	-	-	-	(9,238)	(9,238)
Net loss for the period	-	-	-	(39,388)	(39,388)
Balance at June 30, 2012 (restated)	236,373,136	$ 660,399	$ 35,060	$ 795,722	$ 1,491,181
Balance at January 1, 2013 (restated)	**236,376,011**	**$ 660,420**	**$ 36,243**	**$ 672,430**	**$ 1,369,093**
Share-based compensation expense	**-**	**-**	**1,563**	**-**	**1,563**
Adjustment for acquisition of 30% non-controlling interest (note 3)	**-**	**-**	**(18,986)**	**-**	**(18,986)**
Shares issued on redemption of restricted share units	**8,441**	**29**	**-**	**-**	**29**
Dividend declared	**-**	**-**	**-**	**(18,380)**	**(18,380)**
Net earnings for the period	**-**	**-**	**-**	**52,904**	**52,904**
Balance at June 30, 2013	**236,384,452**	$ **660,449**	$ **18,820**	$ **706,954**	$ **1,386,223**

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

1. General business description

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

2. Basis of Preparation and Statement of Compliance

These consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), using accounting policies consistent with those used in its consolidated financial statements as at and for the year ending December 31, 2012 and reflecting the new IFRS standards adopted as at January 1, 2013. These financial statements should be read in conjunction with the Company's December 31, 2012 annual consolidated financial statements.

These financial statements are presented in U.S. dollars with all amounts rounded to the nearest thousands, except for share and per share data, or as otherwise noted.

These financial statements were authorized for issuance by the Board of Directors of the Company on July 31, 2013.

Future Changes in accounting policies

On May 21, 2013, the IASB issued IFRIC 21, *Levies,* an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37, *Provisions, contingent liabilities and contingent assets*. 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. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Company does not expect IFRIC 21 to have a material impact on its financial statements.

The IASB has issued IFRS 9 *Financial Instruments* ("IFRS 9") which proposes to replace IAS 39 *Financial Instruments Recognition and Measurement*. 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. This standard is effective for the Company's annual period beginning January 1, 2015 (as amended from January 1, 2013 by the IASB in December 2012). The Company will evaluate the impact of the change to its consolidated financial statements based on the characteristics of its financial instruments at the time of adoption.

Adoption of New Accounting Standards and Developments

The comparative information presented in these financial statements for the three and six months ended June 30, 2012 and the financial position as at December 31, 2012 have been restated as a result of the new IFRS standards adopted as at January 1, 2013 as explained below:

Effective January 1, 2013, the Company adopted the new recommendations of IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), which replaces parts of IAS 27, *Consolidated and Separate Financial Statements* ("IAS 27") and all of SIC-12 *Consolidation – Special Purpose Entities*, which changes the definition of control which is the determining factor in whether an entity should be consolidated. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

Effective January 1, 2013, the Company adopted the new recommendations of IFRS 11 *Joint Arrangements* ("IFRS 11"), which replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* and requires a venturer to classify its interest in a joint arrangement as either a joint operation or a joint venture. For a joint operation, the joint operator will recognize its assets, liabilities, revenue and expenses, and/or its relative share thereof. For a joint venture, the joint venturer will account for its interest in the venture's net assets using the equity method of accounting. This is a change from the existing standards, under which the Company chose to proportionally consolidate joint ventures. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2013, the Company adopted the new recommendations of IFRS 12 *Disclosure of Interests in Other Entities ("IFRS 12").* IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Effective January 1, 2013, the Company adopted the new recommendations of IFRS 13 *Fair Value Measurement ("IFRS 13")* which replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. The adoption of this standard did not have an effect on the amounts recognized in the Company's consolidated financial statements for the current period. The interim disclosure requirements of IFRS 13 have been included in these statements and will be incorporated in our annual consolidated financial statements for the year ended December 31, 2013.

The Company adopted IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20") and therefore applied the requirements to production stripping costs incurred on or after January 1, 2012, in accordance with the transitional provisions of IFRIC 20. The Company also analyzed its stripping assets recorded as of January 1, 2012, the date of the earliest period presented, in accordance with the transitional provisions of IFRIC 20 and concluded that its stripping activity assets are identifiable components of the ore body and no adjustments were required as at January 1, 2012.

The interpretation provides guidance on how to account for overburden waste stripping costs in the production phase of a surface mine. Stripping activity related to inventory produced is accounted for in accordance with IAS 2, *Inventories.* Stripping activity that improves access to ore is accounted for as an addition to or enhancement of an existing asset.

Under the Company's previous accounting policy, stripping costs incurred in the production phase of a mining operation were capitalized when the stripping activity increased future output of the mine by providing access to additional reserves outside the original mine plan. Under IFRIC 20, the Company recognizes stripping activity assets, when the following three criteria are met:

i. it is probable that the future economic benefit associated with the stripping activity will flow to the Company;
ii. the Company can identify the component of the ore body for which access has been improved; and
iii. the costs relating to the stripping activity associated with that component can be measured reliably by the Company.

Stripping activity assets capitalized under IFRIC 20 are classified as capitalized stripping costs as part of the Company's property plant and equipment. The adoption of IFRIC 20 resulted in an increase in the capitalization of stripping activity assets on the Company's consolidated financial position and an increase in earnings as costs that were expensed under the Company's previous accounting policy, as they related to accessing reserves in the original mine plan, are now capitalized because they meet the three criteria for recognition under IFRIC 20. These additional stripping activity costs are amortized on a unit of production basis in subsequent periods over the proven and probable reserves to which they relate. Inventories were adjusted for the impact of capitalized production stripping costs and the depreciation of stripping activity assets which is included in the cost of inventories.

(Expressed in thousands of United States Dollars)

The Company's policy for depreciation of the stripping activity assets is unchanged as a result of the adoption of IFRIC 20.

As a result of adopting IFRIC 20, the book value of property plant and equipment increased by $36.7 million and gold inventories increased by $3.6 million with a corresponding increase in earnings of $40.3 million for the year ended December 31, 2012.

This new pronouncement has no effect on the Company's cash balance and cash flow other than the presentation in the consolidated cash flow statement. Below is the net effect of the adoption of the new IFRIC 20 standard, as described above, on the Company's comparative financial statements as at December 31, 2012 and for the three months and six months ended June 30, 2012:

a) Consolidated Statements of Financial Position

		June 30, 2012		December 31, 2012
Total assets- before adoption of IFRIC 20	$	1,560,851	$	1,554,131
Adjustments for:				
Addition (reversal) of stripping costs in inventory		(3,574)		3,553
Capitalized stripping assets (Property plant and equipment)		33,436		36,714
Total assets- after adoption of IFRIC 20	$	1,590,713	$	1,594,398
Total shareholders' equity- before adoption of IFRIC 20	$	1,461,319	$	1,328,826
Adjustments for:				
Reversal of stripping costs included in cost of sales		1,633		4,155
Reversal of stripping costs included in abnormal mining costs		28,229		36,112
Total shareholders' equity- after adoption of IFRIC 20	$	1,491,181	$	1,369,093

(Expressed in thousands of United States Dollars)

b) Adjustments to Consolidated Statements of loss and Comprehensive loss

	Three months ended June 30, 2012	Six months ended June 30, 2012
Net loss and comprehensive loss - before adoption of IFRIC 20	$ (54,597)	$ (69,250)
Adjustments to:		
Cost of sales	(4,002)	1,633
Abnormal mining costs	9,659	28,229
Net loss and comprehensive loss- after adoption of IFRIC 20	$ (48,940)	$ (39,388)
Basic and diluted loss per common share- before adoption of IFRIC 20	$ (0.23)	$ (0.29)
Basic and diluted loss per common share- after adoption of IFRIC 20	$ (0.21)	$ (0.17)

c) Adjustments to Consolidated Statements of Cash Flow

	Three months ended June 30, 2012	Six months ended June 30, 2012
Net cash used in operating activities- before adoption of IFRIC 20	$ (45,123)	$ (34,888)
Adjustments to:		
Reversal of stripping costs included in earnings	5,657	29,862
Depreciation, depletion and amortization	(3,472)	(5,793)
Change in working capital- inventories	632	537
Net cash used in operating activities- after adoption of IFRIC 20	$ (42,306)	$ (10,282)
Net cash provided by investing activities- before adoption of IFRIC 20	$ 28,785	$ 116,584
Adjustment to:		
Stripping costs capitalised as additions to PP&E	(2,817)	(24,606)
Net cash provided by investing activities- after adoption of IFRIC 20	$ 25,968	$ 91,978

(Expressed in thousands of United States Dollars)

3. Acquisition of interest in Öksüt Gold Project

On January 24, 2013 the Company acquired the remaining 30% interest that it did not own in the Öksüt Gold Project located in the Kayseri region of central Turkey. The Company paid $20.2 million, (including transaction costs of $0.2 million), and a 1% Net Smelter Return royalty on the project, subject to a maximum of $20 million, as consideration for the 30% interest acquired. The net assets acquired included $0.4 million of cash.

The acquisition was accounted for as an equity transaction because the Company controlled the entity before the acquisition of the additional interest.

4. Amounts receivable

(Thousands of U.S. Dollars)		**June 30, 2013**		December 31, 2012
Gold sales receivable from related party (note 16)	$	**26,810**	$	48,325
Gold sales receivable from third party		**8,333**		17,906
Other receivables		**6,083**		9,107
	$	**41,226**	$	75,338

5. Inventories

(Thousands of U.S. Dollars)		**June 30, 2013**		**December 31, 2012**
Stockpiles of ore	**$**	**33,387**	$	94,288
Gold in-circuit		**26,141**		19,140
Heap leach in circuit		**8,921**		6,189
Gold doré		**9,622**		7,612
		78,071		127,229
Supplies		**176,776**		175,430
Total Inventories (net of provisions)		**254,847**		302,659
Less: Long-term inventory (heap leach stockpiles)		**(5,662)**		(10,094)
Total Inventories-current portion	**$**	**249,185**	$	292,565

As a result of an increase in cost and decrease in the price of gold at June 30, 2013, stockpiled inventory was written down to net realizable value at June 30, 2013. The write down of inventory was Nil and $3.2 million for the three and six months ended June 30, 2013 and is included in cost of sales, as disclosed in note 10.

The provision for mine supplies obsolescence was increased for the three and six months ended June 30, 2013 by $0.2 million and $0.4 million ($0.2 million and $0.5 million for the three and six months ended June 30, 2012) which was charged to cost of sales, as disclosed in note 10.

(Expressed in thousands of United States Dollars)

The table below summarizes inventories adjusted for the provision for obsolescence:

(Thousands of U.S. Dollars)		**June 30, 2013**		**December 31, 2012**
Total inventories	$	**258,233**	$	305,632
Less : Provisions for supplies obsolescence		**(3,386)**		(2,973)
Total Inventories (net of provisions)		**254,847**		302,659
Less: Long-term inventory (heap leach stockpiles)		**(5,662)**		(10,094)
Total Inventories-current portion	$	**249,185**	$	292,565

6. Prepaid expenses

(Thousands of U.S. Dollars)		**June 30, 2013**		December 31, 2012
Revenue-based taxes	$	**26,155**	$	30,000
Insurance		**12**		6,120
Rent		**1,172**		586
Other		**14,254**		12,611
	$	**41,593**	$	49,317

During the six months ended June 30, 2013, $3.8 million of the $30.0 million of future revenue-based taxes (which were advanced at the request of the Kyrgyz Government on May 28, 2012) was used to reduce the amount of revenue-based taxes payable during the six month period ended June 30, 2013.

(Expressed in thousands of United States Dollars)

7. Property, plant and equipment

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

(Thousands of U.S. Dollars)	Buildings, Plant and equipment	Mobile Equipment	Mineral properties	Capitalized stripping costs	Construction in progress ("CIP")	Total
Cost						
Balance January 1, 2013	$ 382,494	$ 452,644	$ 188,893	$ 367,898	$ 69,946	$ 1,461,875
Additions	1,787	35,400	-	151,525	20,642	209,354
Disposals	(20,984)	(22,777)	(510)	-	-	(44,271)
Reclassification	17	816	-	-	(833)	-
Balance June 30, 2013	**$ 363,314**	**$ 466,083**	**$ 188,383**	**$ 519,423**	**$ 89,755**	**$ 1,626,958**
Accumulated depreciation						
Balance January 1, 2013	$ 249,414	$ 234,819	$ 132,565	$ 219,154	$ -	$ 835,952
Change for the period	6,749	48,273	8,329	3,457	-	66,808
Disposals	(19,344)	(22,630)	(118)	-	-	(42,092)
Balance June 30, 2013	**$ 236,819**	**$ 260,462**	**$ 140,776**	**$ 222,611**	**$ -**	**$ 860,668**
Net book Value						
Balance January 1, 2013	$ 133,080	$ 217,825	$ 56,328	$ 148,744	$ 69,946	$ 625,923
Balance June 30, 2013	**$ 126,495**	**$ 205,621**	**$ 47,607**	**$ 296,812**	**$ 89,755**	$ 766,290

The additions to construction in progress during the six months ended June 30, 2013 was primarily made up of $18.2 million of mobile equipment at the Kumtor Project, which are currently under commissioning.

During the six months ended June 30, 2013 disposals of assets were primarily made up of $22 million in fully depreciated mobile equipment at Kumtor and a $2.1 million ($21.5 million cost less $19.4 accumulated depreciation and amortization) write down of the net book value of the impacted mine administrative building and mine road (which is classified as mineral property) at Kumtor. This write down was due to a large section of Kumtor's principal waste-rock dump, the Davidov Valley Waste-rock Dump, experiencing a greater than anticipated rate of movement, which required an acceleration of the planned relocation of certain mine infrastructure. These write down and disposals have been included in loss on disposal of assets described in noted 12.

The following is a reconciliation of the depreciation, depletion and amortization expense for the three and six month periods ended June 30, 2013 and 2012, recorded in the Statements of Earnings and Comprehensive Income, to the movement in accumulated depreciation in the Statements of Financial Position.

(Expressed in thousands of United States Dollars)

(Thousands of U.S. Dollars)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Amount recorded in cost of sales	$ **31,633**	$ 15,385	$ **75,448**	$ 33,646
Amount recorded in corporate administration	**81**	55	**166**	111
Amount recorded in abnormal mining costs	**-**	1,331	**-**	1,331
Amount recorded in mine standby costs	**-**	-	**-**	2,150
Total included in Statements of Earnings and Comprehensive Income	**31,714**	16,771	**75,614**	37,238
Inventories movement	**(19,867)**	(9,532)	**(50,506)**	(21,889)
Amount capitalised in PP&E	**20,840**	18,165	**41,700**	35,278
Increase in accumulated depreciation for the period	$ **32,687**	$ 25,404	$ **66,808**	$ 50,627

8. Accounts payable and accrued liabilities

(Thousands of U.S. Dollars)	June 30, 2013	December 31, 2012
Trade creditors and accruals	$ **46,260**	$ 58,704
Liability for share-based compensation	**915**	5,236
Total	$ **47,175**	$ 63,940

9. Short-term debt

On August 8, 2012, the Company drew $76 million on its $150 million revolving credit facility with the European Bank for Reconstruction and Development (EBRD), leaving a balance of $74 million undrawn at June 30, 2013. The drawn amount is due to be repaid on August 8, 2013. The Company has the ability to postpone the time for repayment of the loaned funds and as a result has notified EBRD of its intention to extend the drawndown to February 8, 2014.

The terms of the Facility require the Company to pledge certain mobile equipment at Kumtor as security and maintain compliance with specified covenants, including financial covenants. The Company was in compliance with these covenants as at June 30, 2013.

(Expressed in thousands of United States Dollars)

The amount of the short-term debt is presented net of unamortized deferred financing fees as shown below:

(Thousands of U.S. Dollars)		**June 30, 2013**		**December 31, 2012**
Revolver credit facility	$	**76,000**	$	76,000
Deferred financing fee		**(838)**		(1,383)
Total	$	**75,162**	$	74,617

10. Cost of sales

(Thousands of U.S. Dollars)		**Three months ended June 30, 2013**		**2012**		**Six months ended June 30,**		**2012**
Operating costs:								
Salaries and benefits	**$**	**19,838**	$	18,716	$	**39,148**	$	36,029
Consumables		**24,523**		14,951		**46,534**		53,590
Third party services		**1,308**		1,566		**2,473**		2,629
Other mine operating costs		**4,304**		4,641		**7,958**		8,532
Royalties, levies and production taxes		**1,743**		1,402		**4,334**		2,795
Impairment expense (note 5)		**3,198**		-		**3,198**		-
Changes in inventories		**(2,112)**		25,488		**(3,731)**		23,829
		52,802		66,764		**99,914**		127,404
Inventories obsolescence charge (note 5)		**192**		228		**413**		446
Depreciation, depletion and amortization		**31,633**		15,385		**75,448**		33,646
	$	**84,627**	$	82,377	$	**175,775**	$	161,496

11. Other Operating expenses

(Thousands of U.S. Dollars)		**Three months ended June 30, 2013**		**2012**		**Six months ended June 30, 2013**		**2012**
Social development contributions [a]	$	**2,085**	$	22,758	$	**2,466**	$	24,175
Net alluvial production (income) expenses		**-**		-		**-**		(47)
Project care and maintenance[b]		**75**		103		**194**		201
Project closure[c]		**(10)**		-		**1,436**		-
	$	**2,150**	$	22,861	$	**4,096**	$	24,329

(Expressed in thousands of United States Dollars)

a) During the three and six months ended June 30, 2013, the Company's spending on corporate social responsibility programs was $2.1 million and $2.5 million, respectively.

During the six months ended June 30, 2012, the Company, through its subsidiary Kumtor, contributed $21 million to a national micro-credit financing program, whose objective is to provide financing for small, sustainable development projects throughout the Kyrgyz Republic. During this period, the Company also accrued a further $1.1 million for the construction and equipping of a maternity hospital in Ulaanbaatar through the Boroo Community Development Initiatives program in Mongolia.

b) Project care and maintenance costs of $0.1 million and $0.2 million for the three and six months ended June 30, 2013 ($0.1 million and $0.2 million for the three and six months ended June 30, 2012) were to maintain the site at the Gatsuurt development project.

c) Underground project closure costs of $1.4 million were incurred by Kumtor for the six months ended June 30, 2013 (six months ended June 30, 2012 was nil) following the change in mine plan announced on November 7, 2012 and the decision to expand the open pit at Kumtor. Closure activities at the underground project focused on salvaging equipment and safely closing the portals. The Company incurred costs for labour, ground condition monitoring, remedial work, water control and ventilation.

12. Other (income) and expenses

	Three months ended June 30,		Six months ended June 30,	
(Thousands of U.S. Dollars)	**2013**	**2012**	**2013**	**2012**
Interest income	**$ (148)**	$ (142)	**$ (302)**	$ (432)
Net loss on disposal of assets (note 7)	**2,207**	122	**2,200**	147
Bank charges	**15**	15	**34**	35
Miscellaneous income	**(540)**	(38)	**(629)**	(53)
Foreign exchange loss	**1,307**	850	**2,818**	333
	$ 2,841	$ 807	**$ 4,121**	$ 30

(Expressed in thousands of United States Dollars)

13. Finance Costs

(Thousands of U.S. Dollars)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Revolving credit facility:				
Commitment fees	**$ 93**	$ 280	**$ 185**	$ 734
Interest expense	**647**	-	**1,308**	-
Amortization of deferred financing costs	**273**	273	**545**	545
Accretion of provision for reclamation	**232**	190	**463**	380
	$ 1,245	$ 743	**$ 2,501**	$ 1,659

(Expressed in thousands of United States Dollars)

14. Shareholders' Equity

a. Share Capital

Centerra is authorized to issue an unlimited number of common shares, class A non-voting shares and preference shares with no par value.

b. Earnings per Share

	Three months ended June 30,		Six months ended June 30,	
(Thousands of U.S. Dollars)	**2013**	2012	**2013**	2012
Net earnings	**$ 1,552**	$ (48,940)	**$ 52,904**	$ (39,388)
Net earnings for the purposes of diluted earnings per share	**$ 1,552**	$ (48,940)	**$ 52,904**	$ (39,388)

Basic and diluted earnings per share computation:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
Basic weighted average number of common shares outstanding (thousands)	**236,377**	236,363	**236,377**	236,370
Effect of stock options (thousands)	**-**	**-**	**53**	**-**
Effect of restricted share units (thousands)	**174**	-	**174**	**-**
Diluted weighted average number of common shares outstanding (thousands)	**236,551**	236,363	**236,604**	236,370
Basic earnings per common share	**$ 0.01**	$ (0.21)	**$ 0.22**	$ (0.17)
Diluted earnings per common share	**$ 0.01**	$ (0.21)	**$ 0.22**	$ (0.17)

All potentially dilutive securities were excluded from the calculation of diluted earnings per share for the three and six months ended June 30, 2012 as they would have been anti-dilutive as a result of the net loss recorded for the three and six months ended June 30, 2012.

For the three and six months ended June 30, 2013, certain potentially dilutive securities were excluded from the calculation of diluted earnings per share due to the exercise prices of certain stock options being greater than the average market price of the Company's common shares for the period and the effect of the assumed potential conversion of the performance share units and restricted share units to equity which was anti-dilutive.

(Expressed in thousands of United States Dollars)

Potentially dilutive securities, including stock options, restricted share units (RSUs), performance share units (PSUs) and annual performance share units (annual PSUs), are summarized as follows:

(Thousands of units)	**Three months ended June 30, 2013**	Three months ended June 30, 2012	**Six months ended June 30, 2013**	Six months ended June 30, 2012
Stock options	**2,613**	799	**2,018**	495
Restricted share units	**-**	81	**-**	81
PSUs and Annual PSUs (1)	**781**	228	**781**	236
	3,394	1,108	**2,799**	812

(1) After the impact of the estimated adjustment factor which represents the relative performance of Centerra's share as compared to the S&P/TSX Global Gold Index Return Value during the applicable period.

c. Dividend

Dividends are declared in Canadian dollars and paid in Canadian dollars. At June 30, 2013, accrued dividends payable to Kyrgyzaltyn were $11.2 million (December 31, 2012 $5.9 million - see note 16).

The details of dividends declared in the three and six months ended June 30, 2013 and 2012 are as follows:

	Three months ended June 30, 2013	Three months ended June 30, 2012	**Six months ended June 30, 2013**	Six months ended June 30, 2012
Dividend declared (Thousands of U.S Dollars)	**$ 9,162**	$ 9,238	**$ 18,380**	$ 9,238
Dividend declared (Canadian Dollar per share)	**$ 0.04**	$ 0.04	**$ 0.08**	$ 0.04

(Expressed in thousands of United States Dollars)

d. Share-Based Compensation

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

(Millions of U.S. dollars except as indicated)	Number outstanding	Expense/(Benefit) Three months ended		Expense/(Benefit) Six months ended		Liability	
	Jun 30/13	**Jun 30/13**	Jun 30/12	**Jun 30/13**	Jun 30/12	**Jun 30/13**	Dec 30/12
Stock options	**2,616,263**	$ **0.8**	$ 0.5	$ **1.6**	$ 1.0	$ **-**	$ -
PSUs	**645,861**	**-**	(4.3)	**-**	(3.8)	**-**	2.3
Annual PSUs	**150,968**	**-**	(0.2)	**-**	0.1	**-**	-
Deferred share units	**180,934**	**(0.4)**	(1.6)	**(1.0)**	(2.6)	**0.6**	1.9
Restricted share units	**173,638**	**(0.2)**	(0.2)	**(0.3)**	0.1	**0.5**	1.0
		$ **0.2**	$ (5.8)	$ **0.3**	$ (5.2)	$ **1.1**	$ **5.2**

Movements in the number of options and units for the six months ended June 30, 2013, are summarized as follows:

	Number outstanding Dec 31/12	Issued	Exercised	Expired/ Forfeited	Number outstanding Jun 30/13	Number Vested Jun 30/13
Stock options	1,674,194	961,839	-	(19,770)	**2,616,263**	**708,884**
PSUs	603,126	392,171	(345,682)	(3,754)	**645,861**	**-**
Annual PSUs	76,474	173,541	(76,474)	(22,573)	**150,968**	**75,484**
Deferred share units	209,690	26,915	(55,671)	-	**180,934**	**180,934**
Restricted share units	112,397	97,484	(36,243)	-	**173,638**	**173,638**

d.(i) Stock Options

On March 4, 2013, Centerra granted 956,462 stock options to employees at an exercise price of Cdn $6.78 per share. The fair value of the stock options was determined using the Black-Scholes valuation model, assuming a weighted average expected life of 3 years, 64.22% volatility, dividend yield of 2.48% and a risk-free rate of return of 1.11%. The resulting weighted average fair value per option granted was Cdn $2.24. The estimated fair value of the options is expensed over their graded vesting periods, which range from 1 year to 3 years.

On May 20, 2013, Centerra granted 5,377 stock options to employees at an exercise price of Cdn $3.96 per share. The fair value of the stock options was determined using the Black-Scholes valuation model, assuming a weighted average expected life of 3 years, 67.4% volatility, dividend yield of 4.81% and a risk-free rate of return of 1.15%. The resulting weighted average fair value per option granted was Cdn $1.21. The estimated fair value of the options is expensed over their graded vesting periods, which range from 1 year to 3 years.

(Expressed in thousands of United States Dollars)

d.(ii) Performance Share Unit Plan

Centerra granted 392,171 performance share units during the first six months of 2013, at a weighted average grant price of Cdn $10.36 per share unit. The fair value of the outstanding performance share units estimated at June 30, 2013 was determined using the Monte Carlo option pricing model.

The principal assumptions used in applying the Monte Carlo option pricing model as at June 30, 2013 were as follows:

Share price	$	3.02
S&P/TSX Global Gold Index	$	171.23
Expected life (years)		1.53
Expected volatility- Centerra's share price		73.91 %
Expected volatility- S&P/TSX Global Gold Index		35.4 %
Risk-free rate of return		1.60 %
Forfeiture rate		2.90 %

The resulting weighted average fair value of each performance share unit as of June 30, 2013 was Nil.

d.(iii) Annual Performance Share Unit Plan

Centerra granted 173,541 annual performance share units during the first six months of 2013, at a grant price of Cdn $10.26 per share unit. The fair value of the outstanding performance share units estimated at June 30, 2013 was determined using the Monte Carlo option pricing model.

The principal assumptions used in applying the Monte Carlo option pricing model as at June 30, 2013 were as follows:

Share price	$	3.02
S&P/TSX Global Gold Index	$	171.23
Expected life (years)		0.50
Expected volatility- Centerra's share price		73.99 %
Expected volatility- S&P/TSX Global Gold Index		41.80 %
Risk-free rate of return		1.39 %
Forfeiture rate		7.52 %

The resulting weighted average fair value of each annual performance share unit as of June 30, 2013 was Nil.

d.(iv) Deferred Share Unit Plan

During the first six months ended June 30, 2013, Centerra granted to eligible members of the Board of Directors 26,915 deferred share units, which vest immediately, at a weighted average grant price of Cdn $4.34 per unit.

d.(v) Restricted Share Unit Plan

During the first six months ended June 30, 2013, Centerra granted to eligible members of the Board of Directors 97,484 restricted share units, which vest immediately, at a weighted average grant price of Cdn $4.34 per unit.

15. Commitments and Contingencies

Commitments
As at June 30, 2013, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $54.6 million (Kumtor - $53.9 million and Boroo - $0.7 million) which are expected to be settled over the next twelve months.

Contingencies
Various legal and tax matters are outstanding from time to time due to the nature of the Company's operations. While the final outcome with respect to actions outstanding or pending at June 30, 2013 cannot be predicted with certainty, it is management's opinion that, except as noted below, their resolution will not have a material adverse effect on the Company's financial statements.

Kyrgyz Republic

There have been several developments with respect to actions taken by the Kyrgyz Republic Parliament ("Parliament") and the Kyrgyz Republic Government ("Government") that impact Kumtor and the agreements that govern the Kumtor Project (the "Kumtor Project Agreements"). In particular, the following developments occurred in the Kyrgyz Republic:

i. Negotiations between Kyrgyz Republic and Centerra

The Kyrgyz Republic Parliament passed resolution #2805 on February 21, 2013, which, among other things, recommended that the Kyrgyz Government conduct consultations and negotiations with the Company to find mutually acceptable solutions with respect to the Kumtor Project and the issues raised in the Parliamentary and State Commission reports. The resolution set a deadline of June 1, 2013 for the Government to return to the Parliament with information on how to implement the Parliament's recommendations in the resolution. This deadline of June 1, 2013 was extended by Parliament by way of a resolution dated June 5, 2013 (Resolution #3169-V). The original deadline of June 1, 2013 was extended for three months, and Parliament set a deadline of September 10, 2013 for the Government to present final agreements incorporating the mutually acceptable solution. Resolution #3169-V also provides that if a mutually acceptable solution has not been agreed to, the Government is instructed to develop and submit a draft law "On Denunciation of the Agreement for the Kumtor Project" for review by the Kyrgyz Republic Parliament.

The Company continues to discuss outstanding matters with the Kyrgyz Republic advisory working group, which includes Prime Minister Satybaldiev, and with the Kyrgyz Republic financial and legal experts. The Company is in discussions with the Government regarding a potential restructuring transaction under which Kyrgyzaltyn JSC would exchange its 32.7% equity interest in the Company for an interest of equivalent value in a joint venture company that would own the Kumtor Project. Discussions are on-going and any definitive agreement for a potential restructuring would be subject to compliance with all applicable legal and regulatory requirements and approvals regarding any independent valuation and minority shareholder approval requirements. The Company expects to continue discussions with the Government with the objective of resolving matters through constructive dialogue. However, there can be no assurance that any transaction will be consummated or that the Company will be able to successfully resolve any of the matters currently affecting the Kumtor Project.

ii. Environmental Claims

On June 7, 2013, Kumtor Operating Company ("KOC") received four court claims filed by the State Inspectorate Office for Environmental and Technical Safety ("SIETS") with the Bishkek Inter-district court seeking to enforce the previously disclosed environmental claims issued by SIETS in December 2012 for an aggregate amount of approximately $152 million. The SEITS environmental claims sought compensation from KOC in relation to (i) placement of waste rock on glaciers; (ii) unpaid use of water from Lake Petrov; (iii) unaccounted industrial and household waste; and (iv) damages caused to land resources (top soil). KOC submitted materials requesting the court reject the claims based on the arbitration clause in the Amended and Restated Investment Agreement between (among others) the Government and KOC dated June 6, 2009, which requires all such disputes to be resolved through international arbitration. The Bishkek Inter-district court dismissed the claims for enforcement on the basis that the arbitration clause in the Restated Investment Agreement requires all such disputes to be resolved through international arbitration.

On June 20, 2013, SIETS appealed the decision of the Bishkek Inter-district court to the Bishkek City Court. KOC will continue to dispute the claims, both on a substantive and procedural basis.

On February 21, 2013, Kumtor received, an additional environmental claim from the State Agency for Environmental Protection and Forestry ("SAEPF") relating to alleged environmental damages at the Kumtor Project for an amount of approximately $315 million. KOC continues to be in discussions with SAEPF regarding the claim.

KOC management believes the claims are exaggerated or 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 which carried out a due diligence review of Kumtor's performance on safety, health and environmental matters at the request of the Company's Safety, Health and Environmental Committee of the Board of Directors.

iii. Kumtor Waste Dump Movement

At Kumtor, movement of a waste dump in May 2013 has required Kumtor to develop and implement alternative waste rock dumps at the Kumtor mine and to revise its mine development plan. The revised mine development plan was submitted in June 2013 and Kumtor is working with applicable regulatory authorities at the State Agency for Geology and Mineral Resources (the "SAGMR") under the Government of the Kyrgyz Republic and SAEPF to obtain necessary approvals in a timely manner. Kumtor is placing waste rock in areas previously approved as waste dumps and/or in areas where Kumtor is currently seeking regulatory approval to place waste rock. With respect to the areas where the approval process is still underway, Kumtor has requested temporary approval from the relevant regulatory authorities (SAGMR and SAEPF) for this purpose. Although, each of SAGMR and SAEPF acknowledged Kumtor's plans with respect to the placement of waste rock in these areas, they indicated that they lacked the authority to grant such temporary approval. However, SAGMR also indicated that it had no objections to Kumtor's plan of placing waste rock in such areas.

There are 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 project agreements signed with the Kyrgyz Republic Government in June 2009 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. The inability to successfully resolve matters, including obtaining all necessary approvals, and/or further actions of the Kyrgyz Republic Government and/or Parliament, could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial conditions.

Mongolia

Boroo Stability Agreement

In view of the expiry of the Boroo Stability Agreement on July 7, 2013, working groups comprised of representatives of the Company, Boroo Gold Company ("BGC") and the Mongolian Ministry of Mining have been formed to assess compliance with the terms of the Stability Agreement. The working groups met several times in June 2013 and engaged in detailed discussions on the financial, geological and legal aspects of the Stability Agreement, ultimately concluding that both BGC and the Government of Mongolia had operated within the agreement and in accordance with all applicable Mongolian laws and regulations. Representatives of the Ministry of Mining have communicated these findings to the Minister of Mining and Cabinet and we await further comment from them.

In addition, the Company notes that the expiry of the Boroo Stability Agreement has resulted in the tax and royalty rates applicable to the Boroo project becoming subject to those applicable under current Mongolian law, as noted below:

(i) In particular, the applicable income tax rate, which is unchanged from the rate Boroo has paid up to the date of expiry of the Stability Agreement, is 25% for taxable income over 3 billion Mongolian tugriks (approximately $2.1 million at the June 30, 2013 foreign exchange rate) with a tax rate of 10% for taxable income up to that amount. The royalty rate which was previously stabilized at 5% will now vary from 5% to 10%, depending on the price of gold per ounce in U.S. dollars at the time of sale.
(ii) VAT paid on inputs will no longer be recoverable by BGC.

Because the Boroo deposit is classified as a "mineral deposit of strategic importance" under applicable Mongolian laws, following the expiry of the Boroo Stability Agreement, the Government of Mongolia has a right to acquire up to a 50% interest in the project. The Company is continuing its discussions with representatives of the Government of Mongolia in this regard, including as to the amount and share of the Government of Mongolia's investment into the project. However, given the short remaining mine life of the Boroo project, the Company does not expect that the participation of the Government of Mongolia would have a material effect on the Company's financial results.

Gatsuurt

The Company continues to be in discussions with the Mongolian Government regarding the development of the Gatsuurt property. The Company 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. The Mongolian Water and Forest Law prohibits mineral prospecting, exploration and mining in water basins and forestry areas in Mongolia.

The Company understands that, in May 2013, the Mongolian Government added seven deposits, including Gatsuurt, to the list of "mineral deposits of strategic importance". Such a designation, which is subject to the approval of Parliament, would have the effect of excluding the Gatsuurt deposit from the application of the Water and Forest Law. The Company expects that Parliament and/or any relevant committees of Parliament will consider this matter further in the fourth quarter of 2013, when Parliament reconvenes after its summer recess. If Parliament ultimately approves this designation, it would allow the Government of Mongolia to acquire up to a 34% interest in Gatsuurt. The terms of any such participation would be subject to discussions with the Government.

There can be no assurance, however, that the Water and Forest Law will not have a material impact on the Company'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 or eliminated entirely and the Company may be required to write-off the associated investment in Gatsuurt and Boroo (where Gatsuurt ore is planned to be milled).

Corporate

Enforcement Notice by Sistem

The claim commenced in March 2011 by a Turkish company, Sistem Muhenkislik Insaat Sanayi Ticaret SA ("Sistem") which alleges that the shares in the Company owned by Kyrgyzaltyn JSC are, in fact, legally and beneficially owned the Kyrgyz Republic continues to be subject to proceedings in the Ontario courts. The Company is not a party to the proceedings, but understands that the matter is being scheduled for consideration on its merits.

Pursuant to a Court Order issued by the Ontario Superior Court of Justice (as amended from time to time, and most recently amended on June 5, 2013) (the "Court Order"), the Company is holding in trust (for the benefit of the Sistem court proceedings) dividends otherwise payable to Kyrgyzaltyn JSC. Effective as of June 6, 2013, when a dividend was paid by the Company, the maximum amount to be held in trust as set out in the Court Order (Cdn$11.3 million) has been reached. As of June 30, 2013, the Company holds in trust, for the benefit of the Sistem court proceeding, approximately Cdn$11.3 million. Subject to any future changes to the Court Order, all future dividends will be paid to Kyrgyzaltyn JSC.

(Expressed in thousands of United States Dollars)

16. Related Party Transactions

Kyrgyzaltyn JSC

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

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

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

	Three months ended June 30,		**Six months ended June 30,**	
(Thousands of U.S. Dollars)	**2013**	2012	**2013**	2012
Management fees to Kyrgyzaltyn	**$ 70**	$ 40	**$ 162**	$ 102
Gross gold and silver sales to Kyrgyzaltyn	**$ 96,942**	$ 64,219	**$ 246,149**	$ 172,246
Deduct: refinery and financing charges	**(433)**	(196)	**(947)**	(489)
Net sales revenue received from Kyrgyzaltyn	**$ 96,509**	$ 64,023	**$ 245,202**	$ 171,757

Dividend

	Three Months Ended June 30,		**Six months ended June 30,**	
(Thousands of U.S. Dollars)	**2013**	2012	**2013**	2012
Dividends declared to Kyrgyzaltyn	**$ 3,016**	$ 3,096	**$ 6,037**	$ 3,096
Withholding taxes	**(151)**	(155)	**(302)**	(155)
Net dividends payable to Kyrgyzaltyn	**$ 2,865**	$ 2,941	**$ 5,735**	$ 2,941

(Expressed in thousands of United States Dollars)

Related party balances

The assets and liabilities of the Company include the following amounts with Kyrgyzaltyn:

(Thousands of U.S. Dollars)		**June 30, 2013**		**December 31, 2012**
Prepaid amounts	**$**	**413**	$	-
Amounts receivable (note 4)		**26,810**		48,325
Total related party assets	**$**	**27,223**	$	48,325
Dividend payable (net of withholding taxes)	**$**	**11,233**	$	5,949
Total related party liabilities	**$**	**11,233**	$	5,949

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. Based on movements in Centerra's share price and the value of individual or unsettled gold shipments during the six months ended June 30, 2013, the maximum exposure reflecting the shortfall in the value of the security as compared to the value of any unsettled shipments was approximately $33.1 million. The last shipment of the quarter ended June 30, 2013 occurred on June 30, 2013 resulting in $26.8 million in receivables outstanding (December 31, 2012 - $48.3 million). Subsequent to June 30, 2013, the balance receivable from Kyrgyzaltyn was paid in full.

Dividend payable and restricted cash held in trust

Pursuant to an Ontario court order last updated on June 6, 2013, Kyrgyzaltyn's portion of all Centerra dividends declared during the first six months of 2013, equal to an aggregate of $5.7 million ($6.0 million net of withholding taxes of $0.3 million) are held in trust for the benefit of the Sistem court proceedings. The court order sets a maximum of approximately Cdn$11.3 million to be held in trust. As at June 30, 2013 the full amount under the court order was held in trust.

The dividend payable and restricted cash held in trust have been classified as long-term since the timing of the resolution of the court proceedings is unknown.

17. Fair value measurements

The carrying value of cash and cash equivalents, accounts receivable, short-term debt, reclamation trust fund, restricted cash and accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these financial instruments and floating rate of interest on the short-term debt.

Certain financial assets and liabilities are measured at fair value on a recurring basis and classified within the fair value hierarchy in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non recurring basis.

A hierarchy for which these assets and liabilities are grouped based on whether the inputs to those valuation techniques are observable or unobservable is provided below.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. These two types of inputs create the following fair value hierarchy:

> Level 1: observable inputs such as quoted prices in active markets;
>
> Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and
>
> Level 3: unobservable inputs for the asset or liability in which little or no market data exists, therefore require an entity to develop its own assumptions.

The following table summarizes the fair value measurement by level at June 30, 2013, and December 31, 2012 for assets and liabilities measured at fair value on a recurring basis:

(Expressed in thousands of United States Dollars)

	June 30, 2013		December 31, 2012	
(Thousands of US$)	Level 1	Level 2	Level 1	Level 2
Financial Assets				
Cash and cash equivalents	$ **307,636**	$ **-**	$ 334,115	$ -
Short-term investments	**7,997**	**-**	47,984	-
Restricted cash	**10,927**	**-**	6,087	-
Reclamation trust fund	**13,511**	**-**	11,328	-
	$ **340,071**	$ **-**	$ 399,514	$ -
Financial Liabilities				
Cash settled share-based compensation liabilities	$ **-**	$ **915**	$ -	$ 5,236
	$ **-**	$ **915**	$ -	$ 5,236

18. Supplemental cash flow disclosure

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

	Three months ended June 30,		Six months ended June 30,	
(Thousands of U.S. Dollars)	2013	2012	2013	2012
Additions to PP&E during the period	$ **(105,456)**	$ (117,863)	$ **(209,354)**	$ (277,466)
Depreciation and amortization included in additions to PP&E	**20,840**	18,165	**41,700**	35,278
Reduction (increase) in accruals included in additions to PP&E	**(1,630)**	657	**7,735**	(628)
Cash investment in PP&E	$ **(86,246)**	$ (99,041)	$ **(159,919)**	$ (242,816)

19. Subsequent event

On July 31, 2013, the Company announced that its Board of Directors approved a quarterly dividend of Cdn$0.04 per common share. The dividend is payable August 29, 2013 to shareholders of record on August 15, 2013.

20. Segmented Information

The following table reconciles segment operating profit per the reportable segment information to operating profit per the consolidated statements of earnings and comprehensive income.

(Expressed in thousands of United States Dollars)

Three months ended June 30, 2013

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ **96.5**	$ **31.7**	$ **-**	$ **128.2**
Cost of sales	**65.7**	**18.9**	**-**	**84.6**
Regional office administration	**4.4**	**1.5**	**-**	**5.9**
Earnings from mine operations	**26.4**	**11.3**	**-**	**37.7**
Revenue based taxes	**13.5**	**-**	**-**	**13.5**
Other operating expenses	**1.5**	**0.6**	**-**	**2.1**
Exploration and business development	**2.1**	**0.7**	**3.5**	**6.3**
Corporate administration	**0.1**	**0.1**	**7.0**	**7.2**
Earnings (loss) from operations	**9.2**	**9.9**	**(10.5)**	**8.6**
Other (income) and expenses				**2.8**
Finance costs				**1.2**
Earnings before income taxes				**4.6**
Income tax expense				**3.0**
Net Earnings and comprehensive income				**$ 1.6**
Capital expenditure for the period	**$ 101.6**	**$ 3.8**	**$ 0.1**	**$ 105.5**

Three months ended June 30, 2012

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ 64.0	$ 25.7	$ -	$ 89.7
Cost of sales	66.1	16.3	-	82.4
Abnormal mining costs	3.9	-	-	3.9
Regional office administration	4.1	1.2	-	5.3
Earnings (loss) from mine operations	(10.1)	8.2	-	(1.9)
Revenue based taxes	9.0	-	-	9.0
Other operating expenses	21.3	1.5	-	22.8
Exploration and business development	3.0	2.2	4.0	9.2
Corporate administration	0.5	-	1.4	1.9
Earnings (loss) from operations	(43.9)	4.5	(5.4)	(44.8)
Other (income) and expenses				0.8
Finance costs				0.7
Loss before income taxes				(46.3)
Income tax expense				2.6
Net Loss and comprehensive loss				$ (48.9)
Capital expenditure for the period	$ 112.8	$ 5.0	$ 0.1	$ 117.9

(Expressed in thousands of United States Dollars)

Six months ended June 30, 2013

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ **245.2**	$ **75.3**	$ **-**	$ **320.5**
Cost of sales	**132.0**	**43.8**	**-**	**175.8**
Regional office administration	**8.5**	**3.0**	**-**	**11.5**
Earnings from mine operations	**104.7**	**28.5**	**-**	**133.2**
Revenue-based taxes	**34.3**	**-**	**-**	**34.3**
Other operating expenses	**3.4**	**0.7**	**-**	**4.1**
Exploration and business development	**4.4**	**1.7**	**7.3**	**13.4**
Corporate administration	**0.2**	**0.2**	**13.6**	**14.0**
Earnings (loss) from operations	**62.4**	**25.9**	**(20.9)**	**67.4**
Other (income) and expenses				**4.1**
Finance costs				**2.5**
Earnings before income taxes				**60.8**
Income tax expense				**7.9**
Net earnings and comprehensive income				$ **52.9**
Capital expenditure for the period (note 18)	**$ 203.7**	**$ 5.2**	**$ 0.5**	**$ 209.4**
Assets (excluding Goodwill)	**$ 975.6**	**$ 152.4**	**$ 326.2**	**$ 1,454.2**

Six months ended June 30, 2012

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ 171.8	$ 51.7	$ -	$ 223.5
Cost of sales	128.9	32.6	-	161.5
Abnormal mining costs	4.5	-	-	4.5
Mine standby costs	4.6	-	-	4.6
Regional office administration	7.4	2.7	-	10.1
Earnings from mine operations	26.4	16.4	-	42.8
Revenue-based taxes	24.0	-	-	24.0
Other operating expenses	22.7	1.7	-	24.4
Exploration and business development	5.3	4.3	7.9	17.5
Corporate administration	1.1	0.1	9.3	10.5
Earnings (loss) from operations	(26.7)	10.3	(17.2)	(33.6)
Finance costs				1.7
Loss before income taxes				(35.3)
Income tax expense				4.1
Net Loss and comprehensive loss				$ (39.4)
Capital expenditure for the period (note 18)	$ 268.5	$ 8.8	$ 0.2	$ 277.5
Assets (excluding Goodwill)	$ 978.0	$ 325.1	$ 156.0	$ 1,459.1