

# **Centerra Gold Inc.**

## **Management’s Discussion and Analysis (“MD&A”)**

### **For the Period Ended March 31, 2017**

*This Management Discussion and Analysis (“MD&A”) has been prepared as of May 1, 2017, 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 months ended March 31, 2017 in comparison with the corresponding period ended March 31, 2016. This discussion should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements and the notes thereto for the three months ended March 31, 2017. This MD&A should also be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended December 31, 2016 and 2015, the related MD&A and the Annual Information Form for the year ended December 31, 2016 (the “2016 Annual Information Form”). The Company’s unaudited condensed consolidated interim financial statements and the notes thereto for the three months ended March 31, 2017, 2016 Annual Report and 2016 Annual Information Form are available at [www.centerragold.com](http://www.centerragold.com) and on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com).*

**All references in this document denoted with <sup>NG</sup>, indicate a non-GAAP term which is discussed under “Non-GAAP Measures”.**

## **1. Overview**

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

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

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

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

## **2. Market Conditions**

### **Gold Price**

During the first quarter of 2017, the gold price fluctuated between a low of \$1,151 per ounce and a high of \$1,257 per ounce. The average gold price for the quarter was \$1,219 per ounce, a \$36 per ounce increase

compared to the first quarter of 2016 average of \$1,183 per ounce, and a \$1 per ounce decrease compared to the fourth quarter of 2016 average.

Over the course of 2016, gold prices increased with improved investor demand off the back of political uncertainty and continued expectations that U.S. benchmark interest rates would remain at relatively low levels. However, following the U.S. election in the fourth quarter of 2016, gold prices came under pressure as market participants quickly discounted the uncertainty that was previously assumed with a Trump Administration. Subsequently, the first quarter of 2017 saw a reversal of this latter trend as the new U.S. Administration ran into early challenges.

### **Copper Price**

During the first quarter of 2017, the copper price fluctuated between a low of \$2.49 per pound and a high of \$2.76 per pound. The average copper price for the quarter was \$2.65 per pound, a \$0.53 per pound increase compared to the first quarter of 2016 average of \$2.12 per pound, and a \$0.28 per pound increase compared to the fourth quarter of 2016.

After reaching a six year low of \$1.94 per pound in the first quarter of 2016, copper prices stabilized and witnessed a significant increase in the fourth quarter of 2016 as a result of mine labour disruptions along with improved investor sentiment as a result of expectations on infrastructure spending with the new U.S. Administration.

### **Foreign Exchange Rates**

#### **USD to CAD**

The average U.S. dollar exchange rate weakened by 3.5% at the end of the first quarter of 2017 compared to the first quarter of 2016, ranging from 1.25 to 1.46 with an average of 1.33. The relative weakness of the U.S. dollar over the course of 2016 was largely due to a recovery in oil prices from the first quarter of 2016 price of approximately \$30 per barrel. While the U.S. dollar was relatively stable versus the Canadian dollar over the first quarter of 2017, late in the period, the U.S. dollar began to show signs of more consistent appreciation as a result of a March 2017 U.S. rate hike, cautious rhetoric from the Bank of Canada, and rising trade concerns resulting from a looming North American Free Trade Agreement (NAFTA) renegotiation and domestic fears regarding the possible introduction of a border adjustment tax from the new U.S. Administration.

#### **USD to Kyrgyz Som**

The average U.S. dollar exchange rate weakened by 6.5% at the end of the first quarter of 2017 compared to the first quarter of 2016, ranging from 67.02 to 75.90 with an average of 70.50. The Kyrgyz som is being pulled up by strengthening currencies with the country's main trading partners – mainly Russia. The strengthening in the Russian ruble reflects higher oil prices and an improving economic situation.

### **Foreign Exchange Transactions**

The Company receives its revenues through the sale of gold, copper and molybdenum in U.S. dollars. The Company has operations in the Kyrgyz Republic, Turkey, Mongolia, and Canada (where the Mount Milligan Mine and its corporate head office are also located). During the first three months of 2017, the Company incurred combined expenditures (including capital) totalling approximately \$262 million. Approximately \$147 million of this (56%) 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: 53% in Canadian dollars, 39% in Kyrgyz soms, 5% in Euros, and 3% in Turkish lira, Mongolian tugriks and British pounds. The average value of the Turkish lira depreciated against the U.S. dollar by approximately 5% from its value at December 31, 2016. The Australian dollar, Russian ruble, Canadian dollar and Euro appreciated against

the U.S. dollar by approximately 5%, 5%, 2% and 1% respectively from their value at December 31, 2016. The net impact of these movements in the first quarter of 2017, after taking into account currencies held at the beginning of the year, was to increase annual costs by \$1.2 million (increase of \$1.3 million in the first three months of 2016).

### 3. Consolidated Highlights Summary

| (\$ millions, except as noted)   | Three months ended March 31, |                     |          |
|--|------------------------------|---------------------|----------|
|  | 2017                         | 2016 <sup>(6)</sup> | % Change |
| <b>Financial Highlights</b>  |                              |                     |          |
| Revenue  | \$ 285.3                     | \$ 73.2             | 290%     |
| Cost of sales  | 171.9                        | 31.5                | 447%     |
| Earnings from mine operations  | 107.9                        | 38.5                | 180%     |
| Earnings from operations   | 65.5                         | 18.5                | 254%     |
| Net earnings   | \$ 57.0                      | \$ 18.1             | 215%     |
| Cash provided by operations  | 72.5                         | 9.4                 | 671%     |
| Cash provided by operations before changes in working capital <sup>(3)</sup>                               | 118.1                        | 27.2                | 334%     |
| Capital expenditures (sustaining) <sup>(3)</sup>   | 19.8                         | 23.2                | (15%)    |
| Capital expenditures (growth) <sup>(3)</sup>   | 1.4                          | 5.1                 | (73%)    |
| Capital expenditures (stripping)   | 62.5                         | 14.1                | 344%     |
| Total assets   | \$ 2,685.2                   | \$ 1,674.2          | 60%      |
| Long-term debt and long-term lease obligation  | 380.0                        | -                   | 100%     |
| Cash, short-term investments and restricted cash   | 357.8                        | 515.0               | (31%)    |
| <b>Share Data</b>  |                              |                     |          |
| Earnings per common share - \$ basic <sup>(2)</sup>  | \$ 0.20                      | \$ 0.08             | 150%     |
| Earnings per common share - \$ diluted <sup>(2)</sup>  | \$ 0.20                      | \$ 0.07             | 186%     |
| <b>Per Ounce Data (except as noted)</b>  |                              |                     |          |
| Average gold spot price - \$/oz <sup>(3)</sup>   | 1,219                        | 1,183               | 3%       |
| Average copper spot price - \$/lbs <sup>(3)</sup>  | 2.65                         | 2.12                | 25%      |
| Average realized gold price - Kumtor (third party) - \$/oz <sup>(3)</sup>                                  | 1,219                        | 1,186               | 3%       |
| Average realized gold price (combined) - \$/oz <sup>(3)</sup>  | 1,172                        | 1,186               | (1%)     |
| <b>Operating Highlights</b>  |                              |                     |          |
| Gold produced – ounces poured  | 172,644                      | 86,444              | 100%     |
| Gold sold – ounces sold  | 187,914                      | 61,744              | 204%     |
| Payable Copper Produced (000's lbs)  | 12,595                       | -                   | 100%     |
| Copper Sales (000's payable lbs)   | 13,612                       | -                   | 100%     |
| Operating costs (on a sales basis)   | 151.7                        | 19.1                | 696%     |
| <b>Unit Costs</b>  |                              |                     |          |
| Adjusted operating costs - \$/oz sold <sup>(3)(4)</sup>  | \$ 340                       | \$ 372.31           | (9%)     |
| Gold - All-in sustaining costs on a by-product basis – \$/oz sold <sup>(3)(4)</sup>                        | \$ 756                       | \$ 1,015            | (25%)    |
| Gold - All-in sustaining costs on a by-product basis (including taxes) – \$/oz sold <sup>(3)</sup>         | \$ 885                       | \$ 1,187            | (25%)    |
| Gold - All-in sustaining costs on a co-product basis (including taxes) – \$/oz sold <sup>(3)(4)</sup>      | \$ 795                       | \$ -                | -        |
| Copper - All-in sustaining costs on a co-product basis (including taxes) – \$/pound sold <sup>(3)(4)</sup> | \$ 1.86                      | \$ -                | -        |

(1) As at March 31, 2017, the Company had 291,278,437 common shares issued and outstanding (291,280,283 common shares as of May 1, 2017). As of May 1, 2017, Centerra had 5,280,976 share options outstanding under its share option plan with exercise prices ranging from Cdn\$3.82 per share to US\$59.51 per share, with expiry dates between 2017 and 2024.

(2) Average for the period as reported by the London Bullion Market Association (US dollar Gold P.M. Fix Rate) and London Metal Exchange (LME).

(3) Adjusted operating costs, all-in sustaining costs on a by-product basis (excluding and including taxes) per ounce sold, cash provided by operation before changes in working capital, as well as average realized gold price per ounce and average realized copper price per pound are non-GAAP measures and are discussed under “Non-GAAP Measures”.

(4) Excludes Molybdenum business.

(5) No comparative results for Thompson Creek operations have been presented.

## 4. Overview of Consolidated Results

### First Quarter 2017 compared to First Quarter 2016

The Company recorded net earnings of \$57.0 million in the first quarter of 2017, compared to net earnings of \$18.1 million in the comparative quarter of 2016, reflecting higher gold ounces sold at Kumtor, the addition of the Mount Milligan operations, higher average realized gold prices<sup>NG</sup> and lower operating costs, partially offset by higher share-based compensation charges.

#### ***Production:***

Gold production for the first quarter of 2017 totalled 172,644 ounces. Gold production at Kumtor was 127,400 ounces in the first quarter of 2017, 47% higher than the 86,444 ounces produced in the comparative quarter of 2016. The increase in ounces poured at Kumtor is a result of milling higher grade ore from stockpiles, compared to the lower grade ore mined and processed from the initial benches in cut-back 17 during the comparative period. During the quarter, Mount Milligan produced 45,244 ounces of gold and 12.6 million pounds of copper

#### ***Safety and Environment:***

Centerra had one reportable injury in the first quarter of 2017, consisting of a lost time injury to a contractor employee at Kumtor. Subsequent to the quarter-end, on April 11, 2017, an employee suffered fatal injuries at the Kumtor mine. The Company is cooperating with relevant Kyrgyz Republic officials who are investigating this incident.

There were no reportable releases to the environment during the first quarter of 2017.

#### ***Financial Performance:***

The increase in revenue for the first quarter of 2017 resulted from more gold ounces sold (187,914 ounces compared to 61,744 ounces in the first quarter of 2016), partially offset by a 1% lower combined average realized gold price<sup>NG</sup> during the quarter (\$1,172 per ounce compared to \$1,186 per ounce in the same quarter of 2016). The increase in gold ounces sold at Kumtor (134,681 ounces compared to 61,744 ounces in the same quarter of 2016) is partly due to delays experienced in shipments to Kyrgyzaltyn JSC (“Kyrgyzaltyn”) in the first quarter of 2016 while Kyrgyzaltyn held contractual discussions with its off-take bank: Kumtor ended the first quarter of 2016 with approximately 33,165 ounces of gold doré on hand, which was subsequently sold in the second quarter of 2016. Mount Milligan sold 53,232 ounces of gold and 13.6 million pounds of copper during the first quarter of 2017 which contributed \$84.7 million in revenues. The molybdenum business contributed \$36.5 million in revenues during the first quarter of 2017.

The increase in cost of sales in the first quarter of 2017 (\$171.9 million compared to \$31.5 million in the first quarter of 2016) resulted mainly from the significant increase in ounces sold from the Kumtor mine and also reflects the addition of Mount Milligan (gold and copper sales) and the molybdenum business. Depreciation, depletion and amortization (“DD&A”) associated with production was \$54.3 million in the first quarter of 2017 as compared to \$12.4 million in the same period of 2016, mainly as a result of higher sales.

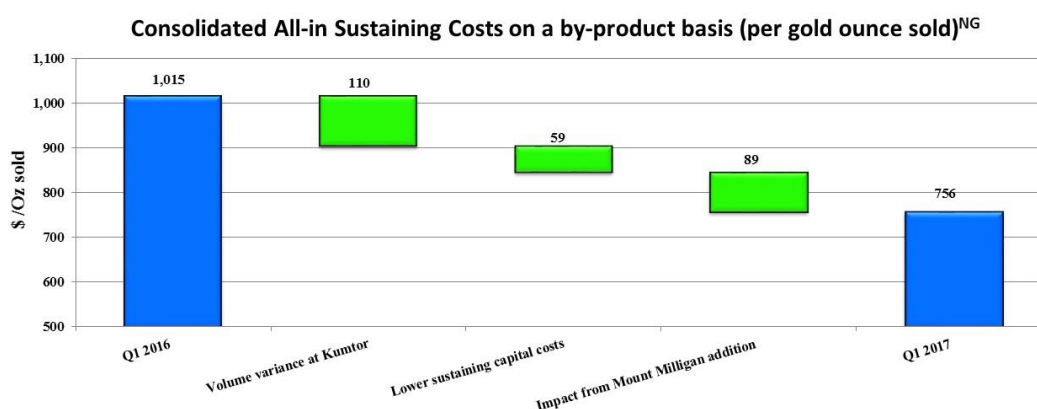
#### ***Operating Costs:***

Operating costs (on a sales basis) increased to \$151.7 million in the first quarter of 2017 compared to \$19.1 million in the same period of 2016, reflecting greater ounces sold at Kumtor and lower operating costs for diesel and consumables at Kumtor, partially offset by labour cost increases plus the addition of Mount

Milligan and molybdenum business costs. Operating costs in the first quarter of 2016 were also reduced by the partial reversal of an inventory impairment recorded at the end of 2015.

The Kumtor operation continues to benefit from current favourable diesel prices and lower consumption during the quarter and the Kyrgyz som has also continued to trade at historical lows at 72 soms per 1 USD. The benefit of lower diesel prices, lower consumption and favourable rate of the Kyrgyz som to Kumtor is significant as diesel and the impact of costs paid in soms account for approximately 17% and 25% of total operating costs at Kumtor, respectively.

Centerra’s all-in sustaining costs on a by-product basis per ounce of gold sold<sup>NG</sup>, which excludes revenue-based tax and income tax, for the first quarter of 2017 decreased to \$756 from \$1,015 in the comparative period mainly as a result of more ounces sold at Kumtor (\$110 per ounce), lower sustaining capital<sup>NG</sup> spending (\$59 per ounce) and the positive impact from the addition of Mount Milligan (\$89 per ounce). This was partially offset by higher spending on capitalized stripping and incremental administration costs, as a result of the Thompson Creek acquisition.



The increased sales volume at Kumtor in the first quarter of 2017 was due primarily to higher production resulting from higher grades of ore processed from the stockpiles as compared to the same period of 2016 (3.53 g/t compared to 2.27 g/t) and slightly better recoveries (76% compared to 75%).

## 5. Liquidity and Capital Resources

The Company believes its cash on hand and working capital at March 31, 2017, together with future cash flows from operations and cash provided by the Company’s existing credit facilities will be sufficient to fund its anticipated operating cash requirements, although there can be no assurance of this. See “Caution Regarding Forward-Looking Information”.

## Cashflow:

| <i>Unaudited (\$ millions, except as noted)</i>                                   | <b>Three months ended March 31,</b> |        |          |
|---|-------------------------------------|--------|----------|
|   | <b>2017</b>                         | 2016   | % Change |
| <b>Cash provided by operations before changes in working capital<sup>NG</sup></b> | <b>118.0</b>                        | 27.2   | 334%     |
| - Changes in working capital  | (45.6)                              | (17.8) | (161%)   |
| <b>Cash provided by operating activities</b>                                      | <b>72.4</b>                         | 9.4    | 666%     |
| Cash used in investing activities:  |                                     |        |          |
| - Capital additions (cash)  | (69.0)                              | (35.4) | (94%)    |
| - Short-term investment purchased, net  | (25.0)                              | (19.6) | (28%)    |
| - other investing items   | (10.9)                              | (3.7)  | (195%)   |
| <b>Cash used in investing activities</b>  | <b>(104.9)</b>                      | (19.6) | (434%)   |
| Cash used in financing activities:  |                                     |        |          |
| - Debt repayment  | (37.5)                              | -      | (100%)   |
| - Dividends declared and paid   | -                                   | (7.2)  | 100%     |
| - Payment of interest and borrowing costs   | (8.7)                               | (3.5)  | (143%)   |
| <b>Cash used in financing activities</b>  | <b>(46.2)</b>                       | (10.7) | (330%)   |
| <b>Decrease in cash and cash equivalents</b>                                      | <b>(78.7)</b>                       | (20.8) | (278%)   |

In the first quarter of 2017, Centerra generated cash provided by operations before working capital changes<sup>NG</sup> of \$118.0 million, compared to \$27.2 million in the prior period. At March 31, 2017, the major working capital difference compared to the prior-period was an outstanding concentrate receivable of \$30 million at Mount Milligan which was collected in April 2017.

The Company generated \$72.4 million in cash from operations in the first quarter of 2017, an increase of \$63 million compared to the first quarter of 2016, mainly as a result of higher ounces sold. The increased sales reflect increased production from Kumtor and the contribution of Mount Milligan in the first quarter of 2017 whereas the comparative quarter of 2016 was impacted by the delayed gold shipments to Kyrgyzaltyn in March of that quarter.

Cash used in investing activities increased to \$104.9 million in the first quarter of 2017 as compared to \$19.6 million the first quarter of 2016, reflecting an increase in capital spending (mainly additional stripping at Kumtor) and an increase in net purchases of short-term investments compared to the same quarter in 2016.

Cash used in financing of \$46.2 million in the first quarter of 2017 was \$35.5 million higher than the amount spent in the first quarter of 2016, and reflected debt repayments and higher borrowing charges related to the Company's new credit facilities (discussed below). In February 2017, Centerra repaid \$25 million on its Corporate Facility (defined below) with EBRD (defined below) and in March 2017 made its first principal payment of \$12.5 million on the Centerra B.C. Facility (defined below).

Cash, cash equivalents, restricted cash and short-term investments at March 31, 2017 decreased to \$357.8 million (including \$273.9 million of restricted cash and investments at Kumtor) from \$408.8 million at December 31, 2016 (including \$247.8 million of restricted cash at Kumtor).

The restricted amounts at March 31, 2017 includes \$248.8 million of cash and \$25.1 million of short-term investments at Centerra's Kyrgyz Republic operating subsidiary, KGC. KGC is subject to an interim order of the Bishkek Inter-District Court in the Kyrgyz Republic prohibiting KGC from taking any actions relating to certain financial transactions, including transferring property or assets, declaring or paying dividends or making loans to Centerra. The interim order purports to secure KGC's potential liability for a

claim brought by SAEPF (defined below) and Centerra has included the dispute in the ongoing international arbitration proceeding against the Kyrgyz Republic (see Other Corporate Developments – Kyrgyz Republic for further details). As at March 31, 2017, the cash and investments balance of KGC increased to \$273.9 million (from \$247.8 million at December 31, 2016) and is expected to continue to increase over time. As a result of the interim order, the Company continues to be dependent on its unrestricted cash balance and cash generated from the Mount Milligan Mine to meet its obligations when due.

The unrestricted cash and cash equivalents balance at March 31, 2017 of \$81.3 million includes \$25 million that can only be used for Mongolian purposes and \$24.8 million held in Centerra B.C Holdings Inc. (“Centerra B.C Holdings”). The funds held in Centerra B.C. Holdings can only be used for expenditures on Centerra B.C. Holdings’ subsidiaries and assets including the Mount Milligan Mine it indirectly holds through Thompson Creek as required by the Centerra B.C. Facility. The Centerra B.C. Facility also required that distributions, including cash dividends declared by Centerra B.C. Holdings to Centerra, be matched by an early repayment of an equal amount under the Centerra B.C. Facility. The Company plans to commence cash dividends distributions from Centerra B.C. Holdings to Centerra in the second quarter of 2017 as cash balances increase.

### ***Credit Facilities:***

#### ***Centerra B.C Holdings Credit Facility***

As part of the acquisition of Thompson Creek which closed on October 20, 2016, Centerra B.C. Holdings, a wholly-owned subsidiary of the Company, secured financing from a lending syndicate in the aggregate amount of \$325 million (the “Centerra B.C. Facility”), consisting of a \$250 million non-revolving term facility and a \$75 million senior secured revolving credit facility). The principal amount of the term portion of the Centerra B.C. Facility is to be repaid in \$12.5 million quarterly increments which commenced with the first payment made on March 31, 2017. The revolving portion of the Centerra B.C. Facility is to be repaid at the end of the five-year term.

At March 31, 2017, the credit facilities were fully drawn with \$312.5 million outstanding under the Centerra B.C. Facility.

#### ***Centerra Corporate Facility***

On February 12, 2016, the Company entered into a five-year \$150 million revolving credit facility (the “Corporate Facility”) with the European Bank for Reconstruction and Development (“EBRD”), whereby \$50 million of this facility is for the purpose of funding direct and indirect costs associated by the Gatsuurt Project. In February 2017, the Company repaid \$25 million of the \$50 million reserved for the Gatsuurt Project. The remaining \$25 million must be repaid on February 3, 2018, if a definitive agreement for the Gatsuurt Project is not reached by that time.

At March 31, 2017, the Company had drawn \$125 million under the Corporate Facility.

Except as noted above, funds drawn under the Corporate Facility are available to be re-drawn on a semi-annual basis and, at the Company’s discretion, repayment of the loaned funds may be extended until 2021.

#### ***OMAS Facility***

On April 5, 2016, OMAS, a wholly-owned subsidiary of the Company, entered into a 5.75-year \$150 million credit facility agreement (the “OMAS Facility”). The purpose of the OMAS Facility is to assist in financing the construction of the Company’s Öksüt Project. Availability of the OMAS Facility is subject to customary conditions precedent, including receipt of all necessary permits and approvals for the Öksüt

Project. The Company is currently awaiting a pastureland permit at the Öksüt Project. If the conditions are not satisfied or waived by the deadline of June 30, 2017, or an additional extension is not granted by the lenders, the commitments under the OMAS Facility will be cancelled. As of March 31, 2017, the OMAS Facility remains undrawn.

Centerra was in compliance with the terms of all of its facilities in the first quarter of 2017.

**Capital Expenditures (spent and accrued):**

| <i>\$ millions</i>                              | <b>Three months ended March 31,</b> |             |                 |
|---|-------------------------------------|-------------|-----------------|
|   | <b>2017</b>                         | <b>2016</b> | <b>% Change</b> |
| <b>Consolidated:</b>                            |                                     |             |                 |
| Sustaining capital <sup>NG</sup>                | <b>19.8</b>                         | 23.2        | (15%)           |
| Capitalized stripping <sup>(1)</sup>            | <b>62.5</b>                         | 14.1        | 343%            |
| Growth capital <sup>NG</sup>                    | <b>1.4</b>                          | 5.1         | (73%)           |
| Öksüt Project development <sup>(2)</sup>        | <b>2.1</b>                          | 6.7         | (69%)           |
| Greenstone Gold Property capital <sup>(3)</sup> | <b>1.0</b>                          | 0.6         | 71%             |
|   | <b>86.8</b>                         | 49.7        | 75%             |

- <sup>(1)</sup> Includes cash component of \$46.7 million and \$10.4 million in the first quarter of 2017 and 2016, respectively.
- <sup>(2)</sup> Three months ended March 31, 2016 includes \$3 million for the purchase of the net smelter royalty from Teck Resources Limited.
- <sup>(3)</sup> In accordance with the Company's accounting policy, the 50% share paid on behalf of Premier Gold Mines Limited in the project is capitalized as part of mineral properties in Property, Plant & Equipment.

Capital expenditures in the first quarter of 2017 totalled \$86.8 million compared to \$49.7 million in the same period of 2016, resulting mainly from increased spending on capitalized stripping at Kumtor to develop cut-back 18 and the Sarytor pit, partially offset by lower sustaining and growth capital<sup>NG</sup> for equipment rebuilds and overhauls, as well as lower infrastructure spending at Kumtor.

## 6. Financial Instruments

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

*Fuel Hedges:*

In 2016, the Company established a diesel fuel price hedging strategy using derivative instruments to manage the risk associated with changes in diesel fuel prices on the cost of operations at the Kumtor Mine. The Company targets to hedge up to 70% of monthly diesel purchases at Kumtor for the first 12 months and 50% of the 13 through 24 month exposure. The Company hedges its exposure with crude oil futures contracts, as the price of diesel fuel closely correlates to the price of crude oil.

*Gold and Copper Derivative Contracts:*

The Company must satisfy its obligation under the gold and copper stream arrangement with RGLD Gold AG and Royal Gold Inc. (collectively "Royal Gold") by delivering refined physical gold or LME copper warrants to Royal Gold after receiving payment from third-party purchasers which purchase concentrate from the Mount Milligan Mine. In order to hedge the metal price risk that arises when physical purchase



and concentrate sales pricing periods do not match, the Company has entered into certain forward gold and copper purchases and sales swap contracts pursuant to which it purchases gold or copper at an average price during a quotational period and sells gold or copper at a spot price. These derivative contracts are not designated as hedging instruments.

*Copper Hedges:*

On January 24, 2017, the Company initiated a hedging program for a portion of its expected 2017 and first quarter 2018 copper production from Mount Milligan. Centerra expects to hedge no more than 75% of its anticipated copper production, net of copper payable under its streaming arrangement.

The positions taken by the Company for each of these programs as at March 31, 2017 are summarized as follows:

| Program                      | Instrument        | Unit    | Strike price      | Type     | Settlement |           |        | As at March 31, 2017 |                         |
|------------------------------|-------------------|---------|-------------------|----------|------------|-----------|--------|----------------------|-------------------------|
|                              |                   |         |                   |          | 2017       | 2018      | 2019   | Total position       | Fair value Gain ('000') |
| Fuel Hedges                  | Crude oil options | Barrels | \$62.56 - \$65.31 | Fixed    | 283,000    | 283,000   | 51,000 | 617,000              | \$ 900                  |
| Copper Hedges <sup>(1)</sup> | Forward contracts | Pounds  | \$2.68 - \$2.70   | Fixed    | 21 million | 1 million | -      | 22 million           | \$ 1,041                |
| Copper Hedges <sup>(1)</sup> | Zero-cost collars | Pounds  | \$2.25 - \$3.21   | Fixed    | 8 million  | 2 million | -      | 10 million           |                         |
| Gold Derivative Contracts    | Forward contracts | Ounces  | ND                | Floating | 18,240     | -         | -      | 18,240               | \$ 859                  |
| Copper Derivative Contracts  | Forward contracts | Pounds  | ND                | Floating | 2 million  | -         | -      | 2 million            | \$ -                    |

<sup>(1)</sup> Represents approximately 62% of Mount Milligan's expected 2017 copper production, net of copper streaming arrangement with Royal Gold.

ND = strategic hedging program with floating terms, for which settlement prices are not defined as at March 31, 2017

*Subsequent to the end of first quarter 2017:*

In April 2017, the Company entered into a series of zero-cost collars covering approximately 19,000 ounces of Mount Milligan gold production with settlements occurring monthly from May through to December 2017. The minimum price is set at \$1,225 per ounce and an average maximum price is \$1,371 per ounce. Under the zero-cost collar, the Company can put the number of ounces to the counterparty at the minimum price, if the price were to fall below the minimum, and the counterparty has the option to require the Company to sell to it the number of ounces at the maximum price, if the price were to rise above the maximum.

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

## **7. Operating Mines and Facilities**

### **Kumtor Mine**

The Kumtor open pit mine, located in the Kyrgyz Republic, is one of the largest gold mines in Central Asia operated by a Western-based gold producer. It has been in production since 1997 and has produced over 11.1 million ounces of gold to March 31, 2017.

#### **Recent Developments:**

- On April 19, 2017, the Company reported that the Kumtor operation received its 2017 maximum allowable discharge (MAD) permit which allows for discharge of treated effluent from its tailings management facility starting in the spring. Kumtor now has all the necessary permits and approvals in place for continuous operations throughout 2017.
- On April 11, 2017, an accident at the Kumtor mine resulted in an employee fatality. Investigations both internally and by the relevant Kyrgyz authorities have commenced.
- On March 6, 2017, the Kumtor operation received the necessary permits to raise the tailings dam for its tailings management facility, which will provide adequate tailings storage capacity for Kumtor's mill tailings deposition from 2021 through the end of 2024.
- On December 28, 2016, the Company received its 2017 maximum allowable emissions permit and its waste disposal permit, and the Kyrgyz authorities approved the 2017 mine plan for its Kumtor Project which includes the Sarytor area.
- The Kumtor Project continues to be subject to a number of claims made by, among others, Kyrgyz Republic state environmental agencies which the Company continues to dispute. The Company continues its discussions with the Government of the Kyrgyz Republic to resolve all outstanding issues affecting the Kumtor Project in a manner that will be fair to all of its stakeholders. See "Other Corporate Developments – Kyrgyz Republic" for further details.

## Kumtor Operating Results

| Unaudited ( <i>\$ millions, except as noted</i> )   | Three months ended March 31, |          |          |
|---|------------------------------|----------|----------|
|   | 2017                         | 2016     | % Change |
| <b>Financial Highlights:</b>  |                              |          |          |
| Revenue - \$ millions   | 164.1                        | 73.2     | 124%     |
| Cost of sales (cash)  | 35.0                         | 19.0     | 84%      |
| Cost of sales (non-cash)  | 37.2                         | 12.2     | 205%     |
| Cost of sales (total)   | 72.2                         | 31.2     | 132%     |
| Cost of sales - \$/oz sold <sup>(1)</sup>   | 536                          | 505      | 6%       |
| Cash provided by operations   | 91.6                         | 7.2      | 1181%    |
| Cash provided by operations before changes in working capital <sup>(1)</sup>                      | 102.4                        | 37.1     | 176%     |
| <b>Operating Highlights:</b>  |                              |          |          |
| Tonnes mined - 000s   | 39,003                       | 39,275   | (1%)     |
| Tonnes ore mined – 000s   | -                            | 1,826    | 0%       |
| Average mining grade - g/t  | -                            | 1.32     | 0%       |
| Tonnes milled - 000s  | 1,536                        | 1,543    | (0%)     |
| Average mill head grade - g/t   | 3.53                         | 2.27     | 55%      |
| Mill Recovery - %   | 76.0%                        | 75.0%    | 1%       |
| Mining costs - total (\$/t mined material)  | 1.22                         | 1.22     | 0%       |
| Milling costs (\$/t milled material)  | 10.05                        | 10.07    | (0%)     |
| Gold produced – ounces  | 127,400                      | 86,444   | 47%      |
| Gold sold – ounces  | 134,682                      | 61,744   | 118%     |
| Average realized gold price <sup>(1)</sup> - \$/oz sold   | \$ 1,219                     | \$ 1,186 | 3%       |
| Capital Expenditures (sustaining) <sup>(1)</sup> - cash   | 15.2                         | 23.0     | (34%)    |
| Capital Expenditures (growth) <sup>(1)</sup> - cash   | 0.9                          | 4.7      | (81%)    |
| Capital Expenditures (stripping) - cash   | 46.7                         | 10.4     | 348%     |
| Capital expenditures (total)  | 62.8                         | 38.2     | 64%      |
| Operating Costs (on a sales basis)  | 36.3                         | 19.1     | 90%      |
| Adjusted operating costs <sup>(1)</sup> - \$/oz sold  | \$ 299                       | \$ 371   | (20%)    |
| Gold - All-in sustaining costs on a by-product basis - \$/oz sold <sup>(1)</sup>                  | \$ 762                       | \$ 916   | (17%)    |
| Gold - All-in sustaining costs on a by-product basis (including taxes)- \$/oz sold <sup>(1)</sup> | \$ 933                       | \$ 1,084 | (14%)    |

<sup>(1)</sup> Adjusted operating costs, all-in sustaining costs on a by-product basis (including and excluding taxes), cash provided by operations before changes in working capital, as well as average realized gold price per ounce sold and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under “Non-GAAP Measures”.

## First Quarter 2017 compared to First Quarter 2016

### Production:

During the first quarter of 2017, Kumtor focused on simultaneously developing both the Central pit through mining cut-back 18 and the commencement of mining at the Sarytor pit. The Sarytor pit is approximately three kilometres south of the Central pit. The Company expects to obtain access to the Sarytor ore in the second half of 2017.

Total waste and ore mined in the first quarter of 2017 was 39.0 million tonnes, which is comparable to the 39.3 million tonnes in the comparative period of 2016.

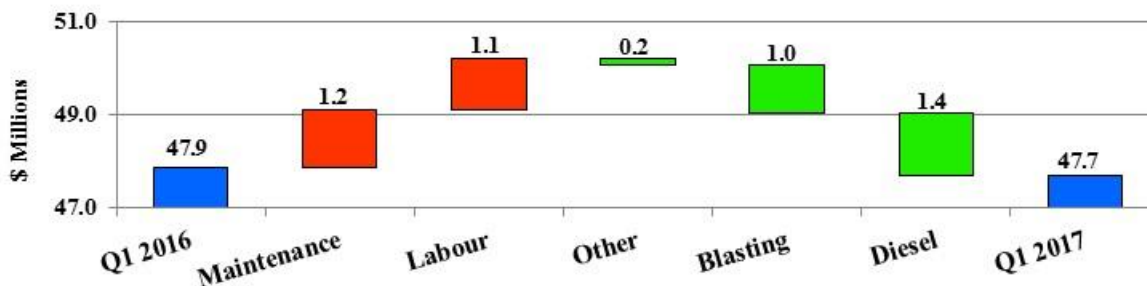
Kumtor produced 127,400 ounces of gold in the first quarter of 2017 compared to 86,444 ounces of gold in the comparative period of 2016. The increase in ounces poured is a result of milling higher grade ore from stockpiles mined from cut-back 17 of the Central pit at the beginning of the fourth quarter in 2016, compared to the lower grade ore mined and processed from the initial benches in cut-back 17 during the comparative period. During the first quarter of 2017, Kumtor's head grade was 3.53 g/t with a recovery of 76.0%, compared to 2.27 g/t and a recovery of 75.0% for the same period of 2016.

**Operating costs and All-in Measures:**

Operating costs (on a sales basis), including capitalized stripping, decreased in the first quarter of 2017 by \$0.4 million to \$73.8 million compared to \$74.2 million in the comparative quarter of 2016.

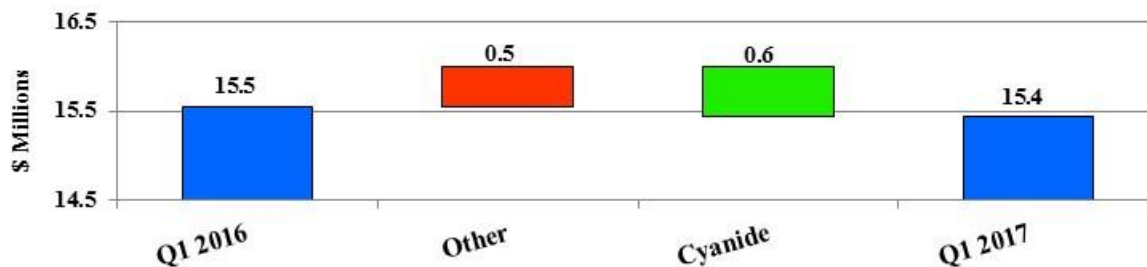
The movements in the major components of operating costs (mining and milling) in the first quarter of 2017 compared to the same period of 2016 are explained as follows:

**Mining Costs, including capitalized stripping (First Quarter 2017 compared to First Quarter 2016):**



Mining costs, including capitalized stripping, totaled \$47.7 million in the first quarter of 2017, which was similar to the comparative quarter in 2016. Decreased costs for the first quarter of 2017 includes lower diesel costs (\$1.4 million) due to lower consumption resulted from an advantageous hauling profile and lower fuel prices, lower blasting costs (\$1.0 million) due to lower ammonium nitrate prices and lower blasted tonnages (35.1 Mt vs 38.9 Mt). Lower costs were partially offset by higher maintenance cost (\$1.2 million) resulting from concentrated works on the shovels and dozers and higher labour cost (\$1.1 million) due to a new collective agreement and strengthening of the Kyrgyz som in comparison to the same period of 2016.

**Milling Costs (First Quarter 2017 compared to First Quarter 2016):**



Milling costs of \$15.4 million in the first quarter of 2017 were similar to the comparative quarter of 2016. Lower cyanide costs (\$0.6 million) resulting from lower consumption (0.61 kg/t vs 0.66 kg/t) and a lower price, were offset by other costs (\$0.5 million), including higher labour costs and exchange rate differences.

***Other Cost movements:***

Site support costs in the first quarter of 2017 totaled \$10.7 million which is comparable to the same quarter in 2016.

DD&A associated with sales, increased to \$36.9 million in the first quarter of 2017, from \$12.2 million in the comparative quarter of 2016, reflecting a \$24.7 million increase due to increased ounces sold, and the reversal of the \$9.9 million non-cash inventory impairment recorded in the first quarter of 2016.

All-in sustaining costs on a by-product basis per ounce sold<sup>NG</sup>, which excludes revenue-based tax, was \$762 for the first quarter of 2017 compared to \$916 in the first quarter of 2016, representing a decrease of 17%. The unit cost decrease results from the increase in ounces sold (134,681 ounces vs 61,744 ounces, as explained above), partially offset by the additional operating costs associated with the increased sale volume.

Including revenue-based taxes, all-in sustaining costs on a by-product basis per ounce sold<sup>NG</sup> was \$933 for the first quarter of 2017 compared to \$1,084 in the first quarter of 2016.

**Mount Milligan Mine**

The Mount Milligan Mine is an open pit mine located in north central British Columbia producing a gold and copper concentrate. Production at Mount Milligan is subject to a streaming arrangement with Royal Gold pursuant to which Royal Gold is entitled to receive 35% of the gold produced and 18.75% of the copper production at our Mount Milligan project. Royal Gold will pay Centerra \$435 per ounce of gold delivered and will pay 15% of the spot price per metric tonne of copper delivered (the “Royal Gold Stream Arrangement”).

On March 22, 2017, a technical report prepared in accordance with NI 43-101 for the Mount Milligan Mine was filed on SEDAR.

| <b>Mount Milligan Mine Operating Results</b>  | <b>Three months ended</b>            |
|---|--------------------------------------|
| <b>Unaudited (\$ millions, except as noted)</b>   | <b>March 31, 2017 <sup>(1)</sup></b> |
| <b>Financial Highlights:</b>  |                                      |
| Gold sales  | 56.1                                 |
| Copper sales  | 28.6                                 |
| <b>Total Revenues</b>   | <b>84.7</b>                          |
| Cost of sales - cash  | 50.7                                 |
| Cost of sales - non-cash  | 15.9                                 |
| <b>Cost of sales - total</b>  | <b>66.6</b>                          |
| Cash provided by operations   | (2.8)                                |
| Cash provided by operations before changes in working capital <sup>(2)</sup>                              | 32.0                                 |
| <b>Operating Highlights:</b>  |                                      |
| Ore Mined (000's t)   | 5,865                                |
| Total Mined (000's t)   | 11,181                               |
| Tonnes Milled (000's t)   | 4,744                                |
| Mill Head Grade Copper (%)  | 0.17%                                |
| Mill Head Grade Gold (g/t)  | 0.52                                 |
| Copper Recovery - %   | 76.2%                                |
| Gold Recovery - %   | 58.5%                                |
| Mining costs - total (\$/t mined material)  | \$ 1.38                              |
| Milling costs - total (\$/t milled material)  | \$ 4.35                              |
| Concentrate Produced (dmt)  | 27,751                               |
| Payable Copper Produced (000's lbs) <sup>(5)</sup>  | 12,595                               |
| Payable Gold Produced (oz) <sup>(5)</sup>   | 45,244                               |
| Gold Sales (payable oz)   | 53,232                               |
| Copper Sales (000's payable lbs)  | 13,612                               |
| Average Realized Price - Gold (combined) - \$/oz <sup>(2) (4)</sup>                                       | \$ 1,054                             |
| Average Realized Price - Copper (combined) - \$/lb <sup>(2) (4)</sup>                                     | \$ 2.10                              |
| Capital expenditures - sustaining <sup>(2)</sup>  | 4.5                                  |
| Capital expenditures - growth <sup>(2)</sup>  | -                                    |
| <b>Capital expenditures - total</b>   | <b>4.5</b>                           |
| <b>Operating Costs (on a sales basis) <sup>(3)</sup></b>  | <b>51,928</b>                        |
| <b>Operating Costs- \$/oz sold</b>  | <b>976</b>                           |
| <b>Adjusted Operating costs- \$/oz sold <sup>(2)</sup></b>  | <b>\$ 443</b>                        |
| <b>Gold - All in Sustaining costs on a by-product basis - \$/oz sold <sup>(2)</sup></b>                   | <b>\$ 530</b>                        |
| <b>Gold - All in Sustaining costs on a by-product basis (including taxes) - \$/oz sold <sup>(2)</sup></b> | <b>\$ 549</b>                        |
| <b>Gold - All in Sustaining costs on a co-product basis - \$/oz sold <sup>(2)</sup></b>                   | <b>\$ 667</b>                        |
| <b>Copper - All in Sustaining costs on a co-product basis - \$/pound sold <sup>(2)</sup></b>              | <b>\$ 1.86</b>                       |

<sup>(1)</sup> No comparative results for Mount Milligan have been presented. Reporting of comparative information will start in the first quarter of 2018.

<sup>(2)</sup> Adjusted operating costs, all-in sustaining costs on a by-product basis (excluding and including tax) per ounce sold, cash provided by operations before changes in working capital, as well as average realized gold price per ounce sold

(gold and copper), and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under "Non-GAAP Measures"

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

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

(5) Mount Milligan payable production and ounces sold are presented on a 100% basis (the Royal Gold Stream Agreement entitles it to 35% and 18.75% of gold and copper sales, respectively). Under the Royal Gold Stream Arrangement, Royal Gold will pay \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered. Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters. The current payable percentage applied is approximately 95.0% for copper and 96.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.

## **First Quarter 2017**

For the quarter, mill throughput averaged 53,000 tonnes per day (tpd) while mine production averaged 131,000 tpd. Total mill throughput was 4.7 million tonnes and total mine tonnes moved was 11.8 million tonnes. Total payable copper production for the period was 12.6 million pounds while total payable gold production was 45,244 ounces. This is consistent with the production plan which has 64% of payable copper production and 60% of payable gold production in the second half of 2017.

During the quarter, total gross gold sales, representing three concentrate shipments, were \$56.1 million with a total of 53,232 ounces of gold sold for an average realized price of \$1,059 per ounce. Net revenue adjustments from prior period gold sales, that either remained open and were marked-to-market or were closed and final priced during the first quarter, resulted in a net decrease in revenue of \$1.2 million. Total gross copper sales for the quarter were \$32.2 million with a total of 13.6 million pounds sold for an average realized price of \$2.36/lb. Copper revenue for the quarter were increased by net adjustments of \$2.1 million from the mark-to-market and finalization of prior open shipments.

## **Molybdenum Business**

The molybdenum business includes two North American mines that are currently on care maintenance, the Thompson Creek Mine ("TC Mine") (mine and mill) in Idaho USA operated by Thompson Creek Mining Co. and the 75%-owned Endako Mine joint venture (mine, mill and roaster) in British Columbia, Canada. The US operations also include the metallurgical roasting facility operated by Langeloth (the "Langeloth Facility") in Pennsylvania USA. TC Mine operates a commercial molybdenum beneficiation circuit to treat molybdenum concentrates to supplement the concentrate feed sourced directly for the Langeloth Facility. This beneficiation process at the TC Mine has allowed the Company to process high copper molybdenum concentrate, which is then transported to the Langeloth Facility for processing.

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

| <b>Molybdenum Business Operating Results</b>                                | <b>Three months ended</b>            |
|---|--------------------------------------|
| <b>Unaudited (\$ millions, except as noted)</b>                             | <b>March 31, 2017 <sup>(1)</sup></b> |
| <b>Financial Highlights:</b>  |                                      |
| Molybdenum (Mo) Sales   | <b>34.3</b>                          |
| Tolling, Calcining and Other  | <b>2.2</b>                           |
| Total Revenues and Other Income   | <b>36.5</b>                          |
| Cost of sales - cash  | <b>31.6</b>                          |
| Cost of sales - non-cash  | <b>2.0</b>                           |
| Cost of Sales - Total   | <b>33.7</b>                          |
| Care & Maintenance costs - Molybdenum mines                                 | <b>2.3</b>                           |
| Total capital expenditures  | <b>0.1</b>                           |
| Cash used in operations   | <b>(2.3)</b>                         |
| Cash provided by operations before changes in working capital <sup>NG</sup> | <b>1.7</b>                           |
| <b>Production Highlights:</b>   |                                      |
| Mo purchased (000's lbs)  | <b>2,826</b>                         |
| Mo oxide roasted (000's lbs)  | <b>4,734</b>                         |
| Mo sold (000's lbs)   | <b>4,022</b>                         |
| Toll roasted and upgraded Mo (000's lbs)                                    | <b>1,689</b>                         |

<sup>(1)</sup> No comparative results for the molybdenum business have been presented. Reporting of comparative information will start in the first quarter of 2018.

## First Quarter 2017

A total of 4.0 million pounds of molybdenum were sold and 1.7 million pounds tolled during the first quarter resulting in sales revenue of \$36.5 million. Net of \$2.3 million in care and maintenance expenses at the two closed molybdenum mines, the molybdenum business generated \$1.7 million of cash from the operations (before changes in working capital) in the first quarter of 2017. In addition, a total of \$0.1 million was spent on capital during the quarter. After considering changes in working capital, the molybdenum business used cash of \$2.4 million in the first quarter.

## 8. Development Projects

### Öksüt Project:

At the Öksüt Project in Turkey, the Company spent \$2.1 million during the first quarter of 2017 (\$3.6 million in the first quarter of 2016) on development activities to progress the Environmental and Social Impact Assessment (“ESIA”), access and site preparation and detailed engineering plans.

On July 14, 2016, OMAS received a forestry land usage permit for the project and the operation permit for forestry area was obtained on August 26, 2016. The pastureland permit is currently outstanding and the Company is working with the relevant agencies to obtain the permit. There is no assurance that the approval of the key pastureland or other permits will be obtained by the Company in a timely manner or at all. If the pastureland permit is received in the second quarter of 2017, construction activities at the Öksüt Project are



expected to commence in July 2017. If construction commences in July 2017, first gold production would be expected to occur in the fourth quarter of 2018.

During the first quarter of 2017, the Turkish Electricity Transmission Company (TEİAŞ) continued construction of the 26 kilometres power line which will provide dedicated power to the Öksüt Project. Construction of the towers, sub-stations and installation of high-tension power lines is 65% complete. Once completed, the power line will be connected to the Turkish national electrical power grid.

On September 3, 2015 a technical report prepared in accordance with NI 43-101 for the Öksüt Project was filed on SEDAR.

### **Gatsuurt Project:**

During the quarter, the Company continued discussions with the Mongolian Government regarding the Gatsuurt Project. See “Other Corporate Developments – Mongolia”.

The Company expects to complete an updated feasibility study on the Gatsuurt Project by the end of the second quarter 2017 with updated economics and additional technical data generated in 2016.

### **Greenstone Gold Property:**

As previously disclosed, the Greenstone Partnership has not made a development or construction decision on the Hardrock Project. The Greenstone Partnership is evaluating programs to minimize the risk profile of the project including the advancement of permitting and discussions with Aboriginal communities.

The Company is nearing the completion of the Environmental Impact Study/Environmental Assessment (“EIS/EA”) for the Hardrock Project, and is expected to submit a final version to the Government of Ontario during the second half of 2017. The comments received on the draft EIS/EA related primarily to the location and management of the tailings storage facility, the management and location of the waste dumps, and water quality.

In the first quarter of 2017, the Company spent \$2.3 million on project development activities (\$3.6 million in the first quarter of 2016 and \$39 million, cumulative to date) on advancing the EIS/EA, commencing negotiations with impacted Aboriginal communities, optimizing the feasibility study and completing exploration programs.

On November 16, 2016, the Company, along with its joint venture partner Premier Gold Mines Limited, announced the feasibility study results on the Hardrock Project. A NI 43-101 technical report was filed on SEDAR on December 22, 2016.

## **9. Quarterly Results – Previous Eight Quarters**

Over the last eight quarters, Centerra’s results reflect the impact of decreasing input costs, such as diesel, labour and consumables, which have seen a continued decrease through 2015, 2016 and into 2017. Over the same periods, gold prices declined through 2015 and progressively increased over the first three quarters of 2016, until dropping in the fourth quarter as a result of the U.S. election. The weakening of currencies as compared to the U.S. dollar has also had a positive impact on foreign-denominated costs. The quarterly production profile for 2017 is expected to be more consistent across each quarter (similar to 2015), while the production profile in 2016 was more concentrated in the last half of the year. Non-cash costs have

progressively increased at Kumtor due to its expanded mining fleet and the increased amortization of capitalized stripping resulting from increased stripping as the pit gets larger. The addition of Mount Milligan's results started with the acquisition of Thompson Creek on October 20, 2016. The quarterly financial results for the last eight quarters are shown below:

| <i>\$ million, except per share data or as specified</i> | 2017        | 2016      |           |           |           | 2015      |           |           |
|--|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <i>Quarterly data unaudited</i>                          |             |           |           |           |           |           |           |           |
|  | <b>Q1</b>   | <b>Q4</b> | <b>Q3</b> | <b>Q2</b> | <b>Q1</b> | <b>Q4</b> | <b>Q3</b> | <b>Q2</b> |
| Revenue  | <b>285</b>  | 306       | 220       | 162       | 73        | 148       | 116       | 147       |
| Net earnings (loss)                                      | <b>57</b>   | 64        | 67        | 3         | 18        | (3)       | (18)      | 22        |
| Basic earnings (loss) per share                          | <b>0.20</b> | 0.23      | 0.28      | 0.01      | 0.08      | (0.01)    | (0.08)    | 0.09      |
| Diluted earnings (loss) per share                        | <b>0.20</b> | 0.23      | 0.28      | -         | 0.07      | (0.01)    | (0.08)    | 0.09      |

## 10. Other Corporate Developments

The following is a summary of corporate developments with respect to matters affecting the Company and its subsidiaries. Readers are cautioned that there are a number of legal and regulatory matters that are currently affecting the Company and that the following is only a brief summary of such matters. For a more complete discussion of these matters, see the Company's 2016 Annual Information Form and specifically the section entitled "Risks that can affect our business" therein available on SEDAR at [www.sedar.com](http://www.sedar.com). The following summary also contains forward-looking statements and readers are referred to "Caution Regarding Forward-looking Information".

### Kyrgyz Republic

#### Arbitration

As previously disclosed, Centerra commenced an arbitration proceeding against the Kyrgyz Republic and Kyrgyzaltyn in 2016 in relation to certain ongoing disputes relating to the Kumtor Project and, on February 23, 2017, filed with the Permanent Court of Arbitration ("PCA") a full statement of claim seeking, among other things: (i) declarations that the arbitrator has jurisdiction to hear Centerra's claims; (ii) declarations that the actions of the Kyrgyz Republic and Kyrgyzaltyn have breached the Kumtor Project Agreements (defined below); (iii) ordering the Kyrgyz Republic to withdraw its environmental, dividend and land use claims (further discussed below), terminate related judgments and orders, declare those judgments and orders null and void and issued without jurisdiction; and (iv) ordering the Kyrgyz Republic and Kyrgyzaltyn to pay monetary damages, costs and interest.

In addition, on January 12, 2017, Centerra filed with the PCA a request for partial award, or in the alternative, interim measures, against the Kyrgyz Republic. The Company is seeking an award ordering that the Kyrgyz Republic withdraw or stay (suspend) its claims relating to previously disclosed environmental, dividend and land use claims, and related decisions and court orders. The Company expects that the arbitrator will render a decision on this matter in mid-2017.

Under Centerra's Restated Investment Agreement with the Kyrgyz Republic dated as of June 6, 2009, the arbitration will be determined by a single arbitrator and conducted under UNCITRAL Arbitration Rules in Stockholm, Sweden. Disputes arising out of the 2009 Restated Investment Agreement will be governed by the law of the State of New York, USA and the conduct and operations of the parties will be governed by the 2009 Restated Investment Agreement, the 2009 Restated Concession Agreement (together with the

2009 Restated Investment Agreement, the “Kumtor Project Agreements”) and the laws of the Kyrgyz Republic.

#### Kyrgyz Permitting and Regulatory Matters

After receipt of its maximum allowable discharge (MAD) permit in April 2017, KGC has all key permits and approvals in place for mining operations at the Kumtor Project in 2017.

The withdrawal of any required permit could lead to a suspension of Kumtor operations.

#### Amendments to the Kyrgyz Republic Constitution

In December 2016, the Kyrgyz Republic constitution was amended. The Company understands that the amendments remove the limitation period that would otherwise apply to officials and non-officials charged with abuse of office or abuse of duty in connection with Kumtor development or operations. As previously noted, the Company is not aware of any basis for allegations of criminal misconduct in connection with the development of the Kumtor Project. Centerra has previously asked the Kyrgyz Republic government for evidence of any such wrongdoing but has never received any such evidence. Centerra is not aware of any criminal proceedings or investigations being undertaken against the Company, its subsidiaries or its or their personnel as result of the constitutional amendment.

#### SIETS and SAEPF Claims

As previously disclosed, the Kumtor Project is subject to a number of claims made by, among others, Kyrgyz Republic state environmental agencies. The Company believes that such claims are, in substance, an attempt by the Kyrgyz Republic to impose additional taxes and payments on the Kumtor Project which are prohibited by the terms of the 2009 Restated Investment Agreement. Such claims are not based on allegations of improper environmental practices or damage to the environment.

The latest such claims was filed on August 23, 2016 by the Chui-Bishkek-Talas Local Fund of Nature Protection and Forestry Development of the Kyrgyz Republic State Agency for Environmental Protection and Forestry (“SAEPF”), seeks compensation for alleged environmental pollution in the amount of 40,340,819 Kyrgyz soms (approximately \$600,000).

As previously disclosed, on May 25, 2016, the Bishkek Inter-District Court in the Kyrgyz Republic ruled against Kumtor Operating Company (“KOC”), Centerra’s wholly-owned subsidiary, on two claims made by the State Inspectorate Office for Environmental and Technical Safety of the Kyrgyz Republic (“SIETS”) in relation to the placement of waste rock at the Kumtor waste dumps and unrecorded wastes from Kumtor’s effluent and sewage treatment plants. The Inter-District Court awarded damages of 6,698,878,290 Kyrgyz soms (approximately \$96.5 million, based on an exchange rate of 69.43 Kyrgyz soms per US\$1.00) and 663,839 Kyrgyz soms (approximately \$9,500), respectively. On June 1, 2016, the Inter-District Court ruled against KOC on two other claims made by SIETS in relation to alleged land damage and failure to pay for water use. The Inter-District Court awarded damages of 161,840,109 Kyrgyz soms (approximately \$2.3 million) and 188,533,730 Kyrgyz soms (approximately \$2.7 million), respectively. Centerra, KOC and KGC (added by the Kyrgyz courts) strongly dispute the SIETS claims and have appealed the decisions to the Bishkek City Court and will, if necessary, appeal to the Kyrgyz Republic Supreme Court.

On June 3, 2016, the Inter-District Court held a hearing in respect of the claim made by SAEPF alleging that Kumtor owes additional environmental pollution fees in the amount of approximately \$220 million. The court did not issue a decision on the merits of the claim itself. However, at the request of SAEPF, the

court granted the KR Interim Court Order which prohibits KGC from taking any actions relating to certain financial transactions including, transferring property or assets, declaring or paying dividends, pledging assets or making loans. As at March 31, 2017, KGC's cash and investments balance was \$273.9 million. The cash generated from the Kumtor Project which is held in KGC is however available to fund Kumtor's operation. The injunction was effective immediately. KGC's appeal of the Inter-District Court's order to Bishkek City Court was dismissed on July 19, 2016, and its subsequent appeal to the Kyrgyz Republic Supreme Court was dismissed on October 19, 2016. As a result of the appeal by KGC, the proceedings on the merits of the SAEPF claim were suspended, however, the Company now expects such hearings on the merits to resume.

### Kyrgyz Republic General Prosecutor's Office Proceedings

#### *Criminal Proceedings Against Unnamed KGC Managers*

On May 30, 2016, a criminal case was opened by the Kyrgyz Republic General Prosecutor's Office ("GPO") against unnamed KGC managers alleging that such managers engaged in transactions that deprived KGC of its assets or otherwise abused their authority, causing damage to the Kyrgyz Republic. Specifically, the case appears to be focused on the reasonableness of certain of KGC's commercial transactions and in particular, the purchase of goods and supplies in the normal course of its business operations and the expenses relating to the relocation of the Kumtor Project's camp in 2014 and 2015. Further to such investigation, the GPO has carried out searches of KGC's offices and seized documents and records.

#### *2013 KGC Dividend Civil and Criminal Proceeding*

On June 3, 2016, the Inter-District Court renewed a claim previously commenced by the GPO seeking to unwind the \$200 million dividend paid by KGC to Centerra in December 2013 (the "2013 Dividend"). The Company understands that the GPO has also initiated a criminal investigation of executives of the Company and KGC in respect of the 2013 Dividend but that investigation is currently suspended.

#### *KGC Employee Movement Restrictions*

In connection with certain of the foregoing criminal investigations, restrictions have been imposed by the Kyrgyz Republic on certain KGC managers and employees, which prohibit them from leaving the Kyrgyz Republic.

#### *GPO Review of Kumtor Project Agreements*

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

### *Criminal Charges Regarding 2016 Casualty at Kumtor Mill*

On June 16, 2016, the Investigator of the Jety-Oguz District Department of Interior Affairs initiated criminal proceedings against two KGC managers in relation to the previously disclosed death of a KGC employee due to an industrial accident which occurred in January 2016.

### *Land Use Claim*

As previously noted, KGC continues to challenge the purported 2012 cancellation of its land use (surface) rights over the Kumtor concession areas in the Kyrgyz Republic courts as well as in its arbitration claim (described above).

### Management Assessment of Claims

The Company and KGC strongly dispute the allegations noted above and will continue to challenge the actions of the Government and its instrumentalities, including SIETS, SAEPF, and the GPO, in the courts of the Kyrgyz Republic as well as in international arbitration.

The Company remains committed to working with Kyrgyz Republic authorities to resolve these issues in accordance with the 2009 Restated Investment Agreement, which provide for all disputes to be resolved by international arbitration, if necessary. Although the Company has reviewed the various claims discussed above and believes that all disputes related to the 2009 Restated Investment Agreement should be determined in arbitration, there are risks that the arbitrator may (i) reject the Company's claims; (ii) determine it does not have jurisdiction; and/or (iii) stay the arbitration pending determination of certain issues by the Kyrgyz Republic courts. Even if the Company receives an arbitral award in its favour against the Kyrgyz Republic and/or Kyrgyzaltyn, there are no assurances that it will be recognized or enforced in the Kyrgyz Republic. Accordingly, the Company may be obligated to pay part of or the full amounts of, among others, the SIETS and SAEPF claims (discussed below) regardless of the action taken by the arbitrator. The Company does not have insurance or litigation reserves to cover these costs. If the Company were obligated to pay these amounts, it would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

While the Company has commenced arbitration proceedings, it also continues to be in discussions with the Kyrgyz Republic Government with a view to resolving all outstanding matters impacting the Kumtor Project. However, there are no assurances that: (i) the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project; (ii) any discussions between the Kyrgyz Republic government and Centerra will result in a mutually acceptable resolution; (iii) Centerra will receive the necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law for any such resolution; or (iv) 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 which have the effect of nationalization of the Kumtor Project. The inability to successfully resolve all such matters could lead to suspension of operations of the Kumtor Project and would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

## **Mongolia**

### *Gatsuurt – Development*

Since 2016, the Company has been in discussions with the Mongolian Government to implement a 3% special royalty in lieu of the Government's 34% direct interest in the Gatsuurt Project. Various working groups have been established by the Mongolian Government to negotiate with Centerra the definitive agreements relating to the Gatsuurt Project. The Company expects to continue such negotiations in 2017.

However, there are no assurances that Centerra will be able to negotiate definitive agreements with the Mongolian Government (in a timely fashion or at all) or that such economic and technical studies will have positive results. The inability to successfully negotiate definitive agreements and/or the absence of positive results on additional financial and technical studies could have a material impact on the Company's future cash flows, earnings, results of operations and financial condition and the Company may be required to write-off approximately \$48 million related to the investment in Gatsuurt and approximately \$53 million of remaining capitalized costs for the Boroo mill facility, other surface structures and equipment parts.

### *Gatsuurt – Illegal Mining*

CGM and Centerra continue to work with appropriate Mongolian federal and aimag (local) governments, relevant state bodies and police to clear the Gatsuurt site from artisanal miners and to restrict their access to the site. Centerra does not condone any violence or use of force by Mongolian authorities and has communicated to Mongolian authorities that matters are to be resolved in a peaceful manner.

### *Claim Against the Mongolian Mineral Resources Authority to Revoke Gatsuurt Mining Licenses*

In the first quarter of 2016, a non-governmental organization called "Movement to Save Mt. Noyon" filed a claim against the Mongolian Mineral Resources Authority (MRAM) requesting that MRAM revoke the two principle mining licenses underlying the Gatsuurt Project. CGM, the holder of these two mining licenses, is involved in the claim as a third party. Such proceedings are ongoing.

### *Sale of ATO*

On January 31, 2017, Centerra Gold's Mongolian subsidiary, CGM entered into definitive agreements to sell the ATO project, located in Eastern Mongolia, to Steppe Gold LLC and Steppe Gold Limited for gross proceed of \$19,800,000. CGM has received \$800,000 upon signing of the definitive agreements and is to receive \$9,000,000 at closing, scheduled for the second quarter of 2017, followed by two additional \$5 million cash payments at the first anniversary and second anniversary date of the closing of the transaction. The closing of the transaction is conditional upon Steppe Gold Limited executing their financing plans which the Company understands is scheduled to be completed in mid-2017.

## **11. Accounting Estimates, Policies and Changes**

### **Accounting Estimates**

The preparation of the Company's consolidated financial statements in accordance with IFRS required management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. The critical estimates and judgments applied in the preparation of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2017 are consistent with those used in the Company's consolidated financial statements for the year ended December 31, 2016.

### **Accounting policies and recent changes**

The accounting policies applied in the condensed consolidated interim financial statements for the three months ended March 31, 2017 are consistent with those used in the Company's consolidated financial statements for the year ended December 31, 2016, with the exceptions listed in note 3 of the condensed consolidated interim financial statements.

### **Recently issued but not adopted accounting guidance**

Note 3 in the condensed consolidated interim financial statements for the three months ended March 31, 2017 presents a list of recently issued accounting standards not yet adopted by the Company, provides a brief description on the nature of these changes and potential impact on the Company. The recently issued accounting standards and amendments are as follows: IFRS 15, *Revenue from Contracts with Customers*, IFRS 9, *Financial Instruments*, IFRS 16, *Leases* and amendments to IAS 7, *Statements of Cash Flows and IAS 12, Income Taxes*.

## **12. Disclosure Controls and Procedures and Internal Control Over Financial Reporting ("ICFR")**

Centerra adheres to the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) revised 2013 Internal Control Framework for the design of its ICFR. In accordance with National Instrument 52-109, the design of the Company's DC&P and ICFR excludes the controls, policies and procedures related to Thompson Creek and its subsidiaries on the basis that Thompson Creek and its subsidiaries were acquired on October 20, 2016 and therefore have been an operating subsidiary less than one year.

The evaluation of disclosure controls and procedures and internal controls over financial reporting under COSO's 2013 Internal Control Framework was carried out under the supervision of and with the participation of management, including Centerra's CEO and CFO. Based on these evaluations, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures and internal control over financial reporting were effective.

### **13. 2017 Outlook**

Production, cost and capital forecasts for 2017 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings “2017 Outlook - Material Assumptions & Risks” and “Caution Regarding Forward-Looking Information” in this MD&A. Also refer to the Company’s 2016 Annual Information Form and specifically the section entitled “Risks that can affect our business” therein available on SEDAR.

#### **2017 Gold Production**

Centerra’s 2017 gold production is expected to be between 715,000 to 795,000 ounces, which is unchanged from the previous guidance disclosed in the Company’s news release of January 16, 2017. Kumtor’s production forecast is expected to be in the range of 455,000 ounces to 505,000 ounces and Mount Milligan’s payable gold production is expected to be in the range of 260,000 to 290,000 ounces, which is unchanged from the previous guidance. Kumtor and Mount Milligan are expected to generate 30% and 35% of their annual production, respectively, in the fourth quarter of 2017.

The Mongolian operations will continue with care and maintenance activities at the Boroo mine mainly focusing on reclamation work. Any revenue from Boroo gold production from the rinsing of the heap leach pad is offset against care and maintenance costs. The 2017 production forecast assumes no gold production from Boroo, Gatsuurt, Öksüt or Hardrock which is unchanged from the previous guidance.

Centerra’s 2017 guidance for production, exploration, capital spending, corporate administration, and community costs and DD&A is unchanged from the previous guidance disclosed in the Company’s news release of January 16, 2017.

#### **2017 Copper Production**

Centerra expects concentrate production from the Mount Milligan Mine to be in the range of 125,000 to 135,000 dry metric tonnes for 2017, which is unchanged from the previous guidance. Payable copper production is expected to be in the range of 55 million pounds to 65 million pounds, which is unchanged from the previous guidance.



Centerra's 2017 production is forecast as follows:

| <b>2017 Production Guidance</b>                      | <b>Units</b> | <b>Kumtor</b>    | <b>Mount Milligan<sup>(1)</sup></b> | <b>Centerra</b>  |
|--|--------------|------------------|-------------------------------------|------------------|
| <b>Gold</b>  |              |                  |                                     |                  |
| Unstreamed Gold Payable Production                   | (Koz)        | 455 – 505        | 169 – 189                           | 624 – 694        |
| Streamed Gold Payable Production <sup>(1)</sup>      | (Koz)        | –                | 91 – 101                            | 91 – 101         |
| <b>Total Gold Payable Production<sup>(2)</sup></b>   | (Koz)        | <b>455 – 505</b> | <b>260 – 290</b>                    | <b>715 – 795</b> |
|  |              |                  |                                     |                  |
| <b>Copper</b>  |              |                  |                                     |                  |
| Unstreamed Copper Payable Production                 | (Mlb)        | –                | 45 – 53                             | 45 – 53          |
| Streamed Copper Payable Production <sup>(1)</sup>    | (Mlb)        | –                | 10 – 12                             | 10 – 12          |
| <b>Total Copper Payable Production<sup>(3)</sup></b> | (Mlb)        | –                | <b>55 – 65</b>                      | <b>55 – 65</b>   |
|  |              |                  |                                     |                  |
| <b>Concentrate production in dry tonnes</b>          | (Kt)         | –                | 125 – 135                           | 125 – 135        |

- (1) The Royal Gold Stream Arrangement entitles Royal Gold to 35% and 18.75% of gold and copper sales, respectively, from the Mount Milligan Mine and Royal Gold will pay \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered. The current payable percentage applied is approximately 95.0% for copper and 96.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.
- (2) Gold production assumes 78.8% recovery at Kumtor and 62.5% recovery at Mount Milligan.
- (3) Copper production assumes 75.5% recovery for copper at Mount Milligan.

### **2017 All-in Sustaining Unit Costs<sup>NG</sup>**

Centerra's 2017 all-in sustaining costs per ounce sold<sup>NG</sup> on a by-product basis are unchanged from the previous guidance and are forecast as follows:

|  | <b>Kumtor</b>            | <b>Mount Milligan<sup>(2)</sup></b> | <b>Centerra<sup>(2)</sup></b> |
|--|--------------------------|-------------------------------------|-------------------------------|
| <b>Ounces sold forecast</b>  | 455,000 – 505,000        | 260,000 – 290,000                   | 715,000-795,000               |
| <b>US \$ / gold ounce sold</b>   |                          |                                     |                               |
| Operating costs  | 288 – 319                | 748 – 834                           | 456 – 507                     |
| Changes in inventory   | 35 – 39                  | 35 – 39                             | 35 – 39                       |
| <b>Operating costs (on a sales basis)<sup>(3)</sup></b>  | <b>\$323 - \$358</b>     | <b>\$783 - \$873</b>                | <b>\$491 – \$546</b>          |
| Selling & marketing  | -                        | 18 – 20                             | 6 – 7                         |
| Regional office administration   | 31 – 34                  | -                                   | 20 – 22                       |
| Social development costs   | 5                        | -                                   | 3                             |
| Treatment & refining charges   | 6 – 7                    | 71 – 79                             | 30 – 33                       |
| Copper credits <sup>(2)</sup>  | -                        | (484) – (540)                       | (177) – (196)                 |
| Silver credits   | (6) – (7)                | (23) – (26)                         | (12) – (14)                   |
| <b>Subtotal (Adjusted operating costs)<sup>(1), (2)</sup></b>                                  | <b>\$359 - \$397</b>     | <b>\$365 - \$406</b>                | <b>\$361 – \$401</b>          |
| Accretion expense  | 2                        | 1                                   | 2                             |
| Capitalized stripping costs (cash)   | 340 – 377                | -                                   | 216 – 240                     |
| Sustaining capital expenditures <sup>(1)</sup>   | 135 – 149                | 91 – 101                            | 120 – 133                     |
| Corporate general and administrative costs   | -                        | -                                   | 44 – 48                       |
| <b>All-in sustaining costs on a by-product basis<sup>(1), (2)</sup></b>                        | <b>\$836 - \$925</b>     | <b>\$457 - \$508</b>                | <b>\$743 - \$824</b>          |
| Revenue-based tax <sup>(4)</sup> and taxes <sup>(4)</sup>                                      | 166 – 184                | 19 - 21                             | 113 – 125                     |
| <b>All-in sustaining costs on a by-product basis (including taxes)<sup>(1), (2), (4)</sup></b> | <b>\$1,002 – \$1,109</b> | <b>\$476 - \$529</b>                | <b>\$856 - \$949</b>          |
|  |                          |                                     |                               |
| <b>Gold - All-in sustaining costs on a co-product basis (\$/ounce)<sup>(1),(2),(5)</sup></b>   | <b>\$836 - \$925</b>     | <b>\$575 - \$640</b>                | <b>\$786 - \$873</b>          |
| <b>Copper - All-in sustaining costs on a co-product basis (\$/pound)<sup>(1),(2),(5)</sup></b> | <b>-</b>                 | <b>\$1.63 - \$1.93</b>              | <b>\$1.63 - \$1.93</b>        |

- (1) Adjusted operating costs per ounce sold, all-in sustaining costs per ounce sold on a by-product basis, all-in sustaining costs per ounce on a by-product basis plus taxes, all-in sustaining costs per ounce of gold sold or per pound of copper sold on a co-product basis and sustaining capital expenditures are non-GAAP measures and are discussed under “Non-GAAP Measures”.
- (2) Mount Milligan payable production and ounces sold are presented on a 100% basis (the Royal Gold Stream Arrangement entitles it to 35% and 18.75% of gold and copper sales, respectively). Unit costs and consolidated unit costs include a credit for forecasted copper sales treated as by-product for all-in sustaining costs and all-in sustaining costs including taxes. The copper sales are based on a copper price assumption of \$2.50 per pound sold for Centerra’s 81.25% share of copper production and the remaining 18.75% of copper revenue at \$0.375 per pound (15% of spot price, assuming spot at \$2.50 per pound), representing the Royal Gold Stream Arrangement. Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters. The current payable percentage applied is approximately 95.0% for copper and 96.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.
- (3) 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.
- (4) Includes revenue-based tax at Kumtor that reflects a forecast gold price assumption of \$1,200 per ounce sold, the British Columbia mineral tax at Mount Milligan and income taxes.
- (5) All-in sustaining costs per ounce of gold sold or per pound of copper sold, both on a co-product basis, are defined in “Non-GAAP Measures”.

Results in the chart may not add due to rounding.

## Sensitivities

Centerra's revenues, earnings and cash flows for the remaining nine months of 2017 are sensitive to changes in certain key inputs or currencies. The Company has estimated the impact of any such changes on revenues, net earnings and cash from operations.

|                                | Change   | Impact on<br>(\$ millions) |             |             |                             | Impact on<br>(\$ per ounce sold)        |
|--------------------------------|----------|----------------------------|-------------|-------------|-----------------------------|---|
|                                |          | Costs                      | Revenues    | Cash flows  | Net Earnings<br>(after tax) | AISC <sup>(2)</sup> on by-product basis |
| Gold Price                     | \$50/oz  | 2.6 - 3.0                  | 24.2 – 27.7 | 24.2 – 27.7 | 21.6 – 24.5                 | 0.3                                     |
| Copper Price <sup>(3)</sup>    | 10%      | 0.1                        | 3.9 – 5.4   | 3.7 – 5.2   | 3.7 – 5.2                   | 3.7 – 5.2                               |
| Diesel Fuel                    | 10%      | 2.6                        | -           | 6.2         | 2.6                         | 9.8 – 11.2                              |
| Kyrgyz som <sup>(1)</sup>      | 1 som    | 0.7                        | -           | 1.4         | 0.7                         | 2.2 – 2.6                               |
| Canadian dollar <sup>(1)</sup> | 10 cents | 15.1                       | -           | 16.7        | 15.1                        | 26.3 – 30.1                             |

- (1) 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.
- (2) All-in sustaining costs per ounce sold ("AISC") on a by-product basis is a non-GAAP measure and is discussed under "Non-GAAP Measures"
- (3) The Company has recalculated the sensitivities of its revenues, earnings and cash flows for remaining nine months of 2017 to movements in copper price changes following the commencement in the first quarter of 2017 of a hedging program to mitigate the copper price risk by purchasing fixed price forward sales contracts and zero-cost collars.

## Material Assumptions and Risks

Material assumptions or factors used to forecast production and costs for the remaining nine months of 2017 include the following:

- a gold price of \$1,200 per ounce,
- a copper price of \$2.60 per pound, up from prior guidance of \$2.50 per pound
- a molybdenum price of \$7.50 per pound, up from prior guidance of \$7.35 per pound
- exchange rates:
  - a. \$1USD:\$1.34 CAD, changed from prior guidance of \$1.32 CAD
  - b. \$1USD:70.0 Kyrgyz som, changed from prior guidance of 67.0 Kyrgyz som
  - c. \$1USD:0.95 Euro, changed from prior guidance of 0.90 Euro
- diesel fuel price assumption:
  - a. \$0.50/litre at Kumtor
  - b. \$0.65/litre at Mount Milligan

The assumed diesel price of \$0.50/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. The diesel fuel price assumptions were made when the price of oil was approximately \$52 per barrel. Crude oil is a component of diesel fuel purchased by the Company, such that changes in the price of Brent crude oil generally impacts diesel fuel prices. The Company established a hedging strategy to manage changes in diesel fuel prices on the cost of operations at the Kumtor mine. The diesel fuel hedging program is a 24-month rolling program. The Company targets to hedge up to 70% of monthly diesel purchases for the first 12 months and 50% of the 13 through 24 month exposure by entering into futures contracts for Brent crude oil.

Other material assumptions were used in forecasting production and costs for the remaining nine months of 2017. These material assumptions include the following:

- That the Company has sufficient cash on hand or available to it in order to fund anticipated operating and development costs.
- The Company and its applicable subsidiaries throughout the year continue to meet the terms of the Centerra B.C. Facility, the Öksüt Facility and the Corporate Facility in order to maintain current borrowings and compliance with the facilities financial covenants.
- That any discussions between the Government of the Kyrgyz Republic and Centerra regarding the resolution of all outstanding matters affecting the Kumtor mine are satisfactory to Centerra, fair to all of Centerra's stakeholders, and that any such resolution will receive all necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law.
- All mine plans, expertise and related permits and authorizations at Kumtor, receive timely approval from all relevant governmental agencies in the Kyrgyz Republic and are not subsequently withdrawn.
- Any recurrence of political or civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine and/or power to the mine site.
- Any actions taken by the Kyrgyz Republic Parliament and Government do not have a material impact on operations or financial results. This includes any actions (i) being taken by the Parliament or Government to cancel the Kumtor Project Agreements; (ii) which are not consistent with the rights of Centerra and KGC under the Kumtor Project Agreements; or (iii) that cause any disruptions to the operation and management of KGC and / or the Kumtor Project.
- The previously disclosed claims received from the Kyrgyz regulatory authorities (SIETS and SAEPPF) and related Kyrgyz Republic court decisions, the claims of the GPO 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, criminal and other investigations initiated by the GPO in connection with loans and dividends made by KGC and the alleged misuse of funds or other property at KGC, any further claims by Kyrgyz authorities, whether environmental allegations or otherwise, and the securities litigation involving Thompson Creek are resolved without material impact on Centerra's operations or financial results.
- Any sanctions imposed on Russian entities do not have a negative effect on the costs or availability of inputs or equipment to the Kumtor Project.
- The movement in the Central Valley Waste Dump at Kumtor, initially referred to in the Annual Information Form for the year ended December 31, 2013, and in the Lysii and Sarytor Waste Dumps, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production.
- The buttress constructed at the bottom of the Davidov glacier continues to function as planned.
- The Company is able to manage the risks associated with the increased height of the pit walls at Kumtor.
- The dewatering program at Kumtor continues to produce the expected results and the water management system works as planned.
- The pit walls at Kumtor and Mount Milligan remain stable.
- The resource block model at Kumtor and Mount Milligan reconciles as expected against production.
- Grades and recoveries at Kumtor and Mount Milligan remain consistent with the 2017 production plan to achieve the forecast gold and copper production.
- The Kumtor mill and the Mount Milligan processing plant continues to operate as expected.
- The permanent secondary crushing plant at Mount Milligan continues to perform as designed.

- The Mount Milligan processing facility continues to have access to sufficient water supplies to operate year round.
- There are no unfavourable changes to concentrate sales arrangements at Mount Milligan and roasting arrangements at the Langeloth facility.
- There are no adverse regulatory changes affecting Mount Milligan operations and molybdenum assets.
- Exchange rates, prices of key consumables, costs of power, water usage fees, and any other cost assumptions at all operations and projects of the Company are not significantly higher than prices assumed in planning.
- No unplanned delays in or interruption of scheduled production from our mines, including due to climate/weather conditions, political or civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks.

The Company cannot give any assurances in this regard.

Production, cost and capital forecasts for 2017 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings “Material Assumptions & Risks” and “Caution Regarding Forward-Looking Information” in this MD&A.

### **Qualified Person & QA/QC – Production Information**

The production information and other scientific and technical information presented in this document, including the production estimates were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101 and were prepared, reviewed, verified and compiled by Centerra’s geological and mining staff under the supervision of Gordon Reid, Professional Engineer and Centerra’s Vice- President and Chief Operating Officer, who is the qualified person for the purpose of NI 43-101. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the exploration drilling programs are done consistent with industry standards and independent certified assay labs are used.

## **14. Non-GAAP Measures**

This MD&A and news release contain the following non-GAAP financial measures: all-in sustaining costs per ounce sold on a by-product basis, all-in sustaining costs per ounce sold on a by-product basis including taxes, and all-in sustaining costs per ounce sold on a co-product basis. In addition, non-GAAP financial measures include operating costs (on a sales basis), adjusted operating costs in dollars (millions) and per ounce sold, as well as capital expenditures (sustaining) and capital expenditures (growth) and cash provided by operations before changes in working capital. These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers, even as compared to other issuers who may be applying the World Gold Council (“WGC”) guidelines, which can be found at <http://www.gold.org>.

Management believes that the use of these non-GAAP measures will assist analysts, investors and other stakeholders of the Company in understanding the costs associated with producing gold, understanding the economics of gold mining, assessing our operating performance, our ability to generate free cash flow from current operations and to generate free cash flow on an overall Company basis, and for planning and forecasting of future periods. However, the measures do have limitations as analytical tools as they may be

influenced by the point in the life cycle of a specific mine and the level of additional exploration or expenditures a company has to make to fully develop its properties. Accordingly, these non-GAAP measures should not be considered in isolation, or as a substitute for, analysis of our results as reported under GAAP.

### ***Definitions***

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

- *Production costs* represent operating costs associated with the mining, milling and site administration activities at the Company's operating sites, excluding costs unrelated to production such as mine standby and community costs related to current operations.
- *Operating costs (on a sales basis)* include mine operating costs such as mining, processing, site support, royalties and operating taxes (except at Kumtor where revenue-based taxes are excluded), but exclude depreciation, depletion and amortization (DD&A), reclamation costs, financing costs, capital development and exploration.
- *Adjusted operating costs per ounce sold* include operating costs (on a sales basis), regional office administration, mine standby costs, community costs related to current operations, refining fees and by-product credits.
- *All-in sustaining costs on a by-product basis per ounce sold* include adjusted operating costs, the cash component of capitalized stripping costs, corporate general and administrative expenses, accretion expenses, and sustaining capital, net of copper and silver credits. The measure incorporates costs related to sustaining production. Copper and silver credits represent the expected revenue from the sale of these metals.
- *All-in sustaining costs on a by-product basis per ounce sold including taxes*, include revenue-based tax at Kumtor and taxes (mining and income) at Mount Milligan.
- *All-in sustaining costs on a co-product basis per ounce of gold sold or per pound of copper sold*, operating costs are allocated between copper and gold based on production. To calculate the allocation of operating costs, copper production has been converted to ounces of gold equivalent using the copper production for the periods presented, as well as an average of the futures prices during the quotational pricing period for copper and gold. In the first quarter of 2017, 460 pounds of copper was equivalent to one ounce of gold.
- *Capital expenditure (Sustaining)* is a capital expenditure necessary to maintain existing levels of production. The sustaining capital expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year.
- *Capital expenditure (Growth)* is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.
- *Growth projects* are defined as projects that are beyond the exploration stage but are pre-operational. For 2017, growth projects include Öksüt, Gatsuurt and the Greenstone Gold Property.
- *Average realized gold price* is calculated by dividing revenue (including third party sales and the fixed amount received under the Royal Gold Stream Arrangement) derived from gold sales by the number of ounces sold.
- *Average realized copper price* is calculated by dividing revenue (including third party sales and the fixed amount received under the Royal Gold Stream Arrangement) derived from copper sales by the number of pounds sold.
- *Cash provided by operations before changes in working capital* starts with cash provided by operations and removes the changes in working capital as presented in the Company's Statement of Cash Flows.

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

| (Unaudited - \$ millions, unless otherwise specified)                                  | Three months ending March 31, |       |                       |       |                               |      |
|--|-------------------------------|-------|-----------------------|-------|-------------------------------|------|
|  | Consolidated <sup>(1)</sup>   |       | Kumtor <sup>(1)</sup> |       | Mount Milligan <sup>(1)</sup> |      |
|  | 2017                          | 2016  | 2017                  | 2016  | 2017                          | 2016 |
| Cost of sales excluding molybdenum segment, as reported                                | 138.2                         | 31.5  | 72.5                  | 31.5  | 65.7                          | -    |
| Less: By-product credits included in cost of sales                                     | (2.6)                         | -     | (1.4)                 | -     | (1.2)                         | -    |
| Less: Non-cash component   | 52.3                          | 12.3  | 37.5                  | 12.4  | 15.0                          | -    |
| Cost of sales, cash component  | 88.4                          | 19.2  | 36.3                  | 19.1  | 51.9                          | -    |
| Adjust for:  |                               |       |                       |       |                               |      |
| Regional office administration   | 4.2                           | 3.3   | 4.2                   | 3.3   | -                             | -    |
| Selling and marketing  | 1.1                           | -     | -                     | -     | 1.1                           | -    |
| Refining fees  | 1.2                           | 0.5   | 1.0                   | 0.5   | 0.3                           | -    |
| By-product credits - silver  | (2.6)                         | (0.4) | (1.4)                 | (0.4) | (1.2)                         | -    |
| By-product credits - copper  | (28.6)                        | -     | -                     | -     | (28.6)                        | -    |
| Community costs related to current operations  | 0.1                           | 0.5   | 0.1                   | 0.5   | -                             | -    |
| Adjusted Operating Costs   | 64.0                          | 23.1  | 40.2                  | 23.0  | 23.6                          | -    |
| Corporate general administrative costs   | 11.0                          | 5.7   | -                     | -     | -                             | -    |
| Accretion expense  | 0.6                           | 0.4   | 0.3                   | 0.2   | 0.1                           | -    |
| Capitalized stripping and ice unload   | 46.8                          | 10.4  | 46.8                  | 10.4  | -                             | -    |
| Capital expenditures (sustaining)  | 19.7                          | 23.2  | 15.2                  | 23.0  | 4.5                           | -    |
| All-in Sustaining Costs on a by-product basis  | 142.1                         | 62.8  | 102.5                 | 56.6  | 28.2                          | -    |
| Revenue-based taxes  | 23.2                          | 10.3  | 23.2                  | 10.3  | -                             | -    |
| Income and mining taxes  | 1.2                           | -     | -                     | -     | 1.0                           | -    |
| All-in Sustaining Costs on a by-product basis (including taxes)                        | 166.4                         | 73.1  | 125.7                 | 66.9  | 29.2                          | -    |
| Ounces sold (000)  | 187.9                         | 61.7  | 134.7                 | 61.7  | 53.2                          | -    |
| Adjusted Operating Costs - \$ /oz sold   | 340                           | 374   | 300                   | 373   | 443                           | -    |
| Gold - All-in Sustaining Costs on a by-product basis - \$ /oz sold                     | 756                           | 1,018 | 762                   | 917   | 530                           | -    |
| Gold - All-in Sustaining Costs on a by-product basis (including taxes) - \$ /oz sold   | 886                           | 1,185 | 933                   | 1,084 | 549                           | -    |
| Gold - All-in Sustaining Costs on a co-product basis (before taxes) - \$ /oz sold      | 795                           | 1,018 | 762                   | 917   | 667                           | -    |
| Copper - All-in Sustaining Costs on a co-product basis (before taxes) - \$ /pound sold | 1.86                          | n/a   | n/a                   | n/a   | 1.86                          | -    |

(1) Results may not add due to rounding

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

| <b>First Quarter - 2017</b>                                       | <b>Kumtor</b> | <b>Mount Milligan</b> | <b>Turkey</b> | <b>Mongolia</b> | <b>All other</b> | <b>Consolidated</b> |
|---|---------------|-----------------------|---------------|-----------------|------------------|---------------------|
| (\$ millions) <i>(Unaudited)</i>                                  |               |                       |               |                 |                  |                     |
| Capitalized stripping –cash                                       | 46.7          | -                     | -             | -               | -                | 46.7                |
| Sustaining capital - cash   | 15.2          | 4.4                   | -             | -               | -                | 19.6                |
| Growth capital - cash   | 0.9           | -                     | -             | -               | -                | 0.9                 |
| Gatsuurt project development capital cash                         | -             | -                     | -             | 0.5             | -                | 0.5                 |
| Greenstone Gold Property pre-development capital cash             | -             | -                     | -             | -               | 1.0              | 1.0                 |
| Öksüt project development capital - cash                          | -             | -                     | 2.0           | -               | -                | 2.0                 |
| Molybdenum business capital - cash                                | -             | -                     | -             | -               | -                | -                   |
| Net (increase) decrease in accruals included in additions to PP&E | (2.2)         | -                     | -             | 0.5             | -                | (1.7)               |
| <b>Total - Additions to PP&amp;E <sup>(1)</sup></b>               | <b>60.6</b>   | <b>4.4</b>            | <b>2.0</b>    | <b>1.0</b>      | <b>1.0</b>       | <b>69.0</b>         |

| <b>First Quarter - 2016</b>                                       | <b>Kumtor</b> | <b>Mount Milligan</b> | <b>Turkey</b> | <b>Mongolia</b> | <b>All other</b> | <b>Consolidated</b> |
|---|---------------|-----------------------|---------------|-----------------|------------------|---------------------|
| (\$ millions) <i>(Unaudited)</i>                                  |               |                       |               |                 |                  |                     |
| Capitalized stripping –cash                                       | 10.4          | -                     | -             | -               | -                | 10.4                |
| Sustaining capital - cash   | 23            | -                     | -             | -               | 0.2              | 23.2                |
| Growth capital - cash   | 4.7           | -                     | -             | 0.4             | 0                | 5.1                 |
| Greenstone Gold Property pre-development capital cash             | -             | -                     | -             | -               | 0.6              | 0.6                 |
| Öksüt project development capital - cash                          | -             | -                     | 3.6           | -               | -                | 3.6                 |
| Net (increase) decrease in accruals included in additions to PP&E | (7.6)         | -                     | -             | -               | -                | (7.6)               |
| <b>Total - Additions to PP&amp;E <sup>(1)</sup></b>               | <b>30.5</b>   | <b>-</b>              | <b>3.6</b>    | <b>0.4</b>      | <b>0.8</b>       | <b>35.3</b>         |

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



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

| Three months ended March 31, 2017   |                |                |                  |                 |                |
|---|----------------|----------------|------------------|-----------------|----------------|
|   | Kumtor         | Mount Milligan | Molybdenum Group | Other           | Consolidated   |
| Cash provided by operations   | 91,602         | (2,794)        | (2,328)          | (14,017)        | 72,463         |
| Add back (deduct):  |                |                |                  |                 |                |
| Change in non-cash operating working capital                                      | 10,778         | 34,803         | 4,066            | (4,005)         | 45,642         |
| <b>Net cash provided by operations before changes in non-cash working capital</b> | <b>102,380</b> | <b>32,009</b>  | <b>1,738</b>     | <b>(18,022)</b> | <b>118,105</b> |

| Three months ended March 31, 2016   |               |                |                  |                |               |
|---|---------------|----------------|------------------|----------------|---------------|
|   | Kumtor        | Mount Milligan | Molybdenum Group | Other          | Consolidated  |
| Cash provided by operations   | 7,153         | -              | -                | 2,274          | 9,427         |
| Add back (deduct):  |               |                |                  |                |               |
| Change in non-cash operating working capital                                      | 29,911        | -              | -                | (12,126)       | 17,785        |
| <b>Net cash provided by operations before changes in non-cash working capital</b> | <b>37,064</b> | <b>-</b>       | <b>-</b>         | <b>(9,852)</b> | <b>27,212</b> |

## Average realized gold price

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

|   | Three months ended March 31, |                 |
|---|------------------------------|-----------------|
|   | 2017                         | 2016            |
| <b>Gold sales reconciliation (\$ millions, except as noted)</b>   |                              |                 |
| Gold sales - Kumtor   | \$ 165.2                     | \$ 73.7         |
| Refining costs  | 1.0                          | 0.5             |
| Total gold sales  | <u>\$ 164.2</u>              | <u>\$ 73.2</u>  |
| <b><u>Gold sales - Mt. Milligan</u></b>                           |                              |                 |
| Gold sales related to cash portion of Royal Gold stream           | 8.7                          | \$ -            |
| Mark-to-market adjustments on sales to Royal Gold                 | (1.6)                        | -               |
| Final adjustments on sales to Royal Gold                          | (1.6)                        | -               |
| Total gold sales under Royal Gold stream                          | <u>5.6</u>                   | <u>-</u>        |
| Gold sales to third party customers                               | 48.9                         | -               |
| Mark-to-market adjustments  | 1.7                          | -               |
| Final pricing adjustments   | 0.3                          | -               |
| Total gold sales to third party customers                         | <u>50.8</u>                  | <u>-</u>        |
| Gold sales, net of adjustments                                    | 56.4                         | -               |
| Refining and treatment costs                                      | (0.3)                        | -               |
| Total gold sales  | <u>\$ 56.1</u>               | <u>\$ -</u>     |
| <b>Total gold revenue - Consolidated</b>                          | <u>\$ 220.3</u>              | <u>\$ 73.2</u>  |
| <b>Ounces of gold sold</b>  |                              |                 |
| Gold ounces sold - Kumtor   | 134,682                      | 61,744          |
| Ounces sold to Royal Gold - Mt. Milligan                          | 19,975                       | -               |
| Ounces sold to Royal Gold - Mt. Milligan - Final adjustments      | (7,984)                      | -               |
| Ounces sold to third party customers - Mt. Milligan               | 41,241                       | -               |
| <b>Total ounces sold - Consolidated</b>                           | <u>187,914</u>               | <u>61,744</u>   |
| <b>Average realized sales price for gold on a per ounce basis</b> |                              |                 |
| Average realized sales price - Kumtor                             | \$ 1,219                     | \$ 1,186        |
| Average realized gold price - Royal Gold                          | \$ 435                       | \$ -            |
| Average realized gold price - Mark-to-market adjustments          | (131)                        | -               |
| Average realized gold price - Final pricing adjustments           | (131)                        | -               |
| <b>Average realized gold price - Mt. Milligan - Royal Gold</b>    | <u>\$ 173</u>                | <u>\$ -</u>     |
| Average realized gold price - Third party                         | \$ 1,185                     | \$ -            |
| Average realized gold price - Mark-to-market adjustments          | 40                           | -               |
| Average realized gold price - Final pricing adjustments           | 7                            | -               |
| <b>Average realized gold price - Mt. Milligan - Third party</b>   | <u>\$ 1,233</u>              | <u>\$ -</u>     |
| <b>Average realized gold price - Mt. Milligan - Combined</b>      | <u>1,054</u>                 | <u>-</u>        |
| <b>Average realized sales price for gold - Consolidated</b>       | <u>\$ 1,172</u>              | <u>\$ 1,186</u> |

## Average realized copper price

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

| <b>Average realized sales price for Copper - Mt. Milligan</b>       | <b>Three months ended<br/>March 31, 2017</b> |
|---|--|
| <b>Copper sales reconciliation (\$ millions, except as noted)</b>   |  |
| Copper sales related to cash portion of Royal Gold stream           | \$ 1.0                                       |
| Mark-to-market adjustments on Royal Gold stream                     | (0.2)  |
| <b>Total copper sales under Royal Gold stream</b>                   | <b>0.8</b>                                   |
| Copper sales to third party customers                               | 29.6   |
| Mark-to-market adjustments  | (1.0)  |
| Final price adjustments   | 3.3  |
| <b>Total copper sales to third party customers</b>                  | <b>31.9</b>                                  |
| Copper sales, net of adjustments                                    | 32.6   |
| Refining and treatment costs  | (4.1)  |
| <b>Copper sales</b>   | <b>\$ 28.6</b>                               |
| <b>Pounds of copper sold (000's lbs)</b>                            |  |
| Pounds sold to Royal Gold   | 2,528  |
| Pounds sold to third party customers                                | 11,084                                       |
| <b>Total pounds sold</b>  | <b>13,612</b>                                |
| <b>Average realized sales price for copper on a per pound basis</b> |  |
| Copper sales related to cash portion of Royal Gold stream           | \$ 0.40                                      |
| Mark-to-market adjustments on Royal Gold stream                     | (0.09)                                       |
| <b>Average realized copper price - Royal Gold</b>                   | <b>\$ 0.31</b>                               |
| Average realized copper price - Third party                         | 2.67   |
| Average realized copper price - Mark-to-market adjustments          | (0.09)                                       |
| Average realized copper price - Final pricing adjustments           | 0.29   |
| <b>Average realized copper price - Third party</b>                  | <b>\$ 2.87</b>                               |
| <b>Average realized copper price - Combined</b>                     | <b>\$ 2.10</b>                               |

## 15. 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”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule”, “understand” and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things: opportunities for financial and operational benefits from business proceed improvement at all sites; the Company’s discussions with the Government of the Kyrgyz Republic; statements relating to the Company’s cash on hand, working capital, future cash flows and existing credit facilities being sufficient to fund anticipated operating cash requirements; the Company’s expectations regarding the timing of distributions from Mount Milligan; the continuation of negotiations with the Mongolian Government on definitive agreements related to the Gatsuurt Project; timing for development of, and gold production, from the Öksüt Project; expected time frames for an arbitral decision on the Company’s application for partial award or in the alternative, interim relief; and statements found under the heading, “2017 Outlook”, including forecast 2017 production, cost and capital estimates, care and maintenance and reclamation activities at the Boroo mine, and the Company’s plans in 2017 for exploration expenditures, capital expenditures, corporate administrative and community expenditures, and DD&A expenses for 2017.

Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking information. Factors that could cause actual results or events to differ materially from current expectations include, among other things: (A) strategic, legal, planning and other risks, including: political risks associated with the Company’s operations in the Kyrgyz Republic, Mongolia and Turkey; resource nationalism including the management of external stakeholder expectations; liquidity risks created by Centerra’s inability to access funds held at KGC the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices, including with respect to the environment, in the jurisdictions in which the Company operates including any delays or refusals to grant required permits and licenses, unjustified civil or criminal action against the Company, its affiliates or its current or former employees; risks that community activism may result in increased contributory demands or business interruptions; the impact of any actions taken by the Kyrgyz Republic Government and Parliament relating to the Kumtor Project Agreements which are inconsistent with the rights of Centerra and KGC under the Kumtor Project Agreements; any impact on the purported cancellation of Kumtor’s land use rights at the Kumtor Project pursuant to a court claim commenced by the Kyrgyz Republic GPO; the risks related to other outstanding litigation affecting the Company’s operations in the Kyrgyz Republic and elsewhere; the impact of the delay by relevant government agencies to provide required approvals, expertises and permits; potential impact on the Kumtor Project of investigations by Kyrgyz Republic instrumentalities and movement restrictions on KGC employees and managers; the terms pursuant to which the Mongolian Government will participate in, or to take a special royalty rate in, the Gatsuurt Project; the impact of constitutional changes in Turkey; the impact of any sanctions imposed by Canada, the United States or other jurisdictions against various Russian individuals and entities; the ability of the Company to negotiate a successful development agreement for the Gatsuurt Project; potential defects of title in the Company’s properties that are not known as of the date hereof; the inability of the Company and its subsidiaries to enforce their legal rights in certain circumstances; the presence of a significant shareholder that is a state-owned company of the Kyrgyz Republic; risks related to anti-corruption legislation; risks related to the concentration of assets in Central Asia; Centerra’s future exploration and development activities not being successful; Centerra not being able to replace mineral reserves; Aboriginal claims and consultative issues relating to the Company’s properties which are in proximity to Aboriginal communities; and potential risks related to kidnapping or acts of terrorism; (B) risks relating to financial matters, including: sensitivity of the Company’s business to the volatility of gold, copper and other mineral prices, the use of provisionally-priced sales contracts for production at Mount Milligan, reliance on a few key customers for the gold-copper concentrate at Mount Milligan, use of commodity derivatives, the imprecision of the Company’s mineral reserves and resources estimates and the assumptions they rely on, the accuracy of the Company’s production and cost estimates, the impact of restrictive

covenants in the Company's credit facilities which may, among other things, restrict the Company from pursuing certain business activities or making distributions from its subsidiaries, the Company's ability to obtain future financing, the impact of global financial conditions, the impact of currency fluctuations, the effect of market conditions on the Company's short-term investments, the Company's ability to make payments including any payments of principal and interest on the Company's debt facilities depends on the cash flow of its subsidiaries; and (C) risks related to operational matters and geotechnical issues and the Company's continued ability to successfully manage such matters, including the movement of the Davidov Glacier, waste and ice movement and continued performance of the buttress at the Kumtor Project; the occurrence of further ground movements at the Kumtor Project and mechanical availability; the ability of the Company to successfully ramp-up to design criteria of the secondary crusher at Mount Milligan; the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities; inherent risks associated with the use of sodium cyanide in the mining operations; the adequacy of the Company's insurance to mitigate operational risks; mechanical breakdowns; the Company's ability to replace its mineral reserves; the occurrence of any labour unrest or disturbance and the ability of the Company to successfully re-negotiate collective agreements when required; the risk that Centerra's workforce may be exposed to widespread epidemic; seismic activity in the vicinity of the Company's properties; long lead times required for equipment and supplies given the remote location of some of the Company's operating properties; reliance on a limited number of suppliers for certain consumables, equipment and components; illegal mining on the Company's Mongolian properties; the Company's ability to accurately predict decommissioning and reclamation costs; the Company's ability to attract and retain qualified personnel; competition for mineral acquisition opportunities; and risks associated with the conduct of joint ventures/partnerships; the Company's ability to manage its projects effectively and to mitigate the potential lack of availability of contractors, budget and timing overruns and project resources. See section titled "Risks that can affect our business" in the 2016 Annual Information Form available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward-looking information is as of May 1, 2017. 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.