

**Centerra Gold Inc.**  
**Management’s Discussion and Analysis (“MD&A”)**  
**For the Period Ended March 31, 2015**

The following discussion has been prepared as of April 30, 2015, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. (“Centerra” or the “Company”) for the three months ended March 31, 2015 in comparison with the corresponding period ended March 31, 2014. 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, 2015. This MD&A should also be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended December 31, 2014 and 2013, the related MD&A and the Annual Information Form for the year ended December 31, 2014 (the “2014 Annual Information Form”). The condensed consolidated interim financial statements of Centerra are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and the Company’s accounting policies as described in note 3 of its annual consolidated financial statements for the year ending December 31, 2014. All dollar amounts are expressed in United States (U.S.) dollars, except as otherwise indicated. In addition, this discussion contains forward-looking information regarding Centerra’s business and operations. See “Caution Regarding Forward-Looking Information” in this discussion and “Risk Factors” in the Company’s 2014 Annual Information Form. The Company’s 2014 Annual Report and 2014 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” on pages 33 to 38.**

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## Overview

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

The Company's significant subsidiaries include Kumtor Gold Company ("KGC") in the Kyrgyz Republic, Boroo Gold LLC and Centerra Gold Mongolia LLC (owner of the Gatsuert property and Altan Tsagaan Ovoo ("ATO") property) in Mongolia and Öksüt Madencilik A.S. in Turkey, each of which is a wholly-owned subsidiary. Additionally, the Company holds a 50% joint ownership interest in the Trans-Canada development property located in Ontario, Canada

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

## Recent Developments

### Kumtor Operations

- On March 20, 2015, Centerra announced that it had filed an updated NI 43-101 technical report for the Kumtor Mine. The updated technical report describes in detail Kumtor's new life-of-mine plan (LOM), which is based on Kumtor's mineral reserve estimates as at December 31, 2014 and reflects an updated production profile, and updated operating and capital costs from those that were disclosed in the prior technical report for Kumtor dated December 20, 2012. See the Company's news releases dated February 9, 2015 and March 20, 2015 and the updated technical report which are available on SEDAR. Refer as well to the "Operations Update – Kumtor Operating Results – Technical Matters" below.
- The Company continued its discussions with the Government of the Kyrgyz Republic relating to the restructuring described in the Heads of Agreement dated January 18, 2014 (the "HOA"). On April 9, 2015, the Company announced that it was aware of certain statements made by the Prime Minister of the Kyrgyz Republic at a meeting of the Kyrgyz Republic Parliament and to local media suggesting that the restructuring of the Kumtor Project as a 50/50 joint venture between Centerra and Kyrgyzaltyn JSC ("Kyrgyzaltyn"), as previously announced by Centerra in its news release of December 24, 2013, would not be in the interests of the Kyrgyz Republic. The Prime Minister is also reported to have stated that nationalization of the Kumtor mine is not a viable alternative. Additionally, the Prime Minister is reported to have proposed changes or additions to the composition of Centerra's Board of Directors. See "Other Corporate Developments".
- Starting in the fourth quarter of 2014, Kumtor submitted to various Kyrgyz Republic governmental agencies for approval its 2015 annual mine plan and its ecological passport, which provides for, among other things, allowable levels of environmental emissions and discharges. The ecological passport requires renewal every five years. Similar to Kumtor's experience in 2014, Kumtor initially received correspondence from such agencies declining

to review such documents. The Company and Kumtor dispute the reasons provided by the regulatory agencies for their refusal to review the documents. Subsequently, Kumtor received the required expertise of the 2015 annual mine plan from the Kyrgyz Republic State Agency for Geology and Mineral Resources (“SAGMR”). It has also received notice from the Kyrgyz Republic State Agency for Environmental Protection and Forestry (“SAEPF”) on March 31, 2015 stating that: (i) SAEPF is reviewing the 2015 annual mine plan and that the time frame for such review ends on June 4, 2015; and (ii) Kumtor’s permits for emissions into the atmosphere and waste disposal into tailings ponds have been extended until June 4, 2015.

The Company notes that project agreements governing the Kumtor Project require relevant Kyrgyz Republic Government authorities to be reasonable in relation to their approval of any mining plans submitted for approval. Similarly with respect to permits and approvals, Kumtor is entitled to maintain, have renewed and receive such licenses, consents, permissions and approvals as are from time to time necessary or convenient for the operation of the Kumtor Project. The Company intends to continue discussion with the Kyrgyz Republic Government and the applicable agencies to obtain the relevant approvals and permits but there can be no assurances that such approvals and permits will be received or that a suspension of mining will not occur. See “Other Corporate Developments - Kyrgyz Permitting and Regulatory Matters”.

### **Mongolian Operations**

- The Company announced on January 23, 2015 that the Gatsuurt Project, which is located approximately 55 km (by road) from the Company’s Boroo mine in Mongolia, has been designated as a mineral deposit of strategic importance by the Mongolian Parliament. This designation allows the Gatsuurt Project to proceed in compliance with the Water and Forest Law and also allows Mongolia to acquire up to a 34% interest in the project. On February 17, 2015, the Government’s proposal on state ownership of 20% was considered by Parliament but rejected and returned to the Government for review. On February 18, 2015, amendments to the Mongolian Minerals Law were approved by Parliament which provide an option for the Government to impose a special royalty at a rate up to 5% for strategic deposits rather than take an ownership interest in the project. The terms of such participation are subject to continued discussions between the Company and the Mongolian Government. Further development of the Gatsuurt Project is expected to be subject to, among other things, receiving Parliamentary approval of the Mongolia’s state ownership or royalty charge as well as the all required approvals and regulatory commissioning from the Mongolian Government. See “Other Corporate Developments - Mongolia”.

### **Corporate**

#### ***Trans-Canada Partnership***

- Centerra and Premier Gold Mines Limited (“Premier”) announced on March 9, 2015 the formation of a 50/50 partnership for the purpose of the joint ownership, exploration and development of the Trans-Canada Property including the Hardrock Gold Project located in the Geraldton-Beardmore Greenstone belt in Ontario, Canada. Premier, through a wholly-owned subsidiary, has contributed all property, assets and rights it held in respect of the Trans-Canada Property to the partnership and Centerra: (i) in return for a 50% limited

partnership interest, has made an initial cash contribution to the partnership in the amount of C\$85 million (Premier withdrew \$85 million from the partnership in return for its contribution); and (ii) has agreed to make capital contributions to the partnership in the aggregate amount of C\$185 million to be used to complete a comprehensive technical and economic feasibility study including an updated mineral resource calculation for the Hardrock Project at the Trans-Canada Property and for further development of the project. The C\$185 million is subject to the satisfaction of certain feasibility study results and project advancement criteria. Centerra has also agreed to make an additional contingent payment to Premier not to exceed C\$30 million based on the results of an updated mineral resource estimate in respect of the Trans-Canada Property.

### ***Other matters***

- On February 25, 2015, Centerra was served with an order (the “Belokon Order”) from the Ontario Superior Court of Justice in favour of Mr. Valeri Belokon (“Belokon”) which prohibits Kyrgyzaltyn from, among other things: (i) selling, disposing or exchanging 6,500,340 shares (the “Belokon Frozen Shares”) of the 77,401,766 shares it holds in the capital of Centerra; (ii) obtaining share certificates in respect of such shares; or (iii) exercising its rights as a registered shareholder of Centerra in a manner that is inconsistent with or would undermine the terms of the Belokon Order. The order also prohibits Centerra from, among other things, registering any transfers or issuing share certificates in respect of the Belokon Frozen Shares, and requires Centerra to hold in trust for the proceeding under the Belokon Application (as defined below) any amounts payable to Kyrgyzaltyn in respect of dividends or distributions that Centerra may declare or pay in the future.

Centerra was also served by Belokon with a notice of application to the Ontario Superior Court of Justice (the “Belokon Application”) which seeks to enforce an October 24, 2014 arbitral award (the “Belokon Arbitration Award”) obtained by Belokon against the Kyrgyz Republic from an ad hoc Arbitration Tribunal established in accordance with the Agreement between the Government of the Republic of Latvia and the Government of the Kyrgyz Republic for the Promotion and Protection of Investments in the amount of approximately \$16.5 million. The Belokon Application seeks, among other things, an order declaring that the Kyrgyz Republic has a beneficial interest in all of the shares in Centerra held by Kyrgyzaltyn and that monies, interest, dividends and other rights of Kyrgyzaltyn in the stock of Centerra may be seized in order to satisfy the Belokon Arbitration Award.

## Consolidated Financial and Operational Highlights

<i>Unaudited (\$ millions, except as noted)</i>	Three months ended March 31,		
	2015	2014	% Change
<b>Financial Highlights</b>			
Revenue	\$ 212.6	\$ 148.0	44%
Cost of sales	113.9	109.1	4%
Standby costs	2.7	-	100%
Regional office administration	5.3	5.7	(7%)
<b>Earnings from mine operations</b>	<b>90.7</b>	<b>33.2</b>	<b>173%</b>
Revenue-based taxes	28.7	18.4	56%
Other operating expenses	(0.1)	1.1	(109%)
Pre-development project costs	3.3	0.8	313%
Exploration and business development <sup>(1)</sup>	2.8	2.6	8%
Corporate administration	9.4	6.5	45%
<b>Earnings from operations</b>	<b>46.6</b>	<b>3.8</b>	<b>1126%</b>
Other (income) and expenses	4.2	(0.2)	(2200%)
Finance costs	1.1	1.4	(21%)
<b>Earnings before income taxes</b>	<b>41.3</b>	<b>2.6</b>	<b>1488%</b>
Income tax expense	0.6	0.5	20%
<b>Net earnings</b>	<b>40.7</b>	<b>2.1</b>	<b>1838%</b>
Earnings per common share - \$ basic <sup>(2)</sup>	\$ 0.17	\$ 0.01	1600%
Earnings per common share - \$ diluted <sup>(2)</sup>	\$ 0.17	\$ -	100%
Cash provided by operations	130.4	101.6	28%
Average gold spot price - \$/oz <sup>(3)</sup>	1,218	1,293	(6%)
Average realized gold price - \$/oz <sup>(4)</sup>	1,213	1,293	(6%)
Capital expenditures <sup>(5)</sup>	155.6	98.9	57%
<b>Operating Highlights</b>			
Gold produced – ounces	170,683	116,669	46%
Gold sold – ounces	175,232	114,493	53%
Operating costs (on a sales basis) <sup>(6)</sup>	43.5	42.4	3%
Adjusted operating costs <sup>(4)</sup>	51.8	49.1	5%
All-in Sustaining Costs <sup>(4)</sup>	125.8	126.9	(1%)
All-in Costs <sup>(4)</sup>	139.9	132.6	6%
All-in Costs - including taxes <sup>(4)</sup>	168.7	151.1	12%
<b>Unit Costs</b>			
Cost of sales - \$/oz sold <sup>(4)</sup>	650	953	(32%)
Adjusted operating costs - \$/oz sold <sup>(4)</sup>	296	429	(31%)
All-in sustaining costs – \$/oz sold <sup>(4)</sup>	718	1,109	(35%)
All-in costs – \$/oz sold <sup>(4)</sup>	799	1,158	(31%)
All-in costs (including taxes) – \$/oz sold <sup>(4)</sup>	963	1,319	(27%)

- (1) Includes business development of \$1.1 million for the three months ended March 31, 2015 (nil for three months ended March 31, 2014).
- (2) As at March 31, 2015, the Company had 236,475,477 common shares issued and outstanding.
- (3) Average for the period as reported by the London Bullion Market Association (US dollar Gold P.M. Fix Rate).
- (4) Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs - including taxes (\$ millions and per ounce sold) as well as average realized gold price per ounce and cost of sales per ounce sold are non-GAAP measures and are discussed under “Non-GAAP Measures”.
- (5) Includes capitalized stripping of \$67.5 million in the three months ended March 31, 2015 (\$88.1 million in the three months ended March 31, 2014) and \$67.4 million to acquire a 50% interest in the Trans-Canada Property.
- (6) Operating costs (on a sales basis) are comprised of mine operating costs such as mining, processing, regional office administration, royalties and production taxes (except at Kumtor where revenue-based taxes are excluded), but excludes reclamation costs and depreciation, depletion and amortization. Operating costs (on a sales basis) represents the cash component of cost of sales associated with the ounces sold in the period.

## Results of Operations

### First Quarter 2015 compared to First Quarter 2014

The Company recorded net earnings of \$40.7 million in the first quarter of 2015, compared to net earnings of \$2.1 million in the comparative quarter of 2014, reflecting an increase of 53% in gold ounces sold, partially offset by lower realized gold prices<sup>NG</sup>, currency movements and higher share-based compensation charges.

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

Gold production for the first quarter of 2015 totaled 170,683 ounces compared to 116,669 ounces in the comparative quarter of 2014. The increase in ounces poured reflects higher production at Kumtor due to higher grade feed being processed through the mill. Boroo production in the first quarter of 2015 was lower than the comparable period as a result of the mill shutdown in the fourth quarter of 2014 and lower production from the heap leach operation as it transitioned to 100% secondary leaching.

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

Centerra had four recordable injuries in the first quarter of 2015, consisting of two lost time injuries and two medical aid injuries.

There were no reportable releases to the environment during the first quarter of 2015.

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

Higher revenue for the first quarter of 2015 resulted from higher gold ounces sold (175,232 ounces compared to 114,493 ounces in the first quarter of 2014), partially offset by a 6% lower average realized gold price<sup>NG</sup> (\$1,213 per ounce compared to \$1,293 per ounce in the same quarter of 2014).

In the first quarter of 2015, ounces sold increased 53% year over year but cost of sales only increased by 4% to \$113.9 million compared to the same period of 2014. This reflects the lower costs in both the stockpiled ore and in the ore mined and processed at Kumtor from cut-back 16 in the first quarter of 2015. The cost of sales in the first quarter of 2015 benefited from cut-back 16 containing more ounces and lower operating costs (for diesel, labour and other consumables) and reduced waste stripping as compared to cut-back 15 ore that was processed in the first quarter of 2014. Depreciation, depletion and amortization (“DD&A”) associated with production was \$70.4 million in the first quarter of 2015 (2014: \$66.7 million), reflecting the increased ounces sold in 2015, which was partially offset by 31% lower capitalized stripping charges per ounce from cut-back 16 ore.

Standby costs incurred at Boroo to place the mill and operation on care and maintenance totaled \$2.7 million in the first quarter of 2015, which included spending mainly on labour to clean circuits and to maintain equipment in a ready state, as well as fixed costs for administration. There were no standby costs incurred in the same period of 2014.

Pre-development project costs increased by \$2.5 million to \$3.3 million in the first quarter of 2015, compared to the comparative quarter in 2014. The increase in the first quarter of 2015 represents higher spending at the Öksüt project and spending at the Company's new Trans-Canada Property.

Exploration expenditures in the first quarter totaled \$1.7 million compared to \$2.6 million in the same period of 2014. The decrease in the first quarter of 2015 reflects reduced spending on the Company's projects in Turkey and Mongolia and the closure of its regional office in Beijing, China and in Khabarovsk, Russia.

Business development spending in the first quarter of 2015 totaled \$1.1 million, representing consulting and legal charges in connection with the acquisition of the Company's 50% interest in the Trans-Canada partnership. There was no spending on business development activities in the same period of 2014.

Other expenses of \$4.2 million incurred in the first quarter of 2015 represent mainly the impact of currency movements, as the Canadian dollar weakened 9% against the US dollar and devalued the Canadian assets held by the Company.

Corporate administration costs increased to \$9.4 million in the first quarter of 2015 from \$6.5 million in the same period of 2014. The increase was primarily due to higher legal and consulting costs related to on-going negotiations and higher share-based compensation resulting from the revaluation, at March 31, 2015, of underlying share awards to employees issued under the Company's share-based plans. Share-based compensation charge in the first quarter of 2015 was \$2.0 million, compared to \$0.9 million in the same period in 2014.

***Operating Costs:***

Operating costs (on a sales basis) increased by 3% to \$43.5 million in the first quarter of 2015 compared to the same period of 2014, reflecting 66% more ounces sold at Kumtor. The increase was limited to 3% due to processing lower cost ounces which reflect a reduction in costs for diesel, labour and other consumables as compared to the same period of 2014. Operating costs at Boroo were lower in the first quarter of 2015 as milling activities ceased in late 2014, while leaching costs were lower as secondary leaching commenced in the third quarter of 2014 and site support costs reflected reduced personnel levels.

Centerra's all-in sustaining costs per ounce sold<sup>NG</sup>, which excludes revenue-based tax and income tax, for the first quarter decreased to \$718 from \$1,109 in the comparative period of 2014. The decrease in the first quarter of 2015 results primarily from higher ounces sold and lower spending on capitalized stripping, partially offset by higher stock-based compensation, and higher spending on sustaining capital<sup>NG</sup>.

Centerra's all-in costs per ounce sold<sup>NG</sup> for the first quarter of 2015, was \$799 compared to \$1,158 in the comparative quarter of 2014, and includes all cash costs related to gold production, excluding revenue-based tax and income tax. The decrease reflects the additional ounces sold, the lower costs (described above) and lower exploration costs partially offset by increased

spending for growth capital at Kumtor and spending in the first quarter of 2015 for pre-development activities at the newly signed Trans-Canada partnership.

## Cash generation and capital investments

### Cashflow

<i>Unaudited (\$ millions, except as noted)</i>	<b>Three months ended March 31,</b>		
	<b>2015</b>	2014	<b>% Change</b>
<b>Cash provided by operating activities</b>	<b>130.4</b>	101.6	28%
Cash used in investing activities:			
-Capital additions (cash)	(72.2)	(72.7)	(1%)
-Short-term investment net redeemed (net purchased)	(16.2)	(144.1)	(89%)
-other investing items	(69.8)	(8.2)	755%
<b>Cash used in investing activities</b>	<b>(158.2)</b>	(225.0)	(30%)
<b>Cash used in financing activities</b>	<b>(6.5)</b>	(9.9)	(35%)
<b>Decrease in cash</b>	<b>(34.2)</b>	(133.4)	(74%)

### First Quarter 2015 compared to First Quarter 2014

Cash provided by operations increased by \$28.8 million in the first quarter of 2015 mainly as a result of higher earnings.

Cash used in investing activities decreased by \$66.8 million to \$158.2 million in the first quarter of 2015 as compared to the first quarter of 2014, reflecting a reduction in the net purchase of short-term investments and lower capital spending. These reductions were partially offset by the Company's purchase of \$67.4 million (C\$85 million) for a 50% interest in the Trans-Canada partnership in March 2015.

Cash used in financing for both the first quarter of 2015 and the first quarter of 2014 reflects the payment of dividends and interest and borrowing charges on the Company's credit facility.

Cash, cash equivalents and short-term investments at March 31, 2015 decreased to \$544.1 million from \$562.0 million at December 31, 2014.

## Capital Expenditure (spent and accrued)

<i>Unaudited (\$ millions)</i>		<b>Three months ended March 31,</b>		
		<b>2015</b>	2014	<b>% Change</b>
Kumtor	Sustaining capital <sup>NG</sup>	<b>12.4</b>	8.4	48%
	Capitalized stripping	<b>67.5</b>	88.1	(23%)
	Growth capital <sup>NG</sup>	<b>6.5</b>	1.9	242%
	<b>Total</b>	<b>86.4</b>	98.4	(12%)
Boroo and Gatsuurt	Sustaining capital <sup>NG</sup>	-	0.2	(100%)
	Growth capital <sup>NG</sup>	<b>0.1</b>	0.2	(50%)
	<b>Total</b>	<b>0.1</b>	0.4	(75%)
Other	Sustaining capital <sup>NG</sup>	<b>0.2</b>	0.1	100%
	Growth capital <sup>NG</sup>	-	-	-
	Trans-Canada Property acquisition	<b>68.9</b>	-	100%
	<b>Total</b>	<b>69.1</b>	0.1	69000%
Consolidated	Sustaining capital <sup>NG</sup>	<b>12.6</b>	8.6	47%
	Capitalized stripping	<b>67.5</b>	88.1	(23%)
	Growth capital <sup>NG</sup>	<b>6.6</b>	2.2	200%
	Trans-Canada Property acquisition	<b>68.9</b>	-	100%
<b>Total capital expenditures</b>		<b>155.6</b>	98.9	57%

Higher capital expenditures in the first quarter of 2015 resulted from spending \$68.9 million to acquire a 50 percent interest in the Trans-Canada Property, including pre-development costs of \$1.5 million, higher spending on sustaining capital<sup>NG</sup> for equipment rebuilds and overhauls and increased spending on the infrastructure relocation project at Kumtor, partially offset by lower capitalized stripping at Kumtor (decrease of 23%).

### ***Credit and Liquidity:***

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

### ***Foreign Exchange:***

The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic and Mongolia, and its corporate head office is in Toronto, Canada. During the quarter, the Company incurred combined costs (including capital) totaling roughly \$231 million. Approximately \$153 million of this (66%) 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: 57% in Canadian dollars, 33% in Kyrgyz Soms, 4% in Euros, 3% in Mongolian Tugriks and 3% in Turkish Lira, and approximately 1% in Russian Rubles, Australian dollars, British Pounds and Chinese Yuan combined. In the quarter, the average value of the currencies of the Euro, Canadian dollar, Turkish Lira, Mongolian Tugrik and Kyrgyz Som

depreciated against the U.S. dollar by approximately 7%, 7%, 6%, 3% and 3% respectively, from their value at December 31, 2014. The net impact of these movements in the quarter, after taking into account currencies held at the beginning of the year, was to decrease costs by \$4 million (decrease of \$4 million in 2014).

## **Share Capital and Share Options**

As of April 30, 2015, Centerra had 236,475,477 common shares issued and outstanding. In addition, as at the same date, the Company had 5,235,576 share options outstanding under its share option plan with exercise prices ranging from Cdn\$3.82 to Cdn\$22.28 per share, and with expiry dates between 2016 and 2023.

## Results of Operating Segments

### Kumtor Mine

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based gold producer. It has been in production since 1997 and has produced over 10.0 million ounces of gold to March 31, 2015.

### Ongoing Technical Matters

In 2013, the Company disclosed that it had discovered significant cracking in Kumtor's ball mill ring gear, requiring the Company to rotate the ring gear to continue milling operations. During the first quarter of 2015, the Company successfully replaced the ball mill ring gear during the scheduled mill maintenance with the replacement ring gear that had been delivered in late-2014, returning the mill to full operating capacity.

As previously noted, the Company filed a NI 43-101 technical report for the Kumtor Mine on March 20, 2015. The updated technical report describes in detail Kumtor's new life-of-mine plan (LOM), which is based on Kumtor's mineral reserve estimates as at December 31, 2014 and takes account of, among other things, the impact of the buttress constructed at the edge of the Kumtor open pit, updated geotechnical design that requires lower slope angles in some sectors of the Kumtor open pit, negative reconciliation issues experienced at the Kumtor mine starting in 2013 and 2014, and cancellation of certain capital spending that was planned and described in the previous December 2012 technical report on the Kumtor Project.

As previously disclosed, Kumtor constructed a buttress at the edge of the ultimate pit in response to increased movement of the south arm of the Davidov glacier. The buttress was engineered and equipped with instruments to monitor any movement on a regular basis. To date, no significant movement has been noted and the buttress has proven to be effective in reducing the rate of ice movement to manageable levels. As a result of the positioning of the buttress, the Company had to reduce the width of the ultimate cut-back for the SB Zone and has made the appropriate adjustment to reserves.

In response to the negative ore reconciliation as reported in February 2014, a new resource model was developed in conjunction with an expert consultant to better predict the tonnes and grade of the SB Zone ore. This model was used in the development of a new LOM that also incorporated the impact to reserves of the buttress and changes to the pit slopes as recommended by a second expert consultant. Kumtor will validate the pit slope angles used in the LOM by doing additional geotechnical drilling starting in the second half of 2015. Any further lowering in the slope design angles could impact the reserves estimate at Kumtor.

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

## Kumtor Operating Results

<i>Unaudited (\$ millions, except as noted)</i>	Three months ended		
	March 31,		
	2015	2014	% Change
Revenue	205.0	131.7	56%
Cost of sales-cash	37.9	31.6	20%
Cost of sales-non-cash	68.8	63.5	8%
Cost of sales-total	106.7	95.1	12%
Cost of sales - \$/oz sold <sup>(1)</sup>	631	933	(32%)
Tonnes mined - 000s	41,731	50,762	(18%)
Tonnes ore mined – 000s	1,339	143	836%
Average mining grade - g/t	3.30	1.45	128%
Tonnes milled - 000s	1,175	1,482	(21%)
Average mill head grade - g/t	5.13	2.65	94%
Recovery - %	81.0%	76.2%	6%
Mining costs - total (\$/t mined material)	1.34	1.26	6%
Milling costs (\$/t milled material)	13.62	11.09	23%
Gold produced – ounces	164,272	102,933	60%
Gold sold – ounces	169,185	101,915	66%
Average realized gold price - \$/oz <sup>(1)</sup>	1,212	1,292	(6%)
Capital expenditures (sustaining) <sup>(1)</sup>	12.4	8.4	49%
Capital expenditures (growth) <sup>(1)</sup>	6.5	1.9	242%
Capital expenditures (stripping)	67.5	88.1	(23%)
Operating costs (on a sales basis) <sup>(2)</sup>	37.9	31.6	20%
Adjusted operating costs <sup>(1)</sup>	42.9	36.8	17%
All-in Sustaining Costs <sup>(1)</sup>	107.2	107.8	(1%)
All-in Costs <sup>(1)</sup>	113.7	109.7	4%
All-in Costs - including taxes <sup>(1)</sup>	142.4	128.1	11%
<b>Adjusted operating costs - \$/oz sold<sup>(1)</sup></b>	<b>254</b>	<b>361</b>	<b>(30%)</b>
<b>All-in sustaining costs – \$/oz sold<sup>(1)</sup></b>	<b>634</b>	<b>1,058</b>	<b>(40%)</b>
<b>All-in costs – \$/oz sold<sup>(1)</sup></b>	<b>673</b>	<b>1,077</b>	<b>(38%)</b>
<b>All-in costs (including taxes) – \$/oz sold<sup>(1)</sup></b>	<b>842</b>	<b>1,257</b>	<b>(33%)</b>

(1) Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs – including taxes (in \$ millions and per ounce sold), as well as average realized gold price per ounce sold, cost of sales per ounce sold and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under “Non-GAAP Measures”.

(2) Operating costs (on a sales basis) is comprised of mine operating costs such as mining, processing, regional office administration, royalties and production taxes (except at Kumtor where revenue-based taxes are excluded), but excludes reclamation costs and depreciation, depletion and amortization.

## First Quarter 2015 compared to First Quarter 2014

### **Production:**

During the first quarter of 2015, Kumtor completed ore mining in cut-back 16 and started waste stripping in cut-back 17. Kumtor will continue the development and waste mining from cut-back 17 which is expected to provide an increase in the grade of ore at the end of the third quarter of 2015 compared to the lower grade stockpiled ore currently being processed and uncover the

high-grade ore in the third quarter of 2016. During the first quarter of 2015, the mill processed a blend of the higher grade ore mined during the quarter and the stockpiled ore mined from cut-back 16 during the fourth quarter of 2014.

The total waste rock and ore mined during the first quarter of 2015 was 41.7 million tonnes compared to 50.8 million tonnes in the comparative period of 2014, representing a decrease of 18%, primarily due to an increased average haulage distance of 19.5% when compared to the same period of 2014. Other negative factors include unfavourable weather conditions, as the mine experienced increased precipitation and higher temperatures than normal during the first quarter of 2015 which had an adverse impact on pit productivity, and decreased haul truck availability by 4% compared to the comparative period of 2014.

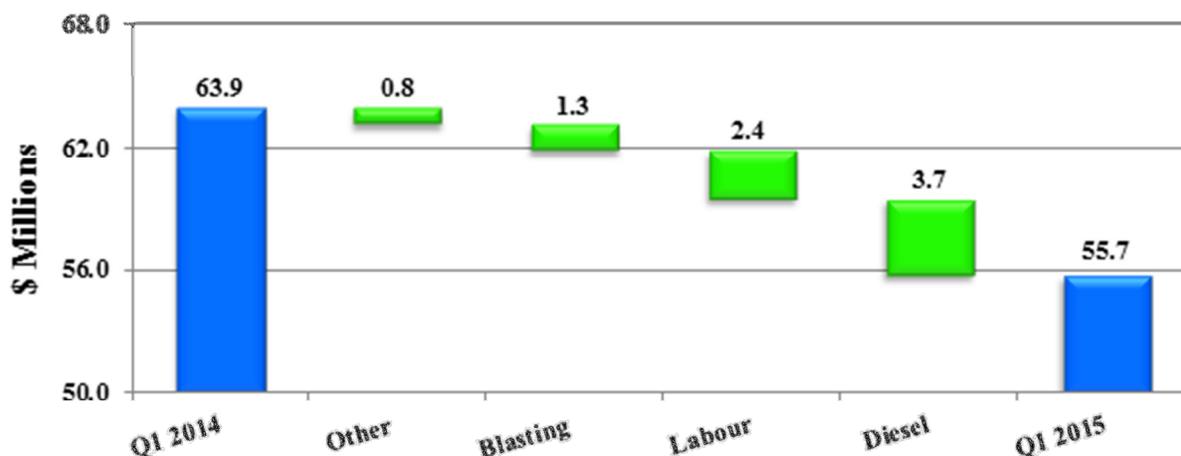
Kumtor produced 164,272 ounces of gold in the first quarter of 2015 compared to 102,933 ounces of gold in the comparative period of 2014. The increase in ounces poured during 2015 was due to processing higher grade mill feed than in the comparative quarter. During the comparative period the Company focused exclusively on waste stripping and processed lower grade stockpiled ore remaining from cut-back 15 in the previous year. During the first quarter of 2015, Kumtor's average mill head grade was 5.13 g/t with a recovery of 81.0%, compared to 2.65 g/t and a recovery of 76.2% for the same period of 2014. Tonnes processed were approximately 1.2 million for the first quarter of 2015, 21% lower than the same period in 2014. The reduction was a result of the scheduled mill shutdown to replace the ring gear and the SAG and Ball mill liners in the first quarter of 2015.

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

Operating costs (on a sales basis), which excludes the capitalization of stripping activities, increased by \$6.1 million predominately due to increased ounces sold which absorbed more higher cost ounces from the stockpiled inventory at the end of 2014.

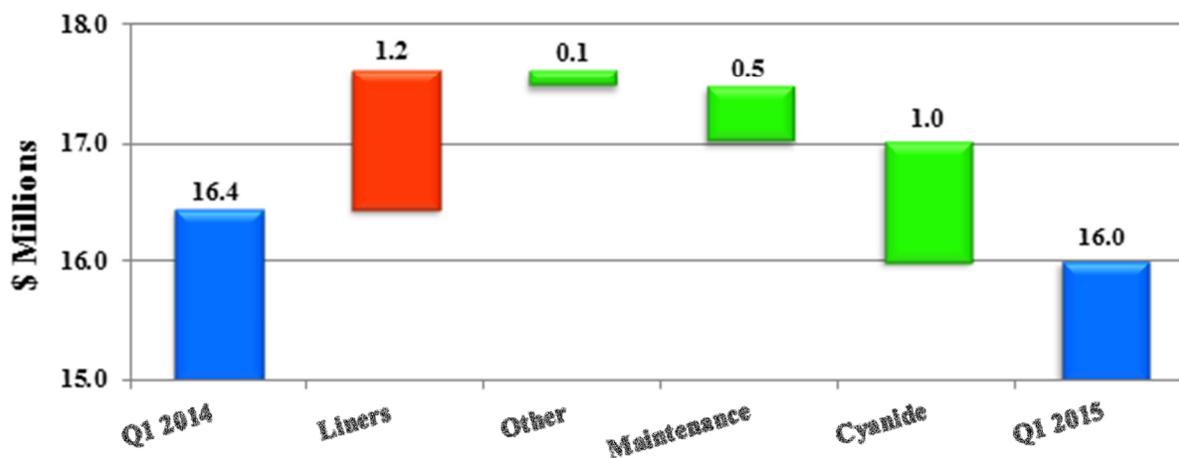
The movements in the major components of operating costs<sup>NG</sup> (mining, milling and site support) during the first quarter of 2015 compared to the same period of 2014 are explained as follows:

**Mining Costs, including capitalized stripping (First Quarter 2015 compared to First Quarter 2014):**



Mining costs, including capitalized stripping costs, totaled \$55.7 million for the first quarter of 2015, \$8.2 million lower than the comparative quarter of 2014. The decrease reflects lower diesel costs (\$3.7 million) due to lower fuel prices (69.4 cents per litre compared to 77.6 cents per liter), lower labour costs (\$2.4 million) mainly due to favourable currency exchange movements on local salaries and reduced expatriate personnel, and lower blasting costs (\$1.3 million) that resulted from implementing an improved wider drill pattern on waste material.

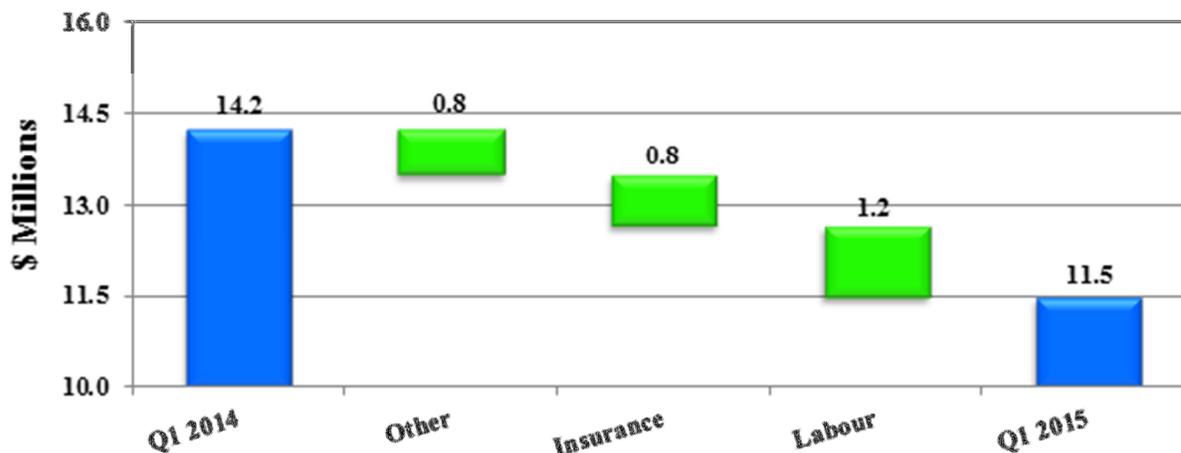
**Milling Costs (First Quarter 2015 compared to First Quarter 2014):**



Milling costs of \$16.0 million in the first quarter of 2015 compared to \$16.4 million in the same period of 2014 reflects lower sodium cyanide costs (\$1.0 million) as a result of both lower tonnes milled (1.17 vs 1.48 million tonnes), decreased sodium cyanide prices and lower maintenance costs due to the timing of planned maintenance work. This was partially offset by higher costs

for the replacement of mill liners (\$1.2 million) which occurred during the scheduled mill shutdown in the first quarter of 2015 (no liner replacements were performed in the first quarter of 2014).

**Site support costs (First Quarter 2015 compared to First Quarter 2014):**



Site support costs of \$11.5 million in the first quarter of 2015 compared to \$14.2 million in the same period of 2014 reflects lower labour costs (\$1.2 million) due to a favourable currency exchange movement with a weakening of the Som against the US dollar and reduced expatriate support staff, and decreased insurance premiums (\$0.8 million).

***Other Cost movements:***

DD&A associated with production increased to \$68.8 million in the first quarter of 2015 from \$63.5 million in the comparative period of 2014. The increase in DD&A resulted from primarily from the increase in ounces sold.

All-in sustaining costs per ounce sold<sup>NG</sup>, which excludes revenue-based tax, decreased 40% to \$634 compared to \$1,058 in the comparative period of 2014. The decrease results primarily from higher ounces sold, lower operating costs, and lower capitalized stripping costs, partially offset by higher spending on sustaining capital<sup>NG</sup> for equipment rebuilds and overhauls.

All-in costs per ounce sold<sup>NG</sup>, which excludes revenue-based tax, for the first quarter of 2015 was \$673 compared to \$1,077 in the comparative period of 2014, representing a decrease of 38%. The decrease is mainly due to the reduction in all-in sustaining cost, partially offset by an increase in growth capital<sup>NG</sup> spending for the infrastructure relocation at Kumtor.

## **Boroo Mine**

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

Mining activities at Boroo were completed in September of 2012, although the mill continued to process stockpiled ore until December 7, 2014. Heap leach secondary processing activities continued during the first quarter of 2015. Crushing and stacking of heap leach ore was completed in 2013 and primary leaching was completed in July 2014.

Following the completion of milling of Boroo ore, the Company was engaged by a third party to process its ore in the Boroo mill. The mill processed 86,797 tonnes of third party ore in early December 2014 and received a total of \$3.2 million under the agreement (of which approximately \$1.0 million was earned and received in early 2015), which included a processing fee and a share of the net proceeds from the ultimate sale of the gold bullion that was recovered.

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

## Overview of Operating Results

### Boroo Operating Results

<i>Unaudited (\$ millions, except as noted)</i>	<b>Three months ended March 31,</b>		
	<b>2015</b>	2014	<b>% Change</b>
Revenue	<b>7.6</b>	16.3	(53%)
Cost of sales-cash	<b>5.5</b>	10.8	(49%)
Cost of sales-non-cash	<b>1.7</b>	3.2	(47%)
Cost of sales-total	<b>7.2</b>	14.0	(49%)
Cost of sales - \$/oz sold <sup>(1)</sup>	<b>1,195</b>	1,114	7%
Tonnes milled - 000s	-	581	(100%)
Average mill head grade - g/t	-	0.66	(100%)
Recovery - %	-	61.3%	(100%)
Milling costs (\$/t milled material)	-	11.19	(100%)
Gold produced – ounces	<b>6,411</b>	13,736	(53%)
Gold sold – ounces	<b>6,047</b>	12,578	(52%)
Average realized gold price - \$/oz <sup>(1)</sup>	<b>1,265</b>	1,301	(3%)
Capital expenditures (sustaining) <sup>(1)</sup>	-	0.2	(50%)
Operating costs (on a sales basis) <sup>(2)</sup>	<b>5.5</b>	10.8	(49%)
Adjusted operating costs <sup>(1)</sup>	<b>8.9</b>	12.2	(27%)
All-in Sustaining Costs <sup>(1)</sup>	<b>9.2</b>	12.5	(26%)
All-in Costs <sup>(1)</sup>	<b>9.2</b>	12.5	(26%)
All-in Costs - including taxes <sup>(1)</sup>	<b>9.3</b>	12.5	(26%)
<b>Adjusted operating costs - \$/oz sold<sup>(1)</sup></b>	<b>1,466</b>	977	50%
<b>All-in sustaining costs – \$/oz sold<sup>(1)</sup></b>	<b>1,501</b>	1,001	50%
<b>All-in costs – \$/oz sold<sup>(1)</sup></b>	<b>1,501</b>	1,001	50%
<b>All-in costs (including taxes) – \$/oz sold<sup>(1)</sup></b>	<b>1,518</b>	1,001	52%

<sup>(1)</sup> Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs – including taxes (in \$ millions and per ounce sold), as well as average realized gold price per ounce sold, cost of sales per ounce sold and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under “Non-GAAP Measures”.

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

### First Quarter 2015 compared to First Quarter 2014

#### **Production:**

Boroo produced 6,411 ounces of gold in the first quarter of 2015 as compared to 13,736 ounces of gold in the same period of 2014. The lower gold production reflects no mill processing activities in the first quarter of 2015, as Boroo milled the last of its stockpiled ore in December 2014. As a result of the mill shutdown, Boroo recovered 3,595 ounces from the cleaning of the gold circuit. In addition, fewer ounces were poured from the heap leach operation as a result of transitioning to 100% secondary leaching from August of 2014, compared to primary leaching in the comparative quarter of 2014.

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

Operating costs (on a sales basis) decreased by \$5.3 million to \$5.5 million in the first quarter of 2015, as a result of lower activity at the project with no milling operations and the continued secondary leaching in 2015.

All-in sustaining costs per ounce sold<sup>NG</sup> and all-in costs per ounce sold<sup>NG</sup>, which exclude income tax, increased in the first quarter of 2015 to \$1,501 from \$1,001 in the same quarter of 2014. The increase is primarily due to a decrease of 52% in ounces sold, partially offset by lower adjusted operating costs and lower sustaining capital<sup>NG</sup> spending.

## Other Financial Information- Related Party Transactions

### Kyrgyzaltyn JSC

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

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

	Three Months ended	
	March 31,	
	2015	2014
<b>Included in sales:</b>		
Gross gold and silver sales to Kyrgyzaltyn	\$ 206,028	\$ 132,254
Deduct: refinery and financing charges	(1,038)	(596)
Net sales revenue received from Kyrgyzaltyn	\$ 204,990	\$ 131,658
<b>Included in expenses:</b>		
Contracting services provided by Kyrgyzaltyn	\$ 296	\$ 258
Management fees to Kyrgyzaltyn	169	102
Expenses paid to Kyrgyzaltyn	\$ 465	\$ 360

**Dividend:**

Dividends declared to Kyrgyzaltyn	\$	2,476	\$	2,608
Withholding taxes		(124)		(139)
Net dividends declared to Kyrgyzaltyn		2,352		2,469
Net dividends transferred to restricted cash		(2,352)		-
Net dividends paid to Kyrgyzaltyn	\$	-	\$	2,469

**Related party balances**

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

		March 31, 2015		December 31, 2014
Amounts receivable	\$	53,662	\$	62,143
Dividend payable (net of withholding taxes)	\$	16,180	\$	13,828
Net unrealized foreign exchange gain		(2,637)		(1,574)
Dividend payable (net of withholding taxes) <sup>(a)</sup>		13,543		12,254
Amount payable		799		616
Total related party liabilities	\$	14,342	\$	12,870

(a) Equivalent of Cdn \$17.2 million as at March 31, 2015 (December 31, 2014 - Cdn \$14.2 million).

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to a Sale Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days.

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn.

As at March 31, 2015, \$53.7 million was outstanding under the Sale Agreement (December 31, 2014 - \$62.1 million). Subsequent to March 31, 2015, the balance receivable from Kyrgyzaltyn was paid in full.

**Dividends payable and restricted cash held in trust**

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

On September 8, 2014, a decision of the Ontario Court of Appeal required Centerra to pay to Kyrgyzaltyn all of the amounts held in trust for the Sistem proceedings, subject to the satisfaction of certain conditions. The Company understands that those conditions were satisfied on September 23, 2014. However prior to receiving instructions from Kyrgyzaltyn with respect to the transfer of the funds, a subsequent order of the Ontario Superior Court of Justice on October 10, 2014, which was amended on October 20, 2014 (the “Stans Order”) was made that restricted Centerra from paying such monies to Kyrgyzaltyn. The Stans Order also requires Centerra to hold in trust for the benefit of court proceedings between Stans Energy Corp (“Stans”) and the Kyrgyz Republic, all dividends (net of withholding taxes) otherwise payable to Kyrgyzaltyn. The Company is also subject to a further order of the Ontario Superior Court of Justice dated February 25, 2015, which was amended on March 5, 2015, which requires Centerra to hold in trust for the benefit of the court proceedings among Valeri Belokon, Kyrgyzaltyn and the Kyrgyz Republic all dividends (net of withholding taxes and in addition to all amounts currently held in trust for Kyrgyzaltyn) otherwise payable to Kyrgyzaltyn.

See “Other Corporate Developments – Corporate”.

#### *Dividends declared and paid*

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

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

Over the last eight quarters, Centerra’s results reflect the impact of an overall decline in gold prices as well as increasing costs, although some input costs such as diesel have decreased in price in the latter part of 2014 and into 2015. Production continued to be concentrated at the end of the year and this was reflected in the fourth quarter of 2014 and 2013. The quarterly production profile for 2015 is expected to be more consistent. Production and sales have been impacted by the accelerated ice movement at Kumtor which necessitated the construction of a buttress in early 2014 to mitigate the impact, resulting in a reduction of reserves, a change in the mine plan and delay in the release of gold ore from the pit. Following the update to the reserves at the end of 2014, the Company recorded in the fourth quarter of 2014 an impairment charge to the goodwill amount it carries on its Kyrgyz assets of \$111.0 million. Non-cash costs have also progressively increased since 2013 as depreciation at Kumtor increased due to its expanded mining fleet and the increased amortization of capitalized stripping resulting from increased stripping as the pit gets larger. The quarterly financial results for the last eight quarters are shown below:

<i>\$ million, except per share data</i>	<b>2015</b>	<b>2014</b>				<b>2013</b>		
<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>213</b>	360	136	119	148	469	155	128
Net earnings (loss)	<b>41</b>	(11)	(3)	(32)	2	107	(2)	2
Basic earnings (loss) per share	<b>0.17</b>	(0.05)	(0.01)	(0.13)	0.01	0.45	(0.01)	0.01
Diluted earnings (loss) per share	<b>0.17</b>	(0.05)	(0.02)	(0.13)	-	0.44	(0.01)	-

## Other Corporate Developments

The following is a summary of corporate developments with respect to matters affecting the Company and its subsidiaries. For a more complete discussion of these matters, see the Company's most recently filed Annual Information Form (the "2014 Annual Information Form") available on SEDAR at [www.sedar.com](http://www.sedar.com).

Readers are cautioned that there are a number of legal and regulatory matters that are currently affecting the Company and that the following brief description is only a summary of the current status of such matters. For more complete background and information on these matters, including with respect to the Kyrgyz Parliamentary and State Commissions and their reports, Kyrgyz Parliamentary resolutions, discussions with the Government of the Kyrgyz Republic in relation to the Heads of Agreement relating to the proposed restructuring of the Kumtor Project, various environmental and other claims made by Kyrgyz state agencies and the draft Kyrgyz Law on Denunciation of the Agreement on New Terms for the Kumtor Project, please refer to the description contained in the 2014 Annual Information Form.

### Kyrgyz Republic

#### Negotiations between Kyrgyz Republic and Centerra

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

Following discussions throughout 2014 and 2015, Centerra disclosed on April 9, 2015 that it was aware of certain statements made by the Prime Minister of the Kyrgyz Republic at a meeting of the Kyrgyz Republic Parliament and to local media which suggested that: (i) the restructuring of the Kumtor Project as a 50/50 joint venture between Centerra and Kyrgyzaltyn would not be in the interests of the Kyrgyz Republic; (ii) nationalization of the Kumtor mine is not a viable alternative to such a joint venture; and (iii) that the Government of the Kyrgyz Republic, through its interest in Kyrgyzaltyn, may propose changes or additions to the composition of Centerra's Board of Directors. Prime Minister Otorbayev subsequently resigned on April 23, 2015 and Centerra understands that the Parliament approved Mr. Temir Sariyev as the new Prime Minister of the Kyrgyz Republic on April 30, 2015.

The Company continues to be open to discussions with the Kyrgyz Government to resolve all outstanding matters affecting the Kumtor Project. Any proposed resolution would need to be fair to all shareholders of Centerra and to receive all necessary legal and regulatory approvals under the Kyrgyz Republic and Canadian laws. However, Centerra notes that (as discussed in greater detail below), 53,500,340 shares of Centerra held by Kyrgyzaltyn (out of 77,401,766 shares owned by Kyrgyzaltyn) are currently subject to Ontario court orders which place restrictions on Kyrgyzaltyn's ability to transfer, and their ability to exercise its rights as a registered shareholder of Centerra in a manner that is inconsistent with or would undermine the terms of the applicable court orders.

There are no assurances that a resolution to all outstanding Kumtor matters will be concluded at all, or in a manner that is satisfactory to Centerra. The inability to successfully settle all outstanding matters affecting the Kumtor Project could have a material adverse impact on Centerra's cash flows, earnings, results of operations and financial conditions.

### Kyrgyz Permitting and Regulatory Matters

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

Starting in the fourth quarter of 2014, Kumtor submitted to SAGMR and SAEPF for approval its 2015 annual mine plan and its ecological passport (the Ecological Passport). The Ecological Passport requires renewal every five years. Similar to KGC's experience in 2014, KGC initially received correspondence from such agencies declining to review KGC's submissions. In particular, regulatory authorities referenced the 2005 Water Code of the Kyrgyz Republic (Water Code) and its prohibition regarding the movement of ice (glaciers).

Centerra and Kumtor have disputed the interpretation of the Water Code by Kyrgyz regulatory agencies on the basis that the stabilization and non-discrimination provisions contained in the project agreements governing the Kumtor project (the "Kumtor Project Agreements") and the laws of the Kyrgyz Republic which implemented the Kumtor Project Agreements support the view that the Water Code and any new law which could purport to prohibit movement of ice would not apply to the Kumtor operations. Centerra believes that any disagreement in relation to the application of the Water Code to Kumtor would be subject to the international arbitration provisions of the Kumtor Project Agreements.

Centerra has also informed the Kyrgyz Government and regulatory agencies that the Kumtor Project Agreements require relevant Government agencies to be reasonable in relation to their approval of any mining plans submitted for approval; and with respect to permits and approvals, KGC is entitled to maintain, have renewed and receive such licences, consents, permissions and approvals as are from time to time necessary or convenient for the operation of the Kumtor project. In addition, Centerra and KGC have noted that the movement of ice at the Kumtor project has consistently been a feature of the Kumtor project since its commencement and has been discussed in all earlier annual mine plans which were approved by regulatory agencies. Should Kumtor be prevented from continuing its practice of moving ice, the entire December 31, 2014 Mineral Reserves at Kumtor, and Kumtor LOM plan would be at risk, leading to an early closure of the operation.

Centerra was informed that the Government has passed a Government decree on March 12, 2015 instructing the relevant regulatory authorities to review the annual mine plan. Subsequently, we received from SAGMR their two approvals for the 2015 annual mine plan (dealing with subsoil and industrial safety). The other regulatory authority, SAEPF has written to KGC, noting that due to the complexity of the Kumtor project, they will require the full 90 day review period permitted by Kyrgyz law. This 90 day period expires in early June 2015 (the mine plan was re-submitted by KGC in early March at the request of SAEPF). SAEPF has also extended until early June 2015 KGC's permits for emissions into the atmosphere and waste disposal into the tailings pond, which otherwise would have expired on March 31, 2015.

The Company expects to continue discussions with SAEPF to obtain these approvals and permits. However, there can be no assurances that such approvals and permits will be received or that a suspension will not occur in relation to this matter. The inability to successfully resolve this matter could have a material adverse impact on Centerra's future cash flow, earnings, results of operations and financial conditions.

#### Kumtor Dividend Claim and Japarov Criminal Proceeding

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

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

## Environmental Claims

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

As previously stated, Kumtor believes the claims are exaggerated and without merit. The Kumtor Project has been the subject of systematic audits and investigations over the years by Kyrgyz and international experts, including by an independent internationally recognized expert who carried out a due diligence review of Kumtor's performance on environmental matters at the request of Centerra's Board of Directors. The report of this expert was released in October 2012 and can be found on the Kumtor website at <http://www.kumtor.kg/en/> under the "Environment" section. As a result, the Company has not recorded any provisions related to the alleged claims in its financial statements.

## Land Use Claim

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

## Management Assessment

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

## **Mongolia**

### Gatsuurt

The Company announced on January 23, 2015 that the Gatsuurt Project, which is located approximately 55 km (by road) from the Company's Boroo mine in Mongolia, has been designated as a mineral deposit of strategic importance by the Mongolian Parliament. This designation allows the Gatsuurt Project to move forward within the application of the Water and Forest Law and also allows Mongolia to acquire either: (i) up to a 34% interest in the project; or (ii) due to recent changes in the Mongolian Minerals Law, a special royalty of up to 5% on the project. The rate of the special royalty has not yet been determined. The terms of such participation are subject to continued discussions between the Company and the Mongolian Government. The Government has formed working groups for this purpose as well as to review the potential impacts of the Gatsuurt Project on historical and cultural sites in Mongolia. Centerra understands that, on February 17, 2015, the Government's proposal on state ownership of 20% was considered by Parliament but rejected and returned to the Government for review. The Company now expects that Parliament will consider a new proposal for the level of state ownership in or special royalty on the project during its spring session which began in early April.

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

## **Corporate**

### Enforcement Notice by Sistem

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

Pursuant to a separate order issued by the Ontario Superior Court of Justice, Centerra was ordered to hold in trust (for the credit of the Sistem court proceedings) dividends otherwise

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

#### Enforcement Notice by Stans

On October 10, 2014, Centerra was served with a temporary order from the Ontario Superior Court of Justice in favour of Stans Energy Corp. which prohibits Kyrgyzaltyn from, among other things: (i) selling, disposing or exchanging 47,000,000 shares (the “Stans Frozen Shares”) of the 77,401,766 shares it holds in the capital of Centerra; (ii) obtaining share certificates in respect of such shares; or (iii) exercising its rights as a registered shareholder of Centerra in a manner that is inconsistent with or would undermine the terms of the Stans Order. The order also prohibits Centerra from, among other things, registering the transfer of the Stans Frozen Shares, and requires Centerra to hold in trust for the proceeding under the Stans Application (as defined below) any amounts payable to Kyrgyzaltyn in respect of dividends or distributions that Centerra may declare or pay in the future.

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

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

If the Kyrgyz Republic does not succeed in overturning the Stans Arbitration Award in the Russian courts and the Ontario Court of Appeal rules that the Kyrgyz Republic has a beneficial interest in the Centerra shares held by Kyrgyzaltyn, Stans would likely succeed in enforcing the Stans Arbitration Award in Ontario and in seizing a sufficient number of the Centerra shares held

by Kyrgyzaltyn to satisfy the Stans Arbitration Award. If Stans ultimately seizes such shares, Kyrgyzaltyn would no longer hold a sufficient number of Centerra shares to contribute to the HOA restructuring transaction such that it could receive 50% of a new Kumtor joint venture. In such circumstances, the Company believes that the restructuring of the Kumtor Project in accordance with the HOA would be impossible.

#### Enforcement Notice by Belokon

On February 25, 2015, Centerra was served with a temporary order, which was subsequently extended on March 5, 2015 (the “Belokon Order”), from the Ontario Superior Court of Justice in favour of Valeri Belokon (“Belokon”) which prohibits Kyrgyzaltyn from, among other things: (i) selling, disposing or exchanging 6,500,340 shares (the “Belokon Frozen Shares”) of the 77,401,766 shares it holds in the capital of Centerra; (ii) obtaining share certificates in respect of such shares; or (iii) exercising its rights as a registered shareholder of Centerra in a manner that is inconsistent with or would undermine the terms of the Belokon Order. The order also prohibits Centerra from, among other things, registering the transfer of the Belokon Frozen Shares, and requires Centerra to hold in trust for the proceeding under the Belokon Application (as defined below) any amounts payable to Kyrgyzaltyn in respect of dividends or distributions that Centerra is currently holding in trust or may declare or pay in the future.

Centerra was also served by Belokon with a notice of application to the Ontario Superior Court of Justice (the “Belokon Application”) which seeks to enforce an October 24, 2014 arbitral award (the “Belokon Arbitration Award”) obtained by Belokon against the Kyrgyz Republic from an ad hoc Arbitration Tribunal established in accordance with the Agreement between the Government of the Republic of Latvia and the Government of the Kyrgyz Republic for the Promotion and Protection of Investments in the amount of approximately \$16.5 million.

The Belokon Application seeks, among other things, an order declaring that the Kyrgyz Republic has a beneficial interest in all of the shares in Centerra held by Kyrgyzaltyn and that monies, interest, dividends and other rights of Kyrgyzaltyn in the stock of Centerra may be seized in order to satisfy the Belokon Arbitration Award.

## **Changes in Accounting Policies**

### ***Future Changes in accounting policies***

#### **Recently issued but not adopted accounting guidance are as follows:**

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

continue to monitor and evaluate the impact of any required changes to its consolidated financial statements based on the characteristics of its financial instruments at the date of adoption.

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”). IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contract with customers. This standard is effective for annual periods beginning on or after January 1, 2017, and permits early adoption. The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

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

## **Disclosure Controls and Procedures and Internal Control Over Financial Reporting (“ICFR”)**

The Chief Executive Officer and Chief Financial Officer have evaluated whether there were changes to the ICFR during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our ICFR. No such significant changes were identified through their evaluation.

## **2015 Outlook**

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

Centerra’s 2015 guidance for production, capital spending, exploration, Öksüt project development costs, corporate administration, community costs and DD&A is unchanged from the previous guidance disclosed in the Company’s news release of January 15, 2015.

Centerra’s 2015 forecast for unit costs per ounce sold has been revised to reflect new cost assumptions in connection with the Trans-Canada partnership:

	<b>2015 Production Forecast</b> (ounces of gold)	<b>2015 All-in Sustaining Costs<sup>NG</sup></b> (\$ per ounce sold)	<b>2015 All-in Costs<sup>NG</sup></b> (\$ per ounce sold)
Kumtor	470,000 – 520,000	\$819 – \$908	\$869 – \$963
Boroo	10,000 – 15,000	\$1,131 – \$1,698	\$1,482 – \$2,225
<b>Consolidated</b>	<b>480,000 – 535,000</b>	<b>\$898 – \$1,003</b>	<b>\$1,041 – \$1,163</b>

### 2015 All-in Unit Costs

Centerra's forecast for 2015 all-in sustaining costs per ounce sold<sup>NG</sup> is unchanged from the previous guidance. The guidance for all-in costs per ounce sold<sup>NG</sup> including taxes has been revised to reflect higher a gold price assumption and new costs in connection with the Trans-Canada partnership:

	<b>Kumtor</b>	<b>Boroo<sup>(4)</sup></b>	<b>Consolidated</b>
<b>Ounces sold forecast</b>	470,000-520,000	10,000-15,000	480,000-535,000
<b>US \$ / gold ounces sold</b>			
Operating Costs	368 – 408	364 – 546	368 – 411
Changes in inventories	(45) – (50)	465 – 697	(31) – (34)
<b>Operating Costs (on a sales basis)</b>	<b>\$323 – 358</b>	<b>\$829 – 1,243</b>	<b>\$337 – 377</b>
Regional office administration	37 – 41	241 – 362	43 – 48
Social Development costs	5 – 6	24 – 36	6
Refining costs and by-product credits	1	-2	1
<b>Sub-Total (Adjusted Operating Costs)<sup>(1)</sup></b>	<b>\$366 – 406</b>	<b>\$1,092 – 1,639</b>	<b>\$387 – 432</b>
Corporate general & administrative costs	-	-	69 – 77
Accretion expense	2 – 3	32 – 48	3 – 4
Capitalized stripping costs – cash	356 – 394	-	346 – 386
Capital expenditures (sustaining) <sup>(1)</sup>	95 – 105	7 – 11	93 – 104
<b>All-in Sustaining Costs<sup>(1)</sup></b>	<b>\$819 – 908</b>	<b>\$1,131 – 1,698</b>	<b>\$898 – 1,003</b>
Capital expenditures (growth) <sup>(1)</sup>	50 – 55	-	48 – 54
Other costs <sup>(2)</sup>	-	351 – 527	57 – 64
Trans-Canada Property <sup>(5)</sup>	-	-	38 – 42
<b>All-in Costs</b>	<b>\$869 – 963</b>	<b>\$1,482 – 2,225</b>	<b>\$1,041 – 1,163</b>
Revenue-based tax and income taxes <sup>(3)</sup>	168	-	163 – 165
<b>All-in Costs (including taxes)<sup>(1)</sup></b>	<b>\$1,037 – 1,131</b>	<b>\$1,482 – 2,225</b>	<b>\$1,204 – 1,328</b>

(1) Adjusted operating costs per ounce sold, all-in sustaining costs per ounce sold, all-in costs per ounce sold, all-in costs (including taxes) per ounce sold, as well as capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under "Non-GAAP Measures".

(2) Other costs per ounce sold include costs to place the Boroo mill on care and maintenance, global exploration expenses, business development expense and project development costs not related to current operations.

(3) Includes revenue-based tax that reflects a forecast gold price assumption of \$1,200 per ounce sold.

(4) At the Boroo operation, all forecast production and sales are a result of secondary leaching and mill cleanup.

(5) All-in costs include both expensed and capitalized spending by Centerra for the Trans-Canada Property.

## 2015 Trans-Canada Property

Centerra acquired a 50% interest in the Trans-Canada Property from Premier on March 9, 2015. In partnership with Premier, Centerra has planned expenditures in 2015 of approximately \$20.3 million. The expenditures include technical studies, environmental and social impact assessments, project support, securing certain properties for future project development, and exploration, in-fill and condemnation drilling. The feasibility study is expected to be completed in late 2015 or early 2016.

Centerra has agreed to fund exploration work and project development work including completion of the feasibility study (via capital contributions) to the partnership in the aggregate amount of C\$185 million, which obligation is subject to certain feasibility study results and project advancement criteria. The planned spending for 2015 will be fully funded by Centerra with 50% of spending accounted for as pre-development project spending and expensed through Centerra's income statement and the remaining 50% of spending accounted for as an acquisition cost of the Trans-Canada Property capitalized on Centerra's balance sheet.

## Sensitivities

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

	Change	Impact on (\$ millions)			
		Costs	Revenues	Cash flow	Earnings before income tax
Gold Price	\$50/oz	4.2 – 4.9	30.5 - 36.0	26.2 - 31.0	26.2 - 31.0
Diesel Fuel <sup>(1)</sup>	10%	1.7	-	5.8	1.7
Kyrgyz som <sup>(2)</sup>	1 som	1.2	-	1.4	1.2
Mongolian tugrik <sup>(2)</sup>	25 tugrik	0.1	-	0.1	0.1
Canadian dollar <sup>(2)</sup>	10 cents	3.2	-	3.2	3.2

<sup>(1)</sup> appreciation of currency against the U.S. dollar will result in higher costs and lower cash flow and earnings, depreciation of currency against the U.S. dollar results in decreased costs and increased cash flow and earnings

## Material Assumptions and Risks

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

- a gold price of \$1,200 per ounce (from \$1,175 per ounce in the prior guidance),
- exchange rates:
  - \$1USD:\$1.25 CAD
  - \$1USD:60.0 Kyrgyz som
  - \$1USD:1,900 Mongolian tugriks
  - \$1USD:0.90 Euro

- diesel fuel price assumption (unchanged):
  - \$0.70/litre at Kumtor
  - \$1.10/litre at Boroo

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

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

- That current discussions between the Government of the Kyrgyz Republic and Centerra regarding the resolution of all outstanding matters affecting the Kumtor mine is satisfactory to Centerra, fair to all of Centerra's shareholders, and that any such resolution will receive all necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law.
- All mine plans and related permits and authorizations at Kumtor receive timely approval from all relevant governmental agencies.
- The buttress constructed at the bottom of the Davidov glacier continues to function as planned.
- The pit wall at Kumtor remains stable
- The new Resource Block Model for the Kumtor central pit reconciles as expected against production.
- Any recurrence of political or civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine and/or power to the mine site.
- Any actions taken by the Kyrgyz Republic Parliament and Government do not have a material impact on operations or financial results. This includes any action being taken by the Parliament or Government to cancel the Kumtor Project Agreements, or taking any actions which are not consistent with the rights of Centerra and Kumtor Gold Company (KGC) under the Kumtor Project Agreements.
- The previously disclosed environmental claims received from the Kyrgyz regulatory authorities in the aggregate amount of approximately \$470 million (at the then current exchange rates) and the claims of the Kyrgyz Republic's General Prosecutor's Office purporting to invalidate land use rights and/or seize land at Kumtor and to unwind the \$200 million inter-company dividend declared and paid by KGC to Centerra in December 2013, and any further claims, whether alleging environmental allegations or otherwise, are resolved without material impact on Centerra's operations or financial results.
- The movement in the Central Valley Waste Dump at Kumtor, referred to in the 2013 Annual Information Form, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production, including the successful demolition of buildings and relocation of certain other infrastructure as planned.
- Grades and recoveries at Kumtor will remain consistent with the 2015 production plan to achieve the forecast gold production.

- The Company is able to manage the risks associated with the increased height of the pit walls at Kumtor.
- The dewatering program at Kumtor continues to produce the expected results and the water management system works as planned.
- The Kumtor Mill continues to operate as expected.
- The “strategic deposit” designation of the Gatsuurt deposit will not materially change the capital forecasts for 2015.
- Special royalty, if approved, will not materially affect the business model for developing Gatsuurt.
- Prices of key consumables, costs of power and water usage fees are not significantly higher than prices assumed in planning.
- No unplanned delays in or interruption of scheduled production from our mines, including due to civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks.
- All necessary permits, licenses and approvals are received in a timely manner.

The Company cannot give any assurances in this regard.

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

## **Non-GAAP Measures**

This MD&A contains the following non-GAAP financial measures: all-in sustaining costs, all-in costs, all-in costs including taxes and adjusted operating costs in dollars (millions) and per ounce sold, as well as cost of sales per ounce sold, capital expenditures (sustaining), capital expenditures (growth) and average realized gold price. These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers, even as compared to other issuers who may also be applying the World Gold Council (“WGC”) guidelines, which can be found at <http://www.gold.org>.

Management believes that the use of these non-GAAP measures will assist analysts, investors and other stakeholders of the Company in understanding the costs associated with producing gold, understanding the economics of gold mining, assessing our operating performance, our ability to generate free cash flow from current operations and to generate free cash flow on an overall Company basis, and for planning and forecasting of future periods. However, the measures do have limitations as analytical tools as they may be influenced by the point in the life cycle of a specific mine and the level of additional exploration or expenditures a company has to make to fully develop its properties. Accordingly, these non-GAAP measures should not be considered in isolation, or as a substitute for, analysis of our results as reported under GAAP.

## ***Definitions***

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

- *Operating costs* (on a sales basis) include mine operating costs such as mining, processing, site support, royalties and operating taxes (except at Kumtor where revenue-based taxes are excluded), but exclude depreciation, depletion and amortization (DD&A), reclamation costs, financing costs, capital development and exploration.
- *Adjusted operating costs* per ounce sold include operating costs (on a sales basis), regional office administration, community costs related to current operations, refining fees and by-product credits.
- *All-in sustaining costs per ounce sold* include adjusted operating costs, the cash component of capitalized stripping costs, regional office administration costs, accretion expenses, and sustaining capital. The measure incorporates costs related to sustaining production.
- *All-in costs per ounce sold* include all-in sustaining costs and additional costs for growth capital, corporate general and administrative expenses, global exploration expenses and social development costs not related to current operations.
- *All-in cost per ounce sold* exclude the following:
  - Working capital (except for adjustments to inventory on a sales basis).
  - All financing charges (including capitalized interest).
  - Costs related to business combinations, asset acquisitions and asset disposals.
  - Other non-operating income and expenses, including interest income, bank charges, and foreign exchange gains and losses.
- *All-in costs including taxes per ounce sold* measure includes revenue-based taxes at Kumtor and income taxes at Boroo.
- *Capital expenditures (Sustaining)* is a capital expenditure necessary to maintain existing levels of production. The sustaining capital expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year.
- *Capital expenditures (Growth)* is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.
- *Average realized gold price* is calculated by dividing revenue derived from gold sales by the number of ounces sold.

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

**(1) By operation**

**Kumtor**

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Three months ended March 31, <sup>(1)</sup>	
	2015	2014
Cost of sales, as reported	\$ 106.7	\$ 95.1
Less: Non-cash component	68.8	63.5
Cost of sales, cash component	37.9	31.6
Adjust for:		
Regional office administration	4.3	4.4
Refining fees	1.0	0.6
By-product credits	(0.9)	(0.6)
Community costs related to current operations	0.6	0.8
<b>Adjusted Operating Costs</b>	<b>42.9</b>	<b>36.8</b>
Accretion expense	0.2	0.3
Capitalized stripping and ice unload	51.7	62.4
Capital expenditures (sustaining)	12.4	8.3
<b>All-in Sustaining Costs</b>	<b>107.2</b>	<b>107.8</b>
Capital expenditures (growth)	6.5	1.9
<b>All-in Costs</b>	<b>113.7</b>	<b>109.7</b>
Revenue-based taxes and income taxes	28.7	18.4
<b>All-in Costs (including taxes)</b>	<b>\$ 142.4</b>	<b>\$ 128.1</b>
Ounces sold (000)	169.2	101.9
<b>Adjusted Operating Costs per ounce sold</b>	<b>\$ 254</b>	<b>\$ 361</b>
<b>All-in Sustaining Costs per ounce sold</b>	<b>\$ 634</b>	<b>\$ 1,058</b>
<b>All-in Costs per ounce sold</b>	<b>\$ 673</b>	<b>\$ 1,077</b>
<b>All-in Costs (including taxes) per ounce sold</b>	<b>\$ 842</b>	<b>\$ 1,257</b>

(1) Results may not add due to rounding

## **Boroo**

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Three months ended March 31, <sup>(1)</sup>	
	2015	2014
Cost of sales, as reported	\$ 7.2	\$ 14.0
Less: Non-cash component	1.7	3.2
Cost of sales, cash component	5.5	10.8
Adjust for:		
Regional office administration	1.0	1.3
Stand-by costs	2.3	-
Refining fees	-	0.1
By-product credits	-	(0.1)
Community costs related to current operations	0.1	0.1
<b>Adjusted Operating Costs</b>	<b>8.9</b>	<b>12.2</b>
Accretion expense	0.2	0.1
Capital expenditures (sustaining)	0.1	0.2
<b>All-in Sustaining Costs</b>	<b>9.2</b>	<b>12.5</b>
<b>All-in Costs</b>	<b>9.2</b>	<b>12.5</b>
Income taxes	0.1	-
<b>All-in Costs (including taxes)</b>	<b>\$ 9.3</b>	<b>\$ 12.5</b>
Ounces sold (000)	6.0	12.6
<b>Adjusted Operating Costs per ounce sold</b>	<b>\$ 1,466</b>	<b>\$ 977</b>
<b>All-in Sustaining Costs per ounce sold</b>	<b>\$ 1,501</b>	<b>\$ 1,001</b>
<b>All-in Costs per ounce sold</b>	<b>\$ 1,501</b>	<b>\$ 1,001</b>
<b>All-in Costs (including taxes) per ounce sold</b>	<b>\$ 1,518</b>	<b>\$ 1,001</b>

(1) Results may not add due to rounding

## (2) Consolidated

### Centerra

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Three months ended March 31, <sup>(1)</sup>	
	2015	2014
Cost of sales, as reported	\$ 113.9	\$ 109.1
Less: Non-cash component	70.4	66.7
Cost of sales, cash component	43.5	42.4
Adjust for:		
Regional office administration	5.3	5.7
Stand-by costs	2.3	-
Refining fees	1.0	0.7
By-product credits	(1.0)	(0.7)
Community costs related to current operations	0.7	1.0
<b>Adjusted Operating Costs</b>	<b>51.8</b>	<b>49.1</b>
Corporate general administrative costs	9.3	6.4
Accretion expense	0.4	0.4
Capitalized stripping and ice unload	51.7	62.4
Capital expenditures (sustaining)	12.6	8.6
<b>All-in Sustaining Costs</b>	<b>125.8</b>	<b>126.9</b>
Capital expenditures (growth)	6.5	2.2
Exploration and business development	2.8	2.6
Öksüt project pre-development	1.8	0.8
Trans-Canada Property pre-development <sup>(2)</sup>	3.0	-
Other project costs not related to current operations	-	0.1
<b>All-in Costs</b>	<b>139.9</b>	<b>132.6</b>
Revenue-based taxes and income taxes	28.8	18.4
<b>All-in Costs (including taxes)</b>	<b>\$ 168.7</b>	<b>\$ 151.0</b>
Ounces sold (000)	175.2	114.5
<b>Adjusted Operating Costs per ounce sold</b>	<b>\$ 296</b>	<b>\$ 429</b>
<b>All-in Sustaining Costs per ounce sold</b>	<b>\$ 718</b>	<b>\$ 1,109</b>
<b>All-in Costs per ounce sold</b>	<b>\$ 799</b>	<b>\$ 1,158</b>
<b>All-in Costs (including taxes) per ounce sold</b>	<b>\$ 963</b>	<b>\$ 1,319</b>

(1) Results may not add due to rounding

(2) Includes both expensed and capitalized spending by Centerra for the Trans-Canada Property.

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

<b>First Quarter - 2015</b>	<b>Kumtor</b>	<b>Boroo</b>	<b>All other</b>	<b>Consolidated</b>
(\$ millions) <i>(Unaudited)</i>				
Capitalized stripping –cash	51.7	-	-	51.7
Sustaining capital - cash	12.4	0.1	0.1	12.6
Growth capital - cash	6.5	-	0.1	6.6
Trans-Canada Property pre-development capital - cash	-	-	1.5	1.5
Net increase in accruals included in additions to PP&E	(0.2)	-	-	(0.2)
<b>Total - Additions to PP&amp;E</b>	<b>70.4</b>	<b>0.1</b>	<b>1.7</b>	<b>72.2<sup>(1)</sup></b>

<b>First Quarter - 2014</b>	<b>Kumtor</b>	<b>Boroo</b>	<b>All other</b>	<b>Consolidated</b>
(\$ millions) <i>(Unaudited)</i>				
Capitalized stripping –cash	62.4	-	-	62.4
Sustaining capital - cash	8.3	0.2	0.1	8.6
Growth capital - cash	1.9	-	0.3	2.2
Net increase in accruals included in additions to PP&E	(0.5)	-	-	(0.5)
<b>Total - Additions to PP&amp;E</b>	<b>72.1</b>	<b>0.2</b>	<b>0.4</b>	<b>72.7<sup>(1)</sup></b>

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

## **Qualified Person & QA/QC**

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

## Caution Regarding Forward-Looking Information

Information contained in this MD&A which are not statements of historical facts, and the documents incorporated by reference herein, may be “forward-looking information” for the purposes of Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward looking information. The words “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things: the successful resolution of outstanding matters in the Kyrgyz Republic to the benefit of all shareholders; the potential effects of the Stans Order and the Belokon Order on any proposed resolution of outstanding Kumtor matters; the Company’s intentions to continue working with SAEPF to obtain the necessary approvals and permits for the operation of the Kumtor mine; the Company’s plans in 2015 for exploration and expenditures for the Trans-Canada partnership with Premier; the timing and outcome of additional geotechnical drilling at Kumtor to validate recommended pit slope angles at Kumtor; and the successful resolution of other claims affecting the Kumtor Project, including those commenced by the Kyrgyz Republic GPO and environmental regulatory authorities.

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; the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates including any unjustified civil or criminal action against the Company, its affiliates or its current or former employees; 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 and permits, including the delay currently being experienced at the Kumtor Project over the Kumtor 2015 life of mine and ecological passport; the rights of the Mongolian Government to take an interest in the Gatsuurt project as a result of the deposit being declared a strategic deposit, and the terms of any such participation, or to take a special royalty rate which has yet to be defined; the impact of changes to, the increased enforcement of, environmental laws and regulations relating to the Company’s operations; the impact of any sanctions imposed by Canada, the United States or other jurisdictions against various Russian individuals and entities; the ability of the Company to negotiate a successful deposit development agreement for Gatsuurt; 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 of being unable to enforce its 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; difficulties with Centerra's joint venture partners; and aboriginal claims and consultative issues relating to the Company's 50% interest in the Trans-Canada Property.

(B) risks relating to financial matters, including sensitivity of the Company's business to the volatility of gold prices, the imprecision of the Company's mineral reserves and resources estimates and the assumptions they rely on, the accuracy of the Company's production and cost estimates, the impact of restrictive covenants in the Company's revolving credit facility which may, among other things, restrict the Company from pursuing certain business activities, the Company's ability to obtain future financing, the impact of global financial conditions, the impact of currency fluctuations, the effect of market conditions on the Company's short-term investments; and 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, including movement of the Davidov Glacier and the waste and ice movement at the Kumtor Project and the Company's continued ability to successfully manage such matters, including the continued performance of the buttress; the occurrence of further ground movements at the Kumtor Project, 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 obtain the necessary permits and authorizations to (among other things) raise the tailings dam at the Kumtor Project to the required height; the Company's ability to replace its mineral reserves; the occurrence of any labour unrest or disturbance and the ability of the Company to successfully renegotiate 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 operations in the Kyrgyz Republic and Mongolia; 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, including the Trans-Canada partnership.

See "Risk Factors" in the Company's 2014 Annual Information Form available on SEDAR at [www.sedar.com](http://www.sedar.com).

Furthermore, market price fluctuations in gold, as well as increased capital or production costs or reduced recovery rates may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. Economic and technological factors which may change over time always influence the evaluation of reserves or resources. Centerra has not adjusted mineral resource figures in consideration of these risks and, therefore, Centerra can give

no assurances that any mineral resource estimate will ultimately be reclassified as proven and probable reserves.

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

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward-looking information is as of April 30, 2015. Centerra assumes no obligation to update or revise forward looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.