Centerra Gold Inc.
Management's Discussion and Analysis ("MD&A")
For the period ended June 30, 2013

The following discussion has been prepared as of July 31, 2013, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. ("Centerra" or the "Company") for the three and six months ended June 30, 2013 in comparison with the corresponding periods ended June 30, 2012. This discussion should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the three and six months ended June 30, 2013. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the two years ended December 31, 2012, the related MD&A, the Annual Information Form for the year ended December 31, 2012 (the "2012 Annual Information Form") and the condensed consolidated interim financial statements issued for the quarter ended June 30, 2013. The condensed interim financial statements of Centerra are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and the Company's accounting policies as described in note 3 of its annual consolidated financial statements for the year ending December 31, 2012 and for the effect of the adoption of new accounting standards on January 1, 2013 as described in note 2 to the Company's June 30, 2013 condensed interim financial statements. 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 2012 Annual Information Form. The Company's 2012 Annual Report and 2012 Annual Information Form are available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

TABLE OF CONTENTS

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Overview

Centerra is a gold mining company focused on operating, developing, exploring and acquiring gold properties primarily in Asia, the former Soviet Union and other emerging 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 and jointly-controlled entities include its wholly-owned subsidiaries, Kumtor Gold Company in the Kyrgyz Republic, Boroo Gold LLC and Centerra Gold Mongolia LLC (owner of the Gatsuurt property and Altan Tsagaan Ovoo ("ATO") property) in Mongolia and Öksüt Madencilik A.S. in Turkey, its seventy percent interest in the Kara Beldyr joint venture and its forty percent interest in the Dvoinoy joint venture, both in Russia.

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

Recent Developments Affecting Operations

Kumtor operations

- Since the beginning of 2013, there have been several developments with respect to actions taken by the Kyrgyz Republic Parliament and the Kyrgyz Republic Government that may impact upon Kumtor and the agreements that govern the Kumtor Project. The Company is continuing its discussions with the Government regarding a potential restructuring transaction to resolve all outstanding concerns relating to the Kumtor Project. See "Other Corporate Developments - Kyrgyz Republic" for further details on these developments.
- Kumtor experienced a work stoppage from May 30 to June 1, 2013 as a result of an illegal protest which blocked the road leading to the mine, thereby disrupting delivery of supplies. Protestors also interrupted the power supply to the mine. Milling operations were suspended during the period as a result of the power interruption. Mining operations were limited to management of the ice and waste in the high movement area of the open pit in order to preserve diesel inventory at the site.
- Beginning in mid-March, the rate of movement of the Davidov Valley Waste-rock Dump (also referred to as the "Central Valley Waste Dump") increased beyond the anticipated rate, requiring acceleration to the planned demolition of the administration and workshop buildings and relocation of certain other infrastructure. Employees in the affected buildings were moved to temporary work locations until new facilities are constructed and as a result, the Company has recorded a write-down of $2.2 million representing the book value of the infrastructure that will not be relocated. The 2013 waste dump management plan has been modified and the waste dump has since returned to pre-March rates of movement. There has been no impact on planned 2013 gold production. See "Other Corporate Developments – Kyrgyz Republic".

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- Movement rates of ice and waste in the high movement area at Kumtor were as expected during the second quarter. The mining fleet focused on stripping waste, thereby establishing access to the east portion of the Kumtor pit (cut-back 15) that is expected to provide high-grade ore at the end of the third quarter of 2013. During the second quarter of 2013, Kumtor continued to process ore primarily from stockpiles that had been mined during the fourth quarter of 2012.
- During an inspection in June 2013, an increased number of cracks were observed in the ring gear of the Kumtor ball mill as compared to the previous inspection in April 2013. The Company has ordered a replacement ring gear which it expects to be delivered in approximately 52 weeks. In the event that the ball mill cannot continue to operate with the existing ring gear until the replacement arrives, a spare ring gear is available on site, although it would be expected to operate at 95-97% of the capacity of the existing ring gear.
- Kumtor received the last eight of the ten new CAT 789 haul trucks that were ordered in 2012. During the second quarter of 2013, Kumtor commissioned three of these CAT 789 haul trucks and is expecting to commission the five remaining haul trucks by the end of the third quarter of 2013. The addition of the new haul trucks will enable Kumtor to retire older equipment and allow it to maintain its current average mining rate of 500,000 tonnes of material a day, even with projected longer hauls.
- In light of the recent significant decline in the gold price the Company has conducted a review of the Kumtor assets and determined that no impairment exists at June 30, 2013.

Boroo operations

- Mining activities were completed in September 2012.
- The mill processed stockpiled ore during the first half of 2013.
- Heap Leach activities re-commenced in October 2012 following the receipt of all required operating permits. Crushing and stacking activities at the heap leach operation resumed at the end of March 2013.

Gatsuurt project

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

Impact of Falling Gold Price

In light of the recent significant decline in the gold price, the Company has conducted reviews of its operating costs and capital expenditures and implemented measures to reduce spending on certain operating costs, exploration activities, capital and corporate costs. While this activity is ongoing and we continue to review costs to look for ways to maximize our margins, the Company believes it can continue to generate cash at the lower gold prices reached in June 2013. Centerra is forecasting all-in cash costs[1], including all operating cash costs[1], capital and taxes to be between $1,120 and $1,230 per ounce for the year.

The Company has performed an assessment of the recoverability of its capitalized assets at these lower gold prices and determined that no impairment exists at June 30, 2013.

In Mongolia, we understand the Mongolian Government has added a number of deposits, including Gatsuurt, to the list of mineral deposits of strategic importance which, if approved by Parliament, would exclude Gatsuurt from the application of the Water and Forest Law. In light of this development, along with the recent decline in the gold price, the Company is reviewing the Gatsuurt deposit mine plan and is studying its capital and operating costs. Although the Company has determined that no impairment currently exists, the results of these studies could impact the Company's future assessment of the recoverability of the Gatsuurt and Boroo assets which are approximately $140 million. Centerra will continue to monitor these developments and assess their impact on its Mongolian assets.

[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

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Consolidated Financial and Operating Highlights

	Three Months Ended June 30			Six Months Ended June 30		
Financial Summary ($ millions, except as noted)	**2013**	**2012 Restated (4)**	**% Change**	**2013**	**2012 Restated (4)**	**% Change**
Revenue	**$ 128.2**	$ 89.7	43%	**$ 320.5**	$ 223.5	43%
Cost of sales	**84.6**	82.4	3%	**175.8**	161.5	9%
Abnormal mining costs	**-**	3.9	100%	**-**	4.5	100%
Mine standby costs	**-**	-	0%	**-**	4.6	100%
Regional office administration	**5.9**	5.3	10%	**11.5**	10.1	13%
Earnings from mine operations	**37.7**	(1.8)	2157%	**133.2**	42.8	212%
Revenue-based taxes	**13.5**	9.0	51%	**34.3**	24.0	43%
Other operating expenses	**2.2**	22.9	(91%)	**4.1**	24.3	(83%)
Exploration and business development	**6.3**	9.2	(32%)	**13.4**	17.5	(23%)
Corporate administration	**7.2**	1.9	275%	**13.9**	10.5	33%
Earnings from operations	**8.6**	(44.7)	119%	**67.4**	(33.6)	301%
Other (income) and expenses	**2.8**	0.8	252%	**4.1**	0.0	100%
Finance costs	**1.2**	0.7	68%	**2.5**	1.7	51%
Earnings before income taxes	**4.5**	(46.3)	110%	**60.8**	(35.3)	272%
Income tax expense	**3.0**	2.6	13%	**7.9**	4.1	92%
Net earnings	**$ 1.6**	$ (48.9)	103%	**$ 52.9**	$ (39.4)	234%
Earnings per common share - $ basic	**$ 0.01**	$ (0.21)	105%	**$ 0.22**	$ (0.17)	229%
Earnings per common share - $ diluted	**$ 0.01**	$ (0.21)	105%	**$ 0.22**	$ (0.17)	229%
Weighted average common shares outstanding - basic (thousands)	**236,377**	236,363	0%	**236,377**	236,370	0%
Weighted average common shares outstanding - diluted (thousands)	**236,551**	236,363	0%	**236,603**	236,370	0%
Cash provided by (used in) operations	**40.9**	(42.3)	197%	**132.8**	(10.3)	1390%
Capital expenditures (1)	**105.5**	117.9	(11%)	**209.4**	277.5	(25%)
Operating Summary						
Gold produced – ounces	**99,426**	52,482	89%	**214,646**	125,037	72%
Gold sold – ounces	**93,177**	56,201	66%	**211,922**	133,921	58%
Average realized gold price - $/oz(3)	**1,376**	1,597	(14%)	**1,512**	1,669	(9%)
Average gold spot price - $/oz (2)	**1,415**	1,604	(12%)	**1,532**	1,651	(7%)
Cost of sales - $/oz sold (3)	**908**	1,466	(38%)	**829**	1,206	(31%)
Operating cash costs - $/oz produced(3)	**577**	831	(31%)	**520**	746	(30%)
All-in cash costs (pre-tax) - $/oz produced(3)	**1,585**	3,431	(54%)	**1,447**	3,124	(54%)
All-in cash costs (including taxes) - $/oz produced(3)	**1,749**	3,608	(52%)	**1,642**	3,319	(51%)

(1) Includes capitalized stripping of $77.2 million in the second quarter of 2013 ($71.0 million in the second quarter of 2012) and $151.5 million in the six months ended June 30, 2013 ($135.1 million in the six months ended June 30, 2012).
(2) Average for the period as reported by the London Bullion Market Association (US dollar Gold P.M. Fix Rate).
(3) Non-GAAP measure, see discussion under “Non-GAAP Measures”.
(4) Restated to reflect the impact of new accounting standards adopted January 1, 2013 (see “Changes in Accounting Policies”).

Results of Operations

Second Quarter 2013 versus Second Quarter 2012

For the second quarter of 2013, the Company recorded net earnings of $1.6 million, compared to a net loss of $48.9 million in the comparative quarter of 2012. The increased earnings reflect 66% higher ounces sold in 2013 due to higher production at both operations, partially offset by 14% lower average realized gold price[1] in the second quarter of 2013. The comparative quarter of 2012 included a charge of $21 million representing a contribution made by Kumtor into a national micro-credit financing program and a charge for abnormal mining costs of $3.9 million associated with the unplanned removal of ice and waste from the high movement area at Kumtor. Production at Boroo in the second quarter of 2013 benefited from the resumption of heap leach operations which re-started in October 2012 after the receipt of operating permits.

Production:
Gold production for the second quarter of 2013 totaled 99,426 ounces compared to 52,482 ounces in the comparative quarter. The increase in ounces poured, from the comparative period, was mainly due to the processing of higher grade ore at both Kumtor and Boroo and the resumption of heap leach operations at Boroo.

Environment and Safety:
Environment
Centerra had two level II environmental incidents during the second quarter of 2013, one at its Kumtor operation and the other at its Boroo operation.

Safety
Centerra had no recordable injuries at its operations during the second quarter of 2013.

However, the Company regretfully announced on July 3, 2013 that its Boroo Gold operation experienced a single fatality when a light duty vehicle driven by a contract employee was involved in a single vehicle rollover accident at the tailings facility. Our Boroo site team worked in cooperation with local authorities and performed an internal investigation with the assistance of an external investigator to identify root causes for the incident. Recommendations resulting from the findings of the investigation are being implemented.

Revenue:
Revenue for the second quarter of 2013, increased to $128.2 million from $89.7 million in the comparative quarter of 2012, primarily as a result of higher sales volumes (93,177 ounces in the second quarter of 2013 compared to 56,201 ounces in the second quarter of 2012) that was partially offset by a decrease in the average realized gold price[(1)] at $1,376 per ounce compared to $1,597 per ounce in the same quarter of 2012 The higher sales volumes reflect the increase in production at both operations.

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[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

Cost of sales:
Cost of sales was $84.6 million in the second quarter of 2013, compared to $82.4 million in the comparative period of 2012, mainly as a result of higher sales volumes. Operating costs[1] in the second quarter of 2013 were higher than the comparative quarter reflecting higher labour costs, resulting from inflationary increases provided for in the collective bargaining agreements which were finalized in the second half of 2012, and the addition of costs at Boroo from the resumption of heap leach operations. During the second quarter of 2013, Kumtor recorded a charge of $2.1 million against cost of sales, representing a write-down of inventoried cost in excess of current net realizable value.

Depreciation, depletion and amortization associated with production increased to $31.6 million in the second quarter of 2013 from $15.4 million in the comparative quarter of 2012 primarily due to the higher ounces sold which resulted in higher depreciation for assets depreciated using the units of production method. The basis for depreciation has increased due to the expanded mobile fleet at Kumtor and higher deferred stripping costs at Kumtor.

Abnormal mining costs:
Abnormal mining costs totaled $3.9 million in the comparative second quarter of 2012, representing the cost of removing the ice and waste from the high movement unload zone, in response to the accelerated movements of ice and waste above the SB zone which had become a safety concern. A decision was announced in March 2012 to abandon the existing mine plan in order to remediate the accelerated movements. There were no abnormal mining costs recorded in the second quarter of 2013.

Other operating expenses:
Other operating expenses for the second quarter of 2013 totaled $2.1 million compared to $22.9 million in the comparative quarter of 2012. In the second quarter of 2013 the Company spent $2.1 million on corporate social responsibility ("CSR") programs in the Kyrgyz Republic and in Mongolia. The expense during the second quarter of 2012 includes a charge of $21 million representing a contribution made by Kumtor into a national micro-credit financing program, pursuant to an agreement signed by Kumtor and the Kyrgyz Government on April 23, 2012, and an amount of $1.8 million incurred by the Company on other CSR programs mainly in the Kyrgyz Republic.

Other expenses:
Other expenses for the second quarter of 2013 totaled $2.8 million compared to $0.8 million in the comparative quarter of 2012. The second quarter of 2013 includes a charge of $2.2 million for the write-off of infrastructure assets at Kumtor which could not be relocated as a result of the accelerated movement in the Central Valley Waste Dump.

Exploration and business development:
Exploration and business development expenditures in the second quarter of 2013 totaled $6.3 million compared to $9.2 million spent in the comparative quarter of 2012, representing mainly exploration spending. Exploration expenditures in the second quarter of 2013 reflect on-going drilling programs at the Öksüt project in Turkey and reduced spending on drilling at Kumtor and at the Company's other various projects.

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Corporate administration:
Corporate administration costs in the second quarter of 2013 were $7.2 million compared to $1.9 million in the same quarter of 2012. During the second quarter of 2012, the Company experienced a significant decline in share price resulting in a reduction in share-based compensation.

Taxes:
Centerra reported $13.5 million in the second quarter of 2013 for revenue-based tax expense at Kumtor compared to $9 million in the same period of 2012, and $3.0 million in the three-month period ended June 30, 2013 for income tax expense at Boroo compared to $2.6 million in the same period of 2012.

The increase in revenue-based tax expense reflects the higher volumes sold in 2013 at Kumtor resulting in increased revenue. The increase of $0.4 million in Boroo's income tax expense is a result of the higher volumes and higher earnings achieved in the second quarter of 2013.

Revenue-based tax is governed by the Restated Investment Agreement signed with the Kyrgyz Government on June 6, 2009. The agreement assessed tax on Kumtor at a rate of 13% of gross revenue, plus a monthly contribution of 1% of gross revenue to the Issyk-Kul Oblast Development Fund. Income tax expense at Boroo is calculated based on a Stability Agreement with the Government of Mongolia where an income tax rate of 25% is assessed on taxable income over 3 billion Mongolian Tugriks (MNT) (approximately $2.1 million at the June 30, 2013 exchange rate) and a tax rate of 10% applicable to taxable income up to that amount. Following the termination of the Boroo Stability Agreement in July 2013, Boroo's corporate income tax rate has not changed, however the royalty paid to the government has increased from 5% to a rate varying between 5% and 10% based on the price of gold to a maximum of 10% for gold prices at or above $1,300 an ounce.

Losses incurred by Centerra's entities in the North American segment have not been tax effected and as a result no deferred tax asset has been recognized.

Net earnings:
The net earnings in the second quarter of 2013 were $1.6 million or $0.01 per common share (basic and diluted) compared to a net loss of $48.9 million or $0.21 per common share in the second quarter of 2012, reflecting the higher sales volumes in 2013.

First Half 2013 versus First Half 2012

For the first half of 2013, the Company recorded net earnings of $52.9 million, compared to a net loss of $39.4 million in the comparative period of 2012. The increased earnings reflect 58% higher ounces sold due to higher production at both operations, with higher availability of ore at Kumtor and the processing of higher grade ore in the first half of 2013 at both operations as compared to the first half of 2012 which was negatively affected by a 10-day labour strike at Kumtor, and increased output at Boroo with the resumption of heap leach operations. Revenues in the first half of 2013 were negatively impacted by a 9% decrease in the average realized gold price compared to the second half of 2012. In the comparative period of 2012, the Company was impacted by the acceleration of ice and waste material at Kumtor which required a change in the 2012 mine plan and delayed the access to ore in the SB zone. This resulted in the unplanned removal of ice and waste material in the high movement area, which resulted in an abnormal mining charge of $4.5 million in the first half of 2012.

Production:
Gold production for the first half of 2013 totaled 214,646 ounces compared to 125,037 ounces in the comparative period. The increase in ounces poured was mainly due to the processing of higher grade ore at both Kumtor and Boroo and the resumption of heap leach operations at Boroo. In addition, during the first half of 2012 Kumtor processed fewer tonnes due to the 10-day labour dispute, while Kumtor incurred a 2-day disruption to its operations in the first half of 2013 as described earlier. See "Other Corporate Developments – Kyrgyz Republic – Kumtor Road Block".

Environment and Safety:
Environment
Centerra had two level II environmental incidents during the first half of 2013, one at its Kumtor operation and the other at its Boroo operation.

Safety
Centerra had two contractor-related recordable injuries in the first half of 2013, one occurring at the Kumtor mine operation in Kyrgyzstan and the other occurring at the Öksüt project in Turkey.

Subsequent to the June 30, 2013 reporting period, the Company regretfully announced on July 3, 2013 that its Boroo Gold operation experienced a single fatality when a light duty vehicle driven by a contract employee was involved in a single vehicle rollover at the tailings facility.

Revenue:
Revenue for the first six months of 2013, increased to $320.5 million from $223.5 million in the comparative period of 2012, primarily as a result of higher sales volumes (211,922 ounces in the first half of 2013 compared to 133,921 ounces in the first half of 2012), partially offset by a decrease in the average realized gold price[1] which was $1,512 per ounce compared to $1,669 per ounce in the same period of 2012. The higher sales volumes reflect the increase in production at both operations.

Cost of sales:
Cost of sales was $175.8 million in the first half of 2013, compared to $161.5 million in the comparative period of 2012. The increase was mainly due to higher sales volumes. Operating costs[1] in the first half of 2013 were higher than the comparative quarter reflecting higher labour costs, resulting from wage increases provided for in the collective bargaining agreements which were finalized in the second half of 2012, and the addition of heap leach costs at Boroo from the resumption of operations, which occurred in the second half of 2012. Cost of sales for the first half of 2013 includes a charge of $2.1 million recorded by Kumtor, representing a write-down of inventoried cost in excess of current net realizable value.

[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

Depreciation, depletion and amortization associated with production increased to $75.4 million in the first half of 2013 from $61.1 million in the comparative period of 2012 as a result of the higher ounces sold. The basis for depreciation has increased due to the expanded mobile fleet at Kumtor and higher deferred stripping costs at Kumtor.

Abnormal mining costs:
Abnormal mining costs totaled $4.5 million in the comparative first six months of 2012, representing the cost of removing the ice and waste from the high movement unload zone, in response to the accelerated movements of ice and waste above the SB Zone which had become a safety concern. A decision was announced in March 2012 to abandon the existing mine plan in order to remedy these accelerated movements. There were no abnormal mining costs recorded in the first half of 2013.

Other operating expenses:
Other operating expenses for the first half of 2013 totaled $4.1 million compared to $24.3 million in the comparative period of 2012. The 2013 amount includes the final costs to complete the closure of the Kumtor underground project of $1.4 million and $2.5 million spent on CSR programs in the Kyrgyz Republic and in Mongolia. The comparative period of 2012 includes a charge of $21 million representing a contribution made by Kumtor into a national micro-credit financing program and $3.2 million incurred by the Company on other CSR programs, mainly in the Kyrgyz Republic.

Other expenses:
Other expenses for the first half of 2013 were $4.1 million compared to $0.03 million in the comparative period of 2012. The first half of 2013 includes a charge of $2.2 million for the write-off of infrastructure assets at Kumtor which could not be relocated as a result of the accelerated movement in the Central Valley Waste Dump.

Exploration and business development:
Exploration and business development expenditures in the first half of 2013 totaled $13.4 million, representing mainly exploration spending (first half of 2012 totaled $17.5 million, including $16.9 million of exploration costs). Exploration expenditures in the first half of 2013 reflect increased drilling at the Öksüt project in Turkey and reduced drilling programs at Kumtor and at the Company's other various projects.

Corporate administration:
Corporate administration costs in the first half of 2013 were $13.9 million compared to $10.5 million in the same period of 2012, reflecting a higher charge for share-based compensation in the current period.

Taxes:
Centerra reported $34.3 million in the first half of 2013 for revenue-based tax expense at Kumtor compared to $24 million in the same period of 2012, and $7.9 million in the six-month period ended June 30, 2013 for income tax expense at Boroo compared to $4.1 million in the same period of 2012.

The increase in revenue-based tax expense reflects the higher volumes sold in 2013 at Kumtor. The increase of $3.8 million in Boroo's income tax expense is a result of the higher volumes and higher earnings achieved in the first half of 2013.

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Revenue-based tax is governed by the Restated Investment Agreement signed with the Kyrgyz Government on June 6, 2009. The agreement assessed tax on Kumtor at a rate of 13% of gross revenue, plus a monthly contribution of 1% of gross revenue to the Issyk-Kul Oblast Development Fund. Income tax expense at Boroo is calculated based on a Stability Agreement with the Government of Mongolia where an income tax rate of 25% is assessed on taxable income over 3 billion Mongolian Tugriks (MNT) (approximately $2.1 million at the June 30, 2013 exchange rate) and a tax rate of 10% applicable to taxable income up to that amount. Following the termination of the Boroo Stability Agreement in July 2013, Boroo's corporate income tax rate has not changed, however the royalty paid to the government has increased from 5% to a rate varying between 5% and 10% based on the price of gold to a maximum of 10% for gold prices at or above $1,300 an ounce.

Losses incurred by Centerra's entities in the North American segment have not been tax effected and as a result no deferred tax asset has been recognized.

Net earnings:
The net earnings in the first half of 2013 were $52.9 million or $0.22 per common share (basic and diluted) compared to a net loss of $39.4 million or $0.17 per common share in the first half of 2012, reflecting the higher sales volumes in 2013.

Unit Operating Costs:

i) Cost of sales per ounce sold[1]
Cost of sales per ounce sold in the second quarter of 2013 decreased to $908 per ounce sold compared to $1,466 per ounce sold in the second quarter of 2012 mainly as a result of increased gold production in the second quarter of 2013 at both operations, including the restarted heap leach operation at Boroo, partially offset by higher labour costs at both sites.

In the first half of 2013, cost of sales per ounce sold decreased to $829 per ounce sold compared to $1,206 per ounce sold in the first half of 2012 mainly due to the increase in gold production in the first half of 2013. Kumtor's cost of sales per ounce sold was affected by processing lower grade ore stockpiles and a 10-day labour dispute work stoppage in the first half of 2012.

ii) Operating cash costs per ounce produced[1]
Operating cash cost per ounce produced in the second quarter of 2013 decreased to $577 compared to $831 per ounce in the comparative period of 2012. The decrease in 2013 reflects the impact of higher production levels due to higher grades processed at both operations and the resumption of lower cost heap leach operations at Boroo, partially offset by higher labour costs in the second quarter of 2013.

In the first half of 2013, operating cash cost per ounce produced decreased to $520 compared to $746 per ounce produced in the comparative period of 2012 reflecting the impact of higher production levels partially offset by higher operating costs.

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[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

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iii) All-in cash costs per ounce produced[1]

	Three Months Ended June 30		Six Months Ended June 30	
$ millions, except ounces poured	**2013**	**2012 (3)**	**2013**	**2012 (3)**
All-in Cash Costs(1):				
Operating cash costs	**$ 57.4**	$ 43.6	**$ 111.6**	$ 93.3
Abnormal mining costs - cash	**-**	2.8	**-**	3.3
Capitalized stripping and ice unload - cash	**56.6**	52.8	**110.0**	99.8
Operating cash costs and capitalized stripping	**114.0**	99.3	**221.6**	196.4
Sustaining capital (cash)	**18.5**	12.2	**31.8**	18.2
Growth capital (cash)	**9.5**	34.7	**25.8**	124.2
Operating cash costs including capital	**142.0**	146.2	**279.3**	338.8
Corporate and other cash costs (2)	**15.7**	34.0	**31.4**	52.3
All-in Cash Costs - pre-tax	**$ 157.7**	$ 180.2	**$ 310.7**	$ 391.2
Revenue-based tax and income tax	**16.3**	9.3	**41.8**	24.4
All-in Cash Costs - including taxes	**$ 174.0**	$ 189.5	**$ 352.5**	$ 415.6
Ounces poured	**99,426**	52,482	**214,646**	125,037
Operating cash cost - $/oz produced	**$ 577**	$ 831	**$ 520**	$ 746
All-in Cash Costs (pre-tax) - $/oz produced	**$ 1,585**	$ 3,431	**$ 1,447**	$ 3,128
All-in Cash Costs (including taxes) - $/oz produced	**$ 1,750**	$ 3,610	**$ 1,642**	$ 3,324

Centerra's pre-tax all-in cash costs per ounce produced[1] for the second quarter of 2013 was $1,585, and includes all cash costs directly related to gold production, excluding taxes. This compares to pre-tax all-in cash costs per ounce produced[1] of $3,431 in the second quarter of 2012. The decrease is mainly due to higher gold production in 2013, 59% lower capital spending and lower corporate and other cash costs. Growth capital[1] spending (excluding capitalized stripping) decreased from $34.7 million in the second quarter of 2012 to $9.5 million in the second quarter of 2013 reflecting the expansion of the mining fleet at Kumtor during 2012. Corporate and other costs[2] were down from $34 million in the second quarter of 2012 (in which a special contribution of $21 million was made into a national micro-credit financing program in the Kyrgyz Republic) to $15.7 million in the current quarter of 2013, primarily as a result of the lower corporate social responsibility spending.

For the first half of 2013, Centerra's pre-tax all-in cash costs per ounce produced[1] were $1,447 compared to $3,128 in the comparable period of 2012.

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[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".
[2] Corporate and other cash costs include corporate general and administrative expenses, global exploration expenses, and community investments which are only reflected in the all-in cash cost amounts reported at the consolidated level.
[3] Operating cash costs and capitalized stripping for 2012 were restated to reflect the impact of the adoption of IFRIC 20 (see "Changes in Accounting Policies").

Cash generation & capital investments

Cash Flow:

$ millions	Three months ended June 30, 2013	2012 [2]	% Change	Six months ended June 30, 2013	2012 [2]	% Change
Cash provided by (used in) operating activities	**40.9**	(42.3)	(197%)	**132.8**	(10.3)	(1392%)
Cash provided by (used in) investing activities :						
- Capital additons (cash)	**(86.2)**	(99.0)	(13%)	**(159.9)**	(242.8)	(34%)
- Short-term investments net redeemed (net purchased)	**108.3**	122.2	(11%)	**40.0**	342.4	(88%)
- other investing items	**(2.2)**	2.8	(179%)	**(24.9)**	(7.6)	226%
Cash provided by (used in) investing activities - total	**19.9**	26.0	(23%)	**(144.8)**	92.0	(257%)
Cash used in financing activities	**(6.7)**	(9.5)	(30%)	**(14.5)**	(9.8)	48%
Increase (decrease) in cash	**54.1**	(25.9)	(309%)	**(26.5)**	71.9	(137%)

Cash from operating activities

Cash provided from operations in the second quarter of 2013 totaled $40.9 million compared to $42.3 million used in operations in the same period of 2012, mainly as a result of the increased earnings in 2013 and movements in working capital levels.

Working capital, which consists of amounts receivable, prepaid expenses, gold inventory, supplies inventory and accounts payable, required increased funding in the second quarter of 2013 by $2.9 million, lower than the comparative quarter where working capital required increased funding of $5.5 million.

For the first half of 2013, cash provided from operations totaled $132.8 million compared to $10.3 million used in operations in the same period of 2012, mainly as a result of higher earnings. Working capital levels increased and required additional funding of $13.8 million in the first six months of 2013 compared to increased funding in the comparative period of 2012 of $7.0 million.

Cash from investing activities

Cash provided by investing activities totaled $19.9 million in the second quarter of 2013 compared to $26 million in the comparative quarter. Cash provided by investing activities in 2013 primarily included the net redemption of short-term investments of $108.3 million ($122.2 million in the second quarter of 2012), partially offset by investments in capital projects (including capitalized stripping) of $86.2 million ($99 million in the second quarter of 2012). Investments in capital projects in the second quarter of 2013 represented higher spending on growth projects in 2012 mainly on the mobile fleet expansion and for work on the underground at Kumtor, partially offset by higher capitalized stripping at Kumtor in the second quarter of 2013. Spending for sustaining capital[1] was higher in the second quarter of 2013 mainly for overhauls at Kumtor and tailings dam work at Boroo. Cash spent on growth capital[1] in the second quarter of 2013, excluding capitalized stripping, totaled $11.1 million ($34.1 million in the second quarter of 2012), while $18.5 million was invested in sustaining capital[1] ($12.2 million in the second quarter of 2012). Cash spent on capitalized stripping activities totaled $56.6 million compared to $55.8 million in the same quarter of 2012.

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[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

[2] Restated to reflect the impact of the new accounting standards adopted January 1, 2013 (see "Changes in Accounting Policies").

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In the first six months of 2013, $144.8 million of cash was used in investing activities representing capital additions of $159.9 million and the purchase of the remaining interest in the Öksüt project in Turkey of $19.7 million (net cash), partially offset by net redemptions of short-term investments of $40 million. In the comparative six months of 2012, $92 million was generated by investing activities mainly from the net redemption of short-term investments, partially offset by investments in capital equipment and activities.

Cash from financing activities
Cash used in financing activities in the second quarter of 2013 was $6.7 million ($9.5 million in the same quarter of 2012), representing regular dividend payments.

For the first six months of 2013, $14.5 million was used ($9.8 million in the comparative period of 2012), including a dividend of $13.1 million ($9.2 million in the first half of 2012) and the payment of interest on borrowings of $1.4 million ($0.7 million in the first half of 2012).

Net cash and short-term investments at June 30, 2013 decreased to $315.6 million from $382.1 million at December 31, 2012.

Capital:

	Three months ended June 30,			Six months ended June 30,		
$ millions	**2013**	**2012**	**% Change**	**2013**	**2012**	**% Change**
Capital spent & accrued (Kumtor)	**101.5**	112.8	(10%)	**203.7**	268.5	(24%)
Capital spent & accrued (Boroo & Gatsuurt)	**3.8**	5.0	(23%)	**5.2**	8.8	(41%)
Capital spent & accrued (Corporate & Others)	**0.1**	0.1	0%	**0.5**	0.2	128%
Capital spent & accrued (Consolidated)	**105.5**	117.9	(11%)	**209.4**	277.5	(25%)

Capital expenditures (spent and accrued) in the second quarter of 2013 were $105.5 million as compared to $117.9 million in the same quarter of 2012. Sustaining capital[1] in the second quarter of 2013 was $18.7 million (including $15.1 million at Kumtor and $3.6 million at Boroo), compared to $12.2 million in 2012 (including $11.2 million at Kumtor and $0.8 million at Boroo). Growth capital[1], excluding capitalized stripping, was $9.6 million in the second quarter of 2013, compared to $34.7 million the prior year, spent mainly on the fleet expansion at Kumtor and underground development work. Capitalized stripping in the second quarter of 2013 totaled $77.2 million, as compared to $71.0 million in the comparative quarter of 2012, spent mainly on stripping activities in cut-backs and in the unload areas at Kumtor, and in Pit 6 at Boroo in the second quarter of 2012.

In the first half of 2013, capital expenditures (spent and accrued) were $209.4 million compared to $277.5 million in the comparative period of 2012. Sustaining capital[1] totaled $32.1 million in 2013 and $18.2 million in 2012, while growth capital[1], excluding capitalized stripping, was $25.8 million and $124.2 million in the respective periods of 2013 and 2012. Capitalized stripping totaled $151.5 million in the first half of 2013 for work performed at Kumtor mainly in cut-back 15 and in the unload areas, and $135.1 million in the comparative period of 2012 for similar work at Kumtor and stripping in Pit 6 at Boroo.

[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

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

Foreign Exchange:
The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic and Mongolia, and its corporate head office is in Toronto, Canada. During the quarter, the Company's expenditures (including capital) totaled approximately $191 million. About $91 million of this (47%) 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: 43% in Kyrgyz soms, 21% in Canadian dollars, 20% in Mongolian tugriks, 12% in Euros, and approximately 4% in Russian Rubles, Australian dollars, Turkish Lira, British pounds, Chinese Yuan, Japanese Yen and Swiss Franc combined. In 2013, the average value of the Japanese Yen, British Pound, Australian dollar, Canadian dollar, Swiss Franc, Russian Roubles, Turkish Lira, Mongolian Tugrik and Kyrgyz Som decreased in value against the U.S. dollar by 10.1%, 5.3%, 2.6%, 2.4%, 2.3%, 1.7%, 1.7%, 1.7% and 1.3%, respectively. On average, the value of the Chinese Yuan and the Euro remained virtually flat compared to their value at December 31, 2012 with appreciation of 0.7% and a decline of 0.4%, respectively, against the U.S. dollar. The net impact of these movements in 2013, after taking into account currencies held at the beginning of the year, was to decrease annual costs by $2.5 million.

Gold Hedging and Off-Balance Sheet Arrangements:
The Company had no gold hedges in place as of June 30, 2013.

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

Share Capital and Share Options

As of July 31, 2013, Centerra had 236,384,452 common shares issued and outstanding. In addition, at the same date, the Company had 2,616,263 share options outstanding under its share option plan with exercise prices ranging from Cdn$3.96 to Cdn$22.28 per share, and with expiry dates between 2016 and 2021.

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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 8.9 million ounces of gold to June 30, 2013.

Waste-Rock Dump Movement

On May 3, 2013, the Company announced that a large section of Kumtor's principal waste-rock dump, the Central Valley Waste Dump, was experiencing a greater than anticipated rate of movement. Beginning in mid-March, the rate of movement of the waste-rock dump increased beyond the anticipated rate, requiring acceleration to the planned demolition of the administration and workshop buildings and the relocation of certain other infrastructure. Employees in the affected buildings were moved to temporary work locations while new planned facilities are constructed. The movement of the Central Valley Waste Dump and the demolition of buildings and relocation of other affected infrastructure is described in the Kumtor Technical Report (December 20, 2012) and in the life-of-mine plan.

As a result of this increase in the waste dump movement, the Company revised its 2013 waste dump management plan and submitted the revised plan to the Kyrgyz regulatory authorities for approval. See "Other Corporate Developments – Kyrgyz Republic – Kumtor Waste Dump Movement".

Ring Gear

During an inspection in June 2013, an increased number of cracks were observed in the ring gear of the Kumtor ball mill as compared to the previous inspection in April 2013. After consultation with the supplier of the ring gear, FL Smidth, it was decided that the ring gear would need to be replaced. The Company has ordered a replacement ring gear which it expects to be delivered in approximately 52 weeks. In the meantime, the Company has taken measures to closely monitor the ring gear and to lessen the stresses applied to it. In addition, the ring gear will be rotated during the regularly scheduled 5 day shutdown in August. The off-side of the ring gear does not appear to have any cracks and is expected to provide good temporary service until such time as the replacement gear arrives. In the event that the ball mill cannot continue to operate with the existing ring gear until the replacement arrives, a spare ring gear is available on site, although it would be expected to operate at 95-97% of the capacity of the existing ring gear.

Overview of Kumtor Operating Results

	Three months ended June 30			Six months ended June 30		
Kumtor Operating Results	**2013**	**2012**	**% Change**	**2013**	**2012**	**% Change**
Tonnes mined - 000s	**47,901**	42,736	12%	**88,085**	73,482	20%
Tonnes ore mined - 000s	**799**	16	4894%	**1,008**	79	1176%
Average mining grade - g/t (1)	**1.91**	1.18	62%	**2.02**	1.30	55%
Tonnes milled - 000s	**1,351**	1,376	(2%)	**2,824**	2,627	7%
Average mill head grade - g/t (1)	**2.17**	1.33	63%	**2.44**	1.64	49%
Recovery - %	**69.3%**	71.2%	(3%)	**72.0%**	72.0%	0%
Gold produced – ounces	**72,365**	41,307	75%	**161,983**	102,014	59%

	Three months ended June 30			Six months ended June 30		
Kumtor Cost Performance	**2013**	2012 (4)	**% Change**	**2013**	2012 (4)	**% Change**
Operating cash costs (3) ($ millions):						
Mining - including capitalized stripping and abnormal mining costs	**65.8**	54.1	22%	**125.5**	104.7	20%
Mining - excluding capitalized stripping and abnormal mining costs (2)	**9.2**	2.0	364%	**15.5**	7.9	96%
Milling	**15.4**	14.6	6%	**31.2**	28.0	11%
Site support	**15.0**	12.9	17%	**29.4**	24.6	20%
Bishkek administration	**4.4**	4.1	7%	**8.5**	7.4	14%
Mine stand-by costs	**0.0**	0.0	0%	**0.0**	4.6	100%
Management fees and other	**0.1**	0.0	75%	**0.2**	0.1	58%
Refining fees	**0.4**	0.2	121%	**0.9**	0.5	94%
By-product credits	**(0.6)**	(0.3)	65%	**(1.2)**	(0.8)	50%
Operating cash costs	**44.0**	33.4	32%	**84.5**	72.3	17%
Non-cash DD&A costs	**6.9**	4.5	54%	**12.8**	16.7	(23%)
Total production costs	**50.9**	37.9	34%	**97.4**	89.1	9%
Unit operating costs						
Mining costs ($/t mined material)	**1.37**	1.27	9%	**1.42**	1.42	0%
Milling costs ($/t milled material)	**11.42**	10.58	8%	**11.05**	10.66	4%
Operating cash costs ($/t milled material)	**32.53**	24.26	34%	**29.93**	27.54	9%
Operating cash costs ($/oz produced) (3)	**608**	808	(25%)	**522**	709	(26%)
All-in cash costs (pre-tax) - $/oz produced (3)	**1,727**	3,180	(46%)	**1,524**	3,032	(50%)
All-in cash costs (including taxes) - $/oz produced (3)	**1,913**	3,397	(44%)	**1,735**	3,268	(47%)

(1) g/t means grams per tonne.
(2) Mining costs charged to operations reduced by amounts charged to capital for stripping abnormal mining costs.
(3) Non-GAAP measure, see discussion under "Non-GAAP Measures".
(4) Operating cash costs for 2012 were restated to reflect the impact of the adoption of IFRIC 20 (see "Changes in Accounting Policies").

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Second Quarter 2013 versus Second Quarter 2012

Kumtor processed primarily from stockpiles during the second quarter of 2013. The total tonnes mined for the second quarter of 2013 were 47.9 million tonnes compared to 42.7 million tonnes in the comparative quarter of 2012, representing an increase of 12% due to the increased volume of higher density waste mined as Kumtor focused on waste stripping from cutback 15. The second quarter of 2012 was negatively affected by the unexpected increased ice movement rates which required the Company to mine a significantly larger quantity of low density ice. Kumtor accessed ore remaining from cutback 14B and incidental ore in the northern zone of cut-back 15 during the second quarter of 2013 which resulted in 0.8 million tonnes of ore being mined at a grade of 1.91 g/t.

Kumtor produced 72,365 ounces of gold for the second quarter of 2013 compared to 41,307 ounces of gold in the comparative quarter of 2012. The increase in ounces poured was mainly due to the processing of higher grade ore that was mined and stockpiled during the fourth quarter of 2012. During the second quarter of 2013, Kumtor's head grade was 2.17 g/t with a recovery of 69.3%, compared with 1.33 g/t and a recovery of 71.2% for the same quarter in 2012. Gold recovery was 3% lower than the comparative period primarily related to the metallurgical difficulty of the stockpiled ore from the "hockey-stick zone". Tonnes processed were approximately 1.4 million for the second quarter of 2013, which is similar to the comparative period in 2012.

The increased movement in the waste-rock dump, which began in mid-March 2013, has accelerated the planned relocation of certain mine infrastructure. The rate of movement is being monitored and a revised 2013 waste-rock dumping plan is being followed. See "Other Corporate Developments – Kyrgyz Republic".

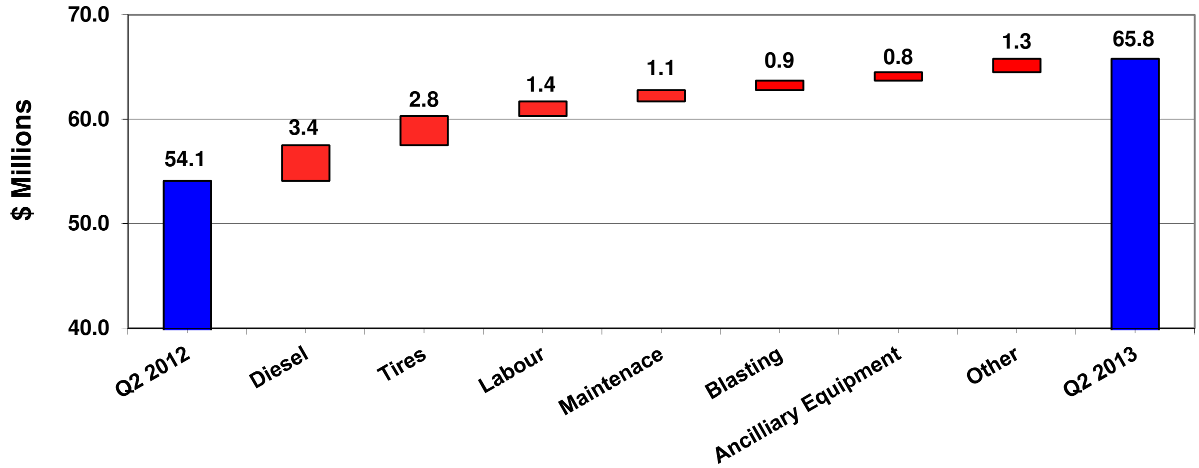
Operating cash costs[1] - Kumtor

Operating cash costs at Kumtor in the second quarter of 2013 increased by $10.6 million to $44.0 million, excluding the capitalization of stripping activities and the expensing of unloading activities (increased by $15.1 million including capitalized stripping and unloading expense), compared to $33.4 million in the comparative quarter of 2012.

The movements in the major components of operating cash costs (mining, milling and site support) are explained as follows:

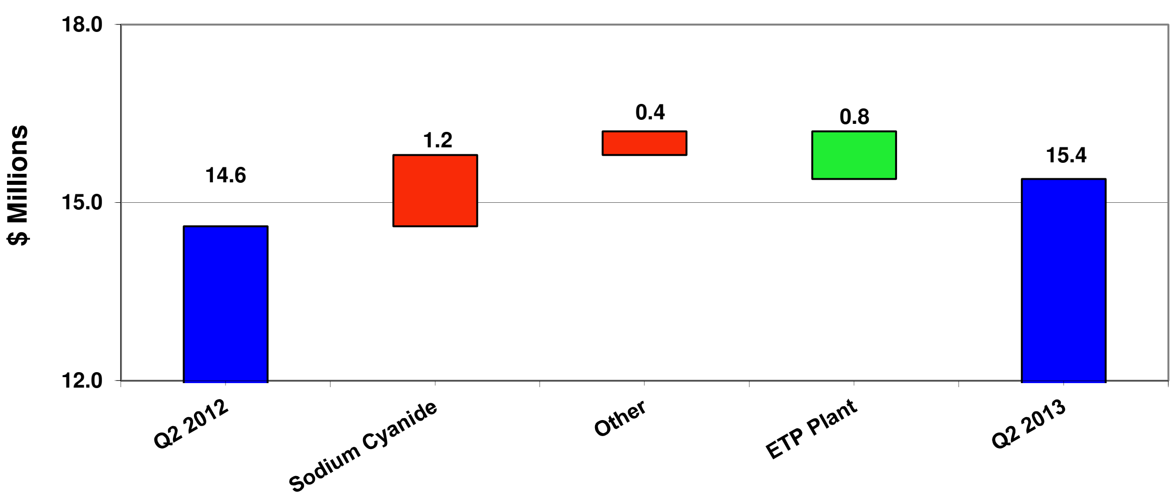
[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

Mining Costs, including capitalized stripping and abnormal mining costs (Second Quarter 2013 compared to Second Quarter 2012):



The increased cost of mining activities is primarily related to the increased tonnage as the higher density material incurred higher diesel and blasting costs. Labour costs also increased as a result of wage increases provided for in the new collective bargaining agreement ratified in December 2012. Other increases include higher tire requirements and maintenance due to the expanded CAT789 haul fleet and high altitude compressor issues with the DR460 fleet.

Milling Costs (Second Quarter 2013 compared to Second Quarter 2012):



Milling costs were higher in the second quarter of 2013 due primarily to cyanide cost increases (increased by 16%).

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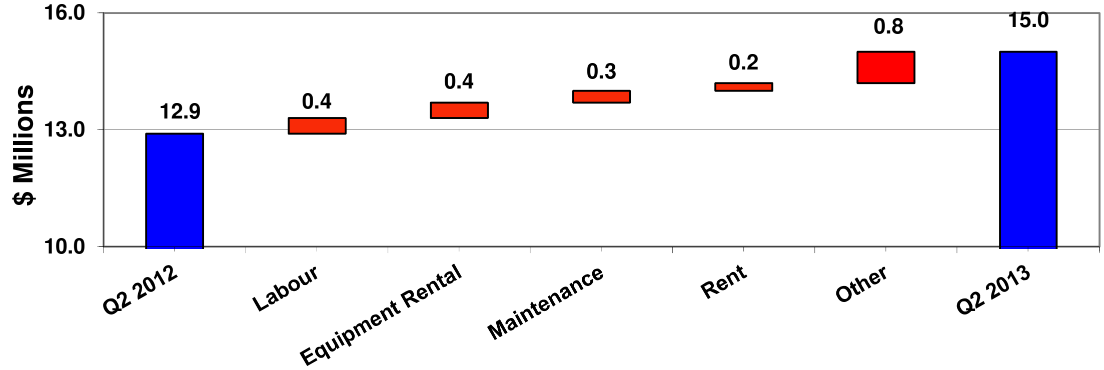
Site support costs (Second Quarter 2013 compared to Second Quarter 2012):



Site support costs increased primarily due to higher labour costs as a result of the new collective bargaining agreement that resulted in higher salaries ($0.4 million), equipment to assist with short-term requirements associated with infrastructure relocation ($0.4 million), and increased maintenance requirements on equipment ($0.3 million).

First Half 2013 versus First Half 2012

With mining activities focused on stripping waste to provide access to higher grade material from cut-back 15, Kumtor processed ore from stockpiles during the first six months of 2013.

The total waste and ore mined for the first six months of 2013 was 88.1 million tonnes compared to 73.5 million tonnes in the comparative period of 2012, representing an increase of 20% due to both the increased capacity of the expanded fleet and the increased volume of higher density waste mined from cut-back 15 compared to the comparative period. The first six months of 2012 was negatively affected by the 10-day work stoppage and subsequent delays in re-starting the equipment due to the extremely cold weather. Kumtor accessed ore remaining from cut-back 14B and incidental ore in the northern zone of cut-back 15 during the first six months of 2013 which resulted in 1.0 million tonnes of ore being mined at a grade of 2.02 g/t.

Kumtor produced 161,983 ounces of gold for the first six months of 2013 compared to 102,014 ounces of gold in the comparative period of 2012. The increase in ounces poured was mainly due to the processing of higher grade ore that was mined and stockpiled during the fourth quarter of 2012. During the first six months of 2013, Kumtor's head grade was 2.44 g/t with a recovery of 72.0%, compared with 1.64 g/t and a recovery of 72.0% for the same period in 2012. Tonnes processed were approximately 2.8 million for the first six months of 2013, 7% higher than the comparative period in 2012 as a result of reduced mill operating time due to the 10-day work stoppage and resulting re-start period.

Operating cash costs[1] - Kumtor

Operating cash costs at Kumtor in the first six months of 2013 increased by $12.2 million to $84.5 million, excluding the capitalization of stripping activities and the expensing of unloading activities (increased by $25.4 million including capitalization and unloading expense), compared to $72.3 million in the comparative period of 2012.

The movements in the major components of operating cash costs (mining, milling and site support) are explained as follows:

Mining Costs, including capitalized stripping and abnormal mining costs:

Mining costs, including capitalized stripping and abnormal mining costs, totaled $125.5 million in the first half of 2013 compared to $104.7 million in the comparative period of 2012. The increase was due to both the increased diesel ($9.6 million) and blasting costs ($1.5 million) resulting from greater operating time and tonnage of higher density material mined as the comparative period was affected by the work stoppage and unexpected increased ice movement. Labour costs also increased ($3.8 million) as a result of the new collective bargaining agreement ratified in December 2012. Other increases include increased tire requirements and maintenance due to the expanded CAT789 haul fleet and unexpected maintenance of the DR460 fleet.

Milling Costs:

Milling costs of $31.2 million in the six months ended June 2013 compares to $28 million in the same period of 2012. The 2013 milling costs were higher than the comparative period due to cyanide cost increases (increased $2.3 million or 15%) and higher reagent consumption resulting from processing higher tonnes and higher grade material ($0.8 million).

Site support costs:

Site support costs for the first six months of 2013 totaled $29.4 million compared to $24.6 million in the comparative period of 2012. The increase is primarily due to higher labour costs as a result of the new collective bargaining agreement ratified in December 2012 and the increased number of days worked in the first six months of 2013 ($1.2 million), increased maintenance requirements on equipment and camp infrastructure ($0.9 million), rental costs for temporary fuel storage to accommodate increased fuel volumes ($0.6 million) and equipment to assist with short-term requirements associated with the infrastructure relocation ($0.6 million).

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[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

Unit operating costs - Kumtor

Operating cash cost per ounce produced[1] - Kumtor

Operating cash cost per ounce produced[1] in the second quarter of 2013 decreased to $608 compared to $808 per ounce in the comparative period of 2012. The decrease in the 2013 second quarter reflects the impact of higher production levels ($347 per ounce), as a result of processing material with higher mill head grades and recoveries. This was partially offset by higher operating costs ($147 per ounce) as explained previously.

For the first six months of 2013, operating cash cost per ounce produced[1] decreased to $522 compared to $709 per ounce in the first six months of 2012, due mainly to the higher production levels in 2013.

All-in cash costs[1] - Kumtor

	Three months ended June 30		Six months ended June 30	
$ millions, except ounces poured	**2013**	**2012 (3)**	**2013**	**2012 (3)**
All-in Cash Costs(1)				
Operating cash costs	**$ 44.0**	$ 33.4	**$ 84.5**	$ 72.3
Abnormal mining costs - cash	**-**	2.8	**-**	3.3
Capitalized stripping and ice unload - cash	**56.6**	49.2	**110.0**	93.5
Operating cash costs and capitalized stripping	**100.6**	85.5	**194.5**	169.1
Sustaining capital (cash)	**15.1**	11.2	**26.8**	16.7
Growth capital (cash)	**9.3**	34.7	**25.4**	124.0
Operating cash costs including capital	**124.9**	131.3	**246.8**	309.8
Corporate and other cash costs (2)	**-**	-	**-**	-
All-in Cash Costs (pre-tax)	**$ 124.9**	$ 131.3	**$ 246.8**	$ 309.8
Revenue-based tax	**13.5**	9.0	**34.3**	24.0
All-in Cash Costs (including taxes)	**$ 138.5**	$ 140.3	**$ 281.1**	$ 333.9
Ounces poured	**72,365**	41,307	**161,983**	102,014
All-in Cash Costs (pre-tax) - $/oz produced	**$ 1,727**	$ 3,180	**$ 1,524**	$ 3,037
All-in Cash Costs (including taxes) - $/oz produced	**$ 1,913**	$ 3,397	**$ 1,735**	$ 3,273

Kumtor's pre-tax all-in cash costs per ounce produced[1] for the second quarter of 2013 was $1,727 and includes all cash costs directly related to gold production, except for revenue-based taxes. This compares to pre-tax all-in cash costs[1] of $3,180 per ounce produced in the comparative period of 2012. The decrease is due to both higher production and a reduction in growth capital spending.

[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

[2] Corporate and other cash costs include corporate general and administrative expenses, global exploration expenses and community investments which are only reflected in the all-in cash cost amounts reported at the consolidated level.

[3] Operating cash costs and capitalized stripping for 2012 were restated to reflect the impact of the adoption of IFRIC 20 (see "Changes in Accounting Policies").

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For the first six months of 2013, the all-in cash costs per ounce produced[1] at Kumtor was $1,524 compared to $3,037 per ounce in the comparative period, reflecting higher production and lower spending on capital in 2013.

Boroo Mine

The Boroo open pit mine, located in Mongolia, was the first hard rock gold mine in Mongolia. It has produced approximately 1.7 million ounces of gold since it began operation in 2004.

Mining activities at Boroo were completed in September 2012. Heap leach operations resumed in October 2012.

Overview of Boroo Operating Results

	Three months ended June 30			**Six months ended June 30**		
Boroo Operating Results	**2013**	2012	**% Change**	**2013**	2012	**% Change**
Total tonnes mined - 000s	**-**	2,475	(100%)	**-**	4,396	(100%)
Average mining grade (non heap leach material) - g/t [3]	**-**	0.91	(100%)	**-**	0.91	(100%)
Tonnes mined heap leach - 000s	**-**	22	(100%)	**-**	22	(100%)
Tonnes ore mined direct mill feed - 000s	**-**	53	(100%)	**-**	53	(100%)
Tonnes ore milled - 000s	**624**	635	(2%)	**1,196**	1,225	(2%)
Average mill head grade - g/t [2] [3]	**1.13**	0.86	31%	**1.33**	0.82	62%
Recovery (mill) - % [2]	**60.8%**	69.0%	(12%)	**57.0%**	73.7%	(23%)
Tonnes placed (heap leach) - 000s	**1,026**	-	-	**1,294**	-	-
Tonnes leached - 000s	**1,083**	-	-	**2,886**	-	-
Average grade leached - g/t [3]	**0.74**	-	-	**0.68**	-	-
Recovery (heap leach) - %	**48.7%**	-	-	**37.5%**	-	-
Gold produced – mill (ounces)	**13,851**	11,175	24%	**29,080**	23,023	26%
Gold produced – heap leach (ounces)	**13,210**	-	-	**23,583**	-	-
Total gold produced (ounces)	**27,061**	11,175	142%	**52,663**	23,023	129%

[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

[2] Excludes heap leach ore.

[3] g/t means grams per tonne.

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Boroo Cost Performance	Three months ended June 30			Six months ended June 30		
	2013	2012	**% Change**	**2013**	2012	**% Change**
Operating cash costs[1] ($ millions):						
Mining - including capitalized stripping	**0.0**	3.7	(100%)	**0.0**	6.5	(100%)
Mining - excluding capitalized stripping	**0.0**	0.1	(100%)	**0.0**	0.1	(100%)
Milling	**5.5**	5.4	3%	**11.2**	11.3	(1%)
Leaching	**3.3**	0.0	100%	**5.8**	0.0	100%
Site support	**2.0**	2.0	0%	**4.1**	4.0	3%
Ullaanbaatar administration	**1.5**	1.3	17%	**3.0**	2.7	12%
Production taxes and royalties	**1.6**	1.3	26%	**4.1**	2.6	59%
Refining fees	**0.1**	0.1	48%	**0.2**	0.1	101%
By-product credits	**(0.2)**	(0.1)	124%	**(0.3)**	(0.2)	66%
Other	**(0.4)**	0.2	(276%)	**(1.0)**	0.3	(503%)
Operating cash costs	**13.4**	10.2	31%	**27.1**	20.9	30%
Non-cash DD&A costs	**5.7**	1.8	215%	**12.9**	3.6	254%
Total production costs	**19.1**	12.0	59%	**40.0**	24.6	63%
Unit operating costs						
Milling costs ($/t milled material)	**8.80**	8.43	4%	**9.34**	9.22	1%
Operating cash costs ($/t milled material)	**21.44**	16.08	33%	**22.66**	17.09	33%
Operating cash costs ($/oz produced) [1]	**495**	916	(46%)	**514**	910	(44%)
All-in cash costs (pre-tax) - $/oz produced [1]	**617**	1,306	(53%)	**601**	1,241	(52%)
All-in cash costs (including taxes) - $/oz produced [1]	**752**	1,472	(49%)	**768**	1,389	(45%)

Second Quarter 2013 versus Second Quarter 2012

Boroo produced 27,061 ounces of gold in the second quarter of 2013 compared to 11,175 ounces of gold in the second quarter of 2012. The increase in gold production was mainly due to the resumption of activities at the heap leach operation and the processing of higher grades of ore through the mill, partially offset by lower recoveries in 2013 at the mill. Mill grades averaged 1.13 g/t with a recovery of 60.8% in 2013, compared to 0.86 g/t with a recovery of 69% in the second quarter of 2012.

Boroo processed ore in the second quarter of 2013 which was refractory in nature, resulting in lower recoveries (60.8% compared to 69%) than during the same period of 2012 when the mill processed non-refractory lower grade ore.

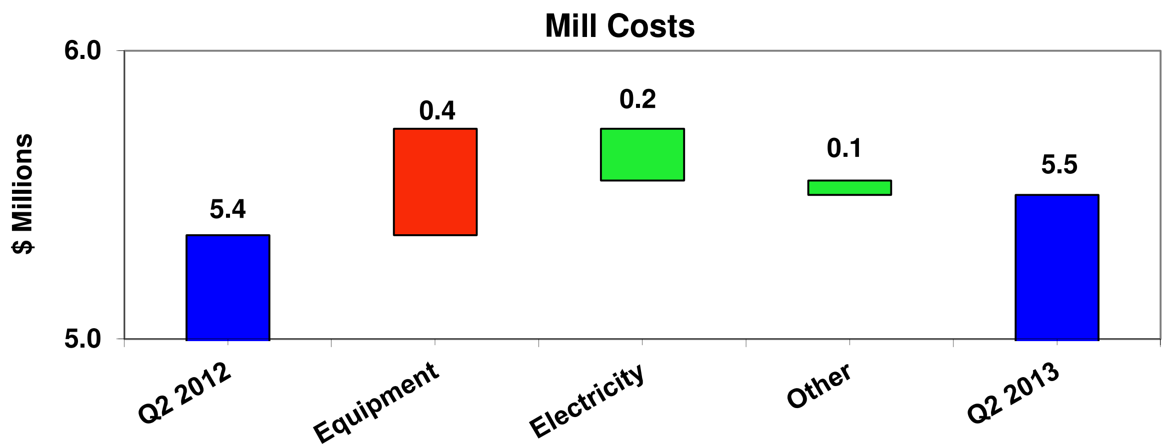
[1] Non-GAAP measure, see discussion under “Non-GAAP Measures”.

Operating cash costs[1]- Boroo

Operating cash costs[1] at Boroo increased by $3.2 million in the second quarter of 2013, excluding the capitalization of stripping costs at Pit 6 in 2012 (and decreased by $0.4 million including capitalization), compared to the same period in 2012.

The movements in the major components of operating cash costs[1] (milling and site support) are explained as follows:

Milling costs (Second Quarter 2013 compared to Second Quarter 2012):



Milling costs in the second quarter of 2013 were higher than the same period of 2012 reflecting higher equipment costs incurred for stockpile re-handle, higher overheads and higher water usage fees. These unfavorable variances were partially offset by reduced electricity costs, as a result of lower unit prices incurred, due to the strengthened exchange rate between the US dollar and the Mongolian Tugrik.

Site support costs:

Site support costs for the second quarter of 2013 were consistent with the $2.0 million incurred in the same period of 2012.

Boroo regional administration costs in 2013 were $1.5 million, $0.2 million or 17% higher than in 2012. This was largely due to higher payroll related costs resulting from inflationary increases in payroll.

Other operating costs:

Heap leach

Costs for heap leaching activities in the second quarter of 2013 were $3.3 million. No costs were incurred during the same period of 2012 as the operation was idle. Boroo resumed heap leaching activities in October 2012 following the receipt of operating permits from the Mongolian Government.

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[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

Royalties

Production taxes and royalties increased in the second quarter of 2013 to $1.6 million compared to $1.3 million in the second quarter of 2012 as a result of higher gold sales revenue.

First Half 2013 versus First Half 2012

Boroo produced 52,663 ounces of gold in the first half of 2013 compared to 23,023 ounces of gold in the first half of 2012. The increase in gold production was mainly due to the resumption of activities at the heap leach operation and the processing of higher grades of ore through the mill, partially offset by lower recoveries in 2013. Mill grades averaged 1.33 g/t with a recovery of 57% in 2013, compared to 0.82 g/t with a recovery of 73.7% in the first half of 2012.

Boroo processed ore in the first half of 2013 which was refractory in nature, resulting in lower recoveries (57% compared to 73.7%) than during the same period of 2012 when the mill processed non-refractory lower grade ore.

Operating cash costs[1] - Boroo

Operating cash costs[1] at Boroo increased by $6 million in the first half of 2013, excluding the capitalization of stripping costs at Pit 6 in 2012 (and decreased by $0.2 million including capitalization of stripping costs) compared to the first half of 2012.

The movements in the major components of operating cash costs[1] (milling and site support) are explained as follows:

Milling costs:

Milling costs in the first half of 2013 at $11.2 million were $0.1 million lower than the same period of 2012 reflecting lower operating costs for consumables as a result of lower tonnage milled in 2013 versus 2012. The favorable variance was offset by higher permits and fees, and higher maintenance costs incurred for rebuilding the pre-leach CIL pumps.

Site support costs:

Site support costs for the first half of 2013 increased slightly to $4.1 million ($4.0 million in 2012) due to a salary increase prescribed by the collective bargaining agreement which was ratified in July 2012.

Boroo regional administration costs in the first half of 2013 were $3.0 million which was $0.3 million or 12% higher than in the same period of 2012. This was largely due to higher payroll related costs.

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[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

Other operating costs:

Heap leach

Costs for heap leaching activities in the first half of 2013 were $5.8 million. No costs were incurred in 2012, as the operation was idle. Boroo resumed heap leaching activities in October 2012 following the receipt of operating permits from the Mongolian Government.

Royalties

Production taxes and royalties increased in the first half of 2013 to $4.1 million compared to $2.6 million in the first quarter of 2012 as a result of higher gold sales revenue.

Unit operating costs – Boroo

Operating cash costs per ounce[1]- Boroo

Operating cash costs per ounce produced[1] in the second quarter of 2013 were $495 compared to $916 per ounce in the same period of 2012. The decrease of 46% was a result of a 142% increase in production partially offset by higher operating costs[1] resulting primarily from the resumption of heap leaching operations.

Operating cash costs per ounce produced[1] in the first half of 2013 were $514 compared to $910 per ounce in the first half of 2012. The decrease of 44% was a result of a 129% increase in production partially offset by higher operating costs resulting primarily by the resumption of heap leaching operations and increased royalties resulting from higher gold sales.

[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

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All-in cash costs[1]– Boroo

	Three months ended June 30		Six months ended June 30	
$ millions, except ounces poured	**2013**	**2012**	**2013**	**2012**
All-in Cash Costs[(1)]:				
Operating cash costs	**$ 13.4**	$ 10.2	**$ 27.1**	$ 20.9
Capitalized stripping - cash	**0.0**	3.6	**0.0**	6.3
Operating cash costs and capitalized stripping	**13.4**	13.8	**27.1**	27.3
Sustaining capital (cash)	**3.3**	0.8	**4.6**	1.3
Growth capital (cash)	**0.0**	0.0	**0.0**	0.0
Operating cash costs including capital	**16.7**	14.6	**31.6**	28.6
Corporate and other cash costs[(2)]	**-**	-	**-**	-
All-in Cash Costs (pre-tax)	**$ 16.7**	$ 14.6	**$ 31.6**	$ 28.6
Income tax	**3.7**	1.9	**8.8**	3.4
All-in Cash Costs (including taxes)	**$ 20.4**	$ 16.4	**$ 40.4**	$ 32.0
Ounces poured	**27,061**	11,175	**52,663**	23,023
All-in Cash Costs (pre-tax) - $/oz produced	**$ 617**	$ 1,306	**$ 601**	$ 1,241
All-in Cash Costs (including taxes) - $/oz produced	**$ 752**	$ 1,472	**$ 768**	$ 1,389

Boroo's pre-tax all-in cash costs per ounce produced[1] for the second quarter of 2013 was $617 and included all costs directly related to gold production except for income tax paid in Mongolia. The same pre-tax all-in cash costs[1] measure for the second quarter of 2012 was $1,306 per ounce produced. The decrease in the pre-tax all-in cash costs[1] was primarily the result of the increase in production, reflecting the resumption of heap leaching operations and no mining activity in the second quarter of 2013. In the comparative quarter of 2012, mining costs accounted for $329 per ounce produced.

Operating cash costs[1] increased by $3.2 million to $13.4 million in the second quarter of 2013 compared to 2012, as a result of the restart of the heap leach operation. There were no costs incurred for capitalized stripping in the second quarter of 2013 as compared to $3.6 million, accounting for $319 per ounce, in the first second of 2012. Capital expenditures (cash), excluding capitalized stripping, increased from $0.8 million ($73 per ounce) in the second quarter of 2012 to $3.3 million ($122 per ounce) in the same period in 2013, primarily reflecting increased spending in 2013 on tailings dam construction ($2.5 million).

For the first half of 2013 Boroo's pre-tax all-in cash costs per ounce produced[1] was $601 and included all costs directly related to gold production except for income tax paid in Mongolia. The same pre-tax all-in cash costs[1] measure for the first half of 2012 was $1,241 per ounce produced.

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1 Non-GAAP measure, see discussion under "Non-GAAP Measures".

2 Corporate and other cash costs include corporate general and administrative expenses, global exploration expenses and community investments which are only reflected in the all-in cash cost amounts reported at the consolidated level.

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The decrease in the all-in cash costs[1] was primarily the result of the increase in production, reflecting the resumption of heap leaching operations and no mining activity in the second quarter of 2013. In the comparative period of 2012, mining costs accounted for $280 per ounce produced.

In the first half of 2013 operating cash costs[1] increased by $6.2 million to $27.1 million compared to 2012, as a result of the restart of the heap leach operation. There were no costs incurred for capitalized stripping in 2013 as compared to $6.3 million, accounting for $275 per ounce, in the first half 2012. Capital expenditures (cash), excluding capitalized stripping, increased from $1.3 million ($56 per ounce) in the first half of 2012 to $4.6 million ($86 per ounce) in the same period in 2013, primarily reflecting increased spending in 2013 on tailings dam construction ($2.8 million) and on mobile component change-outs ($0.7 million).

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 JSC ("Kyrgyzaltyn"), a shareholder of the Company and a state-owned entity of the Kyrgyz Republic.

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

($ thousands)	**Three months ended June 30**		**Six months ended June 30**	
	2013	**2012**	**2013**	**2012**
Management fees paid by KGC to Kyrgyzaltyn	**$ 70**	$ 40	**$ 162**	$ 102
Gross gold and silver sales from KGC to Kyrgyzaltyn	**96,942**	64,219	**246,149**	172,246
Deduct: refinery and financing charges	**(433)**	(196)	**(947)**	(489)
Net sales revenue received by KGC from Kyrgyzaltyn	**96,509**	64,023	**245,202**	171,757
Dividends declared to Kyrgyzaltyn [(2)]	**$ 3,016**	$ 3,096	**$ 6,037**	$ 3,096
Withholding taxes	**(151)**	(155)	**(302)**	(155)
Net dividends payable to Kyrgyzaltyn	**$ 2,865**	$ 2,941	**$ 5,735**	$ 2,941

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 the Gold Sales Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Kyrgyzaltyn is required to pay for gold

[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".
[2] See "Other Corporate Developments – Corporate".

delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days.

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn. Based on movements in Centerra's share price and the value of individual or unsettled gold shipments during the first six months of 2013, the maximum exposure reflecting the shortfall in the value of the security as compared to the value of any unsettled shipments, was approximately $33.1 million. The last shipment of the second quarter occurred on June 30, 2013 resulting in $26.8 million in receivables outstanding (December 31, 2012 - $48.3 million). Subsequent to June 30, 2013, the balance receivable from Kyrgyzaltyn was paid in full.

Related party balances

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

(Thousands of US$)	**June 30 2013**	**December 31 2012**
Prepaid amounts	**$ 413**	$ -
Amounts receivable	**26,811**	48,325
Total related party assets	**$ 27,224**	$ 48,325
Dividend payable (net of withholding taxes)	**$ 11,233**	$ 5,949
Total related party liabilities	**$ 11,233**	$ 5,949

Dividend payable and restricted cash held in trust

Pursuant to an Ontario court order last updated on June 5, 2013, Kyrgyzaltyn's portion of all Centerra dividends declared during the first six months of 2013, equal to an aggregate of $5.7 million ($6.0 million net of withholding taxes of $0.3 million) are held in trust for the benefit of the Sistem court proceedings. The court order sets a maximum of approximately Cdn$11.3 million to be held in trust. As at June 30, 2013 the full amount under the court order was held in the trust account. See "Other Corporate Developments – Corporate".

Quarterly Results – Previous Eight Quarters

Over the last eight quarters, Centerra's results reflect the impact of changing gold prices. Specifically, in 2011 and 2012 the prices increased, whereas gold prices in the first half of 2013 declined. Of note, production and sales in 2012 were impacted by the accelerated ice movement at Kumtor which necessitated a change in the mine plan and a delay in the release of ore from the pit in 2012. Non-cash costs have progressively increased over 2011, 2012 and into 2013 as depreciation at Kumtor has increased with its expanded mining fleet along with increased amortization of capitalized stripping costs. Cost of sales in the second and third quarters of 2011 included a charge for the settlement of the Kyrgyz Social Fund audit totaling $14.1 million and an increase in labour costs in the fourth quarter of 2011 resulting from the revised social fund calculation which now includes amounts payable on the high altitude premium. Other operating charges in second quarter of 2012 for social development programs include $21 million spent by Kumtor on a national micro-credit financing program and $1.1 million accrued by Boroo to increase its funding of a maternity hospital in Ulaanbaatar. Similarly Kumtor spent in the third quarter of 2011 $10 million for special funding of a school improvement program in the Kyrgyz Republic. The fourth quarter of 2011 includes other charges of $2.5 million for the resolution of a claim by the Mongolian authorities in relation to the sterilization of alluvial reserves at the Boroo property. The quarterly financial results for the last eight quarters are shown below:

Quarterly Data Unaudited *$ millions, except per share data*	**2013**		**2012 (restated)**				**2011**	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	**128**	**193**	368	69	90	134	*248*	278
Net earnings (loss)	**2**	**51**	(71)	(34)	(49)	10	79	84
Earnings (loss) per share (basic and diluted)	**0.01**	**0.22**	(0.30)	(0.14)	(0.21)	0.04	0.34	0.35

Other Corporate Developments

The following is a summary of corporate developments with respect to matters affecting the Company and its subsidiaries in the Kyrgyz Republic and Mongolia. A summary discussion of certain regulatory matters affecting the Kumtor Project follows the discussion of events that occurred in the second quarter of 2013. For a more complete discussion of these matters impacting Kumtor, and for outstanding matters in Mongolia and at the corporate level, see the Company's prior public disclosure, in particular, its news release dated May 8, 2013 and its 2012 Annual Information Form. Both of these documents can be found on www.sedar.com.

Kyrgyz Republic

Negotiations between Kyrgyz Republic and Centerra

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

The Company continues to discuss outstanding matters with the Kyrgyz Republic advisory working group, which includes Prime Minister Satybaldiev, and with the Kyrgyz Republic financial and legal experts. As previously disclosed, the Company is in discussions with the Kyrgyz Republic Government regarding a potential restructuring transaction under which Kyrgyzaltyn JSC 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. Discussions are on-going and any definitive agreement for a potential restructuring would be subject to compliance with all applicable legal and regulatory requirements and approvals, regarding any independent valuation and minority shareholder approval requirements. Centerra expects to continue discussions with the Government with the objective of resolving matters through constructive dialogue. However, there can be no assurance that any transaction will be consummated or that the Company will be able to successfully resolve any of the matters currently affecting the Kumtor Project. The inability to successfully resolve matters, including obtaining all necessary approvals, and/or further actions of the Kyrgyz Republic Government and/or Parliament, could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial conditions.

Environmental Claims

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

On June 20, 2013, SIETS appealed the decision of the Bishkek Inter-district court to the Bishkek City Court. KOC will continue to dispute the claims, both on a substantive and procedural basis. As previously disclosed, KOC believes the claims are exaggerated or without merit. The Kumtor Project has been the subject of systematic audits and investigations over the years by Kyrgyz and international experts, including by an independent internationally recognized expert which carried out a due diligence review of Kumtor's performance on safety, health and environmental matters at the request of Centerra's Safety, Health and Environmental Committee of the Board of Directors. The report of this expert released in October 2012 can be found on the Kumtor website at http://www.kumtor.kg/en/ under the "Environment" section.

With respect to the claim commenced by the State Agency for Environmental Protection and Forestry under the Government of the Kyrgyz Republic ("SAEPF") for the aggregate amount of approximately $315 million, KOC continues to be in discussions with SAEPF regarding the claim. However, there can be no assurance that the Company will be able to successfully resolve any of these matters discussed above. The inability to successfully resolve matters could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial conditions.

Kumtor Waste Dump Movement

As previously disclosed, the waste dump movement experienced at Kumtor in May 2013 has required Kumtor to develop and implement alternative waste rock dumps at the Kumtor mine and to revise its mine development plan. The revised mine development plan was submitted in June 2013 and Kumtor is working with applicable regulatory authorities at the State Agency for Geology and

Mineral Resources (the "SAGMR") under the Government of the Kyrgyz Republic and SAEPF to obtain necessary approvals in a timely manner. Since May 2013, Kumtor is placing waste rock in areas previously approved as waste dumps and/or in areas where Kumtor is currently seeking regulatory approval to place waste rock. With respect to the areas where the approval process is still underway, Kumtor has requested temporary approval from the relevant regulatory authorities (SAGMR and SAEPF) for this purpose. Although, each of SAGMR and SAEPF acknowledged Kumtor's plans with respect to the placement of waste rock in these areas, they indicated that they lacked the authority to grant such temporary approval. However, SAGMR also indicated that it had no objections to Kumtor's plan of placing waste rock in such areas. However, there can be no assurance that the Company will be able to successfully resolve any of these matters discussed above. The inability to successfully resolve matters could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial conditions.

Kumtor Road Block

On May 28, 2013, the Company announced that the road leading to the Kumtor mine had been blocked by an illegal protest on May 27, 2013. The road block continued for a five-day period until June 1, 2013. The road block interfered with the movement of supplies and personnel to and from the mine, and at one point (starting on May 30, 2013) resulted in the national grid power supply to the Kumtor mine being disrupted. The Kumtor mine was able to carry out an orderly shutdown of the milling facility and operations were suspended starting May 30, 2013. Mining operations were also suspended other than continuing to manage the ice and waste in the high movement area of the open pit. In response to the road block and the power disruption, the Kyrgyz Government declared a state of emergency, and took steps to remove the road block. The Company was able to resume operations on June 2, 2013. The Company does not believe that the suspension of operations will have a significant impact on the Company's 2013 forecasted gold production.

Conclusion

There are several outstanding issues affecting the Kumtor Project, which require consultation and co-operation between the Company and Kyrgyz regulatory authorities. The Company has benefited from a close and constructive dialogue with Kyrgyz authorities during project operations and remains committed to working with them to resolve these issues in accordance with the project agreements signed with the Kyrgyz Republic Government in June 2009 governing the Kumtor Project (the "Kumtor Project Agreements"), which provide for all disputes to be resolved by international arbitration, if necessary. However, there are no assurances that the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project. There are also no assurances that Kumtor will be able to receive all necessary approvals for its mine development plan. There are also no assurances 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 invalidate the Kumtor Project Agreements or laws enacted in relation thereto. The inability to successfully resolve matters, including obtaining all necessary approvals, and/or further actions of the Kyrgyz Republic Government and/or Parliament, could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial conditions. See "Caution Regarding Forward-looking Information".

Mongolia

Boroo

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

In addition, Centerra notes that the expiry of the Boroo Stability Agreement has resulted in the tax and royalty rates applicable to the Boroo project becoming subject to those applicable under current Mongolian law. The applicable income tax rate, which is unchanged from the rate Boroo has paid up to the date of expiry of the Stability Agreement, is 25% for taxable income over 3 billion Mongolian tugriks (approximately $2.1 million at the June 30, 2013 foreign exchange rate) with a tax rate of 10% for taxable income up to that amount. The royalty rate, which was previously stabilized at 5%, will now vary from 5% to 10%, depending on the price of gold per ounce in U.S. dollars at the time of sale. VAT paid on inputs will no longer be recoverable by BGC. Because the Boroo deposit is classified as a "mineral deposit of strategic importance" under applicable Mongolian laws, following the expiry of the Boroo Stability Agreement, the Government of Mongolia has a right to acquire up to a 50% interest in the project. Centerra is continuing its discussions with representatives of the Government of Mongolia in this regard, including as to the amount and share of the Government of Mongolia's investment into the project. However, given the short remaining mine life of the Boroo project, Centerra does not expect that the participation of the Government of Mongolia would have a material effect on Centerra's financial results.

Boroo Heap Leach

In June 2013, Boroo Gold Company experienced a minor, non-reportable excursion of heap leach solution from its heap leach pad. BGC undertook immediate remedial action**,** including the shutdown of heap leach cell number 4 (which we believed to be the cause of the excursion) to contain the excursion and, despite the fact that it was a non-reportable incident, notified all relevant authorities. An investigation is continuing into this matter which we expect will be completed shortly, at which time we expect to receive permission to re-start cell number 4 of the heap leach. No material impact to Centerra's financial results is expected to result from this incident although the Company can provide no assurances in this regard.

Gatsuurt

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

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

There can be no assurance, however, that the Water and Forest Law will not have a material impact on Centerra's Mongolian operations. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the Gatsuurt project or Gatsuurt is designated by the Parliament of Mongolia as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources or eliminated entirely and the Company may be required to write-off the associated investment in Gatsuurt and Boroo (where Gatsuurt ore is planned to be milled).

Corporate

Enforcement Notice by Sistem

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

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

Background Description of Outstanding Kumtor Matters

The disclosure below is a summary description of the outstanding matters affecting the Kumtor Project. For a more detailed description, see the Company's prior disclosure, in particular, its news release dated May 8, 2013 and its 2012 Annual Information Form. Both of these documents can be found on www.sedar.com.

Parliamentary Commission and Report

On February 15, 2012, the Kyrgyz Parliament established an interim Parliamentary Commission to inspect and review: (i) Kumtor's compliance with Kyrgyz operational and environmental laws, as

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well as community standards, and (ii) state regulation over the Kumtor project's activities. The Parliamentary Commission issued its report (the "Parliamentary Report") on June 18, 2012 and made a number of assertions regarding the operation of the Kumtor project, including alleging non-compliance by the Kumtor project with Kyrgyz environmental laws, particularly at Kumtor's tailings facility, the Davidov glacier and the Sarychat-Ertash State Reserve which is in the vicinity of the Kumtor project. The Parliamentary Commission alleges that the violations have resulted in substantial monetary damages.

The Kyrgyz Parliament met in late June 2012 to consider the Parliamentary Report and adopted Resolution 2117-V that took note of the Parliamentary Report and declared the Kumtor Project Agreements to be contrary to the interests of the Kyrgyz Republic. Resolution 2117-V also called for the formation of a State Commission to "assess the environmental, industrial and social damage" caused by the Kumtor project and to initiate the renegotiation of the current Kumtor project agreements "in order to protect economic and environmental interests".

As contemplated in Resolution 2117-V, on July 5, 2012, the Kyrgyz Government cancelled Government Decree #168, which provided Kumtor with land use rights over the surface of the Kumtor concession area for the duration of the restated concession agreement effective June 6, 2009 (the Restated Concession Agreement). Based on advice from Kyrgyz legal counsel, the Company believes that the purported cancellation of land rights is in violation of the Kyrgyz Republic Land Code, because the Land Code provides that land rights can only be terminated by court decision and on the listed grounds set out in the Land Code. Kumtor has communicated this to the Kyrgyz Republic and requested the issuance of a new land use certificate in light of the rights and obligations under the restated investment agreement dated June 6, 2009 between Centerra and the Kyrgyz Republic (the Restated Investment Agreement). No response has been received from the Kyrgyz Government. Pursuant to the Restated Investment Agreement, the Kumtor project is guaranteed all necessary access to the Kumtor concession area, including all surface lands as are necessary or desirable for the operation of the Kumtor project. The Restated Investment Agreement also provides for the payment of quarterly land use and access fees.

In response to the Parliamentary Report's allegations of non-compliance with environmental laws, in August 2012, the Board of Directors of Centerra retained an independent internationally recognized consultant to carry out a due diligence review of Kumtor's performance on safety, health and environmental matters. The report issued in October 2012 concluded that "no major or materially significant environmental issues were identified". The report of this expert can be found on the Kumtor website at http://www.kumtor.kg/en/ under the "Environment" section.

State Commission and Report

In response to Resolution 2117-V passed by the Parliament, the Kyrgyz Government established a state commission (the State Commission) for the purpose of reviewing the Parliamentary Report as well as inspecting and reviewing Kumtor's compliance with Kyrgyz operational and environmental laws and community standards. The State Commission was comprised of three working groups, responsible for (i) legal matters; (ii) social and economic matters; and (iii) environmental and technical matters. The State Commission released its report (the "State Commission Report") in late December 2012 following five months of study. The State Commission Report included a large number of allegations, including allegations that the Kumtor project was violating Kyrgyz legislation

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relating to environmental and subsoil legislation and caused environmental damage to water and land resources.

Environmental Claims

In December 2012, KOC received four claims from the State Inspectorate Office for Environmental and Technical Safety (SIETS) relating to alleged environmental damages at the Kumtor project. The claims are for an aggregate amount of approximately $152 million and include:

- a claim for approximately $142 million for alleged damages in relation to the placement on waste dumps of waste rock from mining operations (2000 to 2011)
- a claim for approximately $4 million for use of water resources for the period of 2000 to 2011
- a claim for approximately $2.8 million for waste placed in the tailings management facility and for emissions for 2009-2011, which claim was subsequently withdrawn
- a claim for approximately $2.3 million for alleged damages caused to land resources at the time of initial construction of Kumtor

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

On February 21, 2013, KOC announced the receipt of another claim from SAEPF for the amount of approximately $315 million for alleged damage in relation to waste placed in the tailings management facility, waste rock dumps, and for the generation, management and treatment of other types of wastes. The claim covers the period from 1996 to 2011.

The Company notes that the Kumtor Project Agreements provide a complete listing of all taxes and payments to be made to the Kyrgyz Republic, including a fixed environmental charge. Accordingly, no other tax, duties, or other obligations are to be paid to the Kyrgyz Republic, however they may be characterized.

In addition, Centerra, the Kyrgyz Republic and others entered into a release agreement (the Release Agreement) dated June 6, 2009, whereby, subject to certain exceptions which we believe are not applicable in the circumstances, the Kyrgyz Republic released Centerra from any and all claims, and damages with respect of any matter (including any tax or fiscal matters) arising or existing prior to the date of the Release Agreement, whether such matters were known or unknown at such time, and the Kyrgyz Republic agreed not to commence any actions or assert any demands for such actions or demands so released.

Kyrgyz Republic Advisory Committee and Requests to Negotiate

On February 21, 2013, the Kyrgyz Parliament adopted Resolution #2805 which among other things, recommended that the Government ensure the continuous operation of the Kumtor mine, and within three months of the date of the resolution, conduct negotiations with Centerra with a view to revising the Kumtor Project Agreements to return to conditions that existed prior to the restructuring of the project in 2003, but subject to the application of the current Kyrgyz legislation, and to enter into new project agreements. The resolution provided a deadline of June 1, 2013 for the Government to return to Parliament, which subsequently was extended to September 10, 2013 (as discussed above).

<u>The Law on Denunciation</u>

On April 9, 2013 an initiative group chaired by Mr. Beknazarov A.A. submitted the Law on Denunciation for consideration by Parliament. The draft law "denounces" the Agreement on New Terms for the Kumtor Project ("ANT") entered on April 24, 2009, and recognizes as invalid all other agreements associated with the ANT, and calls for the Government to bring all of its decisions in accordance with the Law on Denunciation. To date, the Law on Denunciation has not been considered by Parliament. Based on Kyrgyz media reports, an opposition party in the Parliament, the Respublika faction, has endorsed the Law on Denunciation. The Law on Denunciation was referenced in Resolution #3169-V (discussed above).

The Company believes that the adoption of a law that denounces or purports to invalidate the Kumtor Project Agreements would be a breach of the Government's obligations under the Kumtor Project Agreements. The Company believes that the Kumtor Project Agreements are legal, valid and enforceable obligations. The agreements were reviewed and approved by the Government and the Parliament, and were the subject of a positive decision by the Kyrgyz Republic Constitutional Court and a legal opinion by the Kyrgyz Republic Ministry of Justice. Furthermore, under the Kumtor Project Agreements, the Government agreed to use its best efforts to reverse or annul any actions of public officials (including state agencies) which conflict with the rights and benefits granted to Kumtor under the Kumtor Projects Agreements.

<u>Conclusion</u>

Centerra has benefited from a close and constructive dialogue with the Kyrgyz authorities over many years and we remain committed to continuing to work with them to resolve all allegations and concerns in accordance with the Kumtor Projects Agreements, which provide for all disputes to be resolved by international arbitration, if necessary. However, no assurances can be given that the outstanding issues will be resolved without a material impact on the Company. If the Kyrgyz Government and Centerra cannot successfully resolve the outstanding matters impacting the Kumtor Project, if environmental claims are upheld and enforced by the Kyrgyz courts, if Parliament takes further action inconsistent with the Kumtor Project Agreements, if government decrees, orders or licences under which Kumtor operates are cancelled, or if the Kumtor Project Agreements are denounced or invalidated, any of these events, alone or together, could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. See the section of our 2012 Annual Information Form entitled "*Risks that can affect our business – Political and regulatory*" for further discussion around these risks.

Changes in Accounting Policies

The Company adopted several new accounting standards effective January 1, 2013 (as described below) and as a result restated its accounting results for the 2012 comparative period to conform to the new standards. The impact of this change to the results, which was entirely limited to IFRIC 20, is described more fully in note 2 of the Company's Condensed Consolidated Interim Financial Statements of June 30, 2013.

Adoption of New Accounting Standards – effective January 1, 2013

On January 1, 2013, the Company adopted the new recommendations contained in, IFRS 10 "*Consolidated Financial Statements"*, IFRS 11 "*Joint Arrangements"*, IFRS 12 "*Disclosure of Interests in Other Entities"* and IFRS 13 "*Fair Value Measurement"*. The adoption of these standards did not have an impact on the Company's consolidated financial statements.

The Company adopted the new recommendations of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20"), which sets out the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. The new interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. It considers when and how to account separately for benefits arising from the stripping activity and how to measure these benefits both initially and subsequently. It prescribes that the costs of stripping activity be accounted for in accordance with the principles of IAS 2 *Inventories* to the extent that the benefit from the stripping activity is realized in the form of inventory produced. On the other hand, the costs of stripping activity which provides a benefit in the form of improved access to ore in future periods is recognized as a non-current 'stripping activity asset' when specified criteria are met. As a result of adopting IFRIC 20, the book value of property plant and equipment increased by $36.7 million and gold inventories increased by $3.6 million with a corresponding offset of $40.3 million to retained earnings as at December 31, 2012.

Future Changes in accounting policies

The IASB has issued IFRS 9 *Financial Instruments* ("IFRS 9") which proposes to replace IAS 39 *Financial Instruments Recognition and Measurement*. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets — amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available-for-sale and loans and receivable categories. This standard is effective for the Company's annual period beginning January 1, 2015 (as amended from January 1, 2013 by the IASB in December 2012). The Company will evaluate the impact of the change to its consolidated financial statements based on the characteristics of its financial instruments at the time of adoption.

On May 21, 2013, the IASB issued IFRIC 21 *Levies* ("IFRIC 21"), an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37 *Provisions, contingent liabilities and contingent assets* ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that

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gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company does not expect IFRIC 21 to have a material impact on its financial statements.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer, with the participation of management, last completed an evaluation of the design and operating effectiveness of the Company's disclosure controls and internal control over financial reporting ("ICFR") as at December 31, 2012. Based on this assessment, management concluded that the Company's ICFR were operating effectively. The Chief Executive Officer and Chief Financial Officer have evaluated whether there were changes to the ICFR during the quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

Outlook for 2013

The Company is monitoring the recent fluctuations in the gold price and assessing the impact of a lower gold price environment on its operations. The Company is in the process of reviewing spending plans for 2013, which will result in a reduction of planned expenditures in all areas, with significant reductions in exploration and some business development activities.

Production

Centerra's 2013 consolidated gold production is forecast to be in the 615,000 to 675,000 ounce range, which is higher from the previous guidance of the 605,000 to 660,000 ounce range reflecting the higher production expected to be achieved at the Boroo mine.

In 2013, approximately 55% of Kumtor's gold production is expected to occur in the fourth quarter creating a potential variability to Kumtor's 2013 production guidance. Centerra estimates that the Kumtor mine will produce between 550,000 and 600,000 ounces in 2013, which is unchanged from the previous guidance. Ore production in the fourth quarter is planned to come from the high-grade SB Zone ore that has several years of production history and grade and recovery are well known. The high-grade ore from the SB Zone is only available for mining at the end of the third quarter when it will be exposed by cut-back 15.

Mining at Kumtor is currently on track to access the high-grade ore in cut-back 15 by the end of the third quarter of 2013 as planned.

At the Boroo mine, gold production is forecast to increase to the 65,000 to 75,000 ounce range from the previous guidance of 55,000 to 60,000 ounces. The new range reflects increased production achieved at the Boroo mine in the first half of the current year. The forecasted production at Boroo includes approximately 35,000 ounces from heap leaching and 40,000 ounces from processing mill stockpiles. The Boroo mill is expected to process ore stockpiles during the second half of the year with an average grade of 0.70 g/t. Planned maintenance on the Boroo heap leach facility was deferred from May 2013 to August 2013. The heap leach operation is expected to be temporarily suspended for the month of August to complete this maintenance. The 2013 forecast assumes no mining activities at Boroo or Gatsuurt, and no gold production from Gatsuurt.

Unit Cash Costs:

Centerra's 2013 operating cash costs[1] and all-in cash costs per ounce produced[1] measures have been revised from the previous guidance disclosed in the Company's news release of May 8, 2013. The revisions to the forecast are explained in more detail below. The new ranges for all-in costs on a pre-tax basis[1] are as follows:

[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

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	2013 Production Forecast (ounces of gold)	2013 Operating Cash Costs[1] ($ per ounce produced)	2013 All-in Cash Costs (pre-tax)[1] ($ per ounce produced)
Kumtor	550,000 – 600,000	$335 – 365	$820 – 895
Boroo	65,000 – 75,000	$765 – 880	$860 – 990
Consolidated	**615,000 – 675,000**	**$380 – 420**	**$945 – 1,040**

Centerra's 2013 unit cash costs have been revised from the previous guidance disclosed in the Company's news release of May 8, 2013 reflecting reductions in certain spending activities and increased production forecasted at Boroo. The revised estimates for revenue-based tax at Kumtor and current income tax at Boroo reflect a lower gold price assumption forecasted for the second half of 2013 of $1,250 per ounce sold from $1,450 per ounce sold. Based on this revised estimate, the Company is forecasting operating cash costs per ounce produced[1] and all-in production costs per ounce produced[1] as follows:

All-in Cash Costs[(1)]	**Kumtor**	**Boroo**	**Consolidated**
	($ per ounce produced)	($ per ounce produced)	($ per ounce produced)
Operating cash costs	$335 – 365	$765 – 880	$380 – 420
Capitalized stripping costs - cash	325 – 355	-	290 – 320
Operating cash and stripping costs	**$660 – 720**	**$765 – 880**	**$670 – 740**
Sustaining capital (cash)	110 – 120	95 – 110	110 – 120
Growth capital (cash)	50 – 55	-	45 – 50
Operating cash costs including capital	**$820 – 895**	**$860 – 990**	**$825 – 910**
Corporate and other cash costs[2]	-	-	120 – 130
All-in cash costs (pre-tax)[1]	**$820 – 895**	**$860 – 990**	**$945 – 1,040**
Revenue-based tax and income tax[3]	$180 – 200	$130 – 150	$175 – 190
All-in cash costs (including taxes)	**$1,000 – 1,095**	**$990 – 1,140**	**$1,120 – 1,230**

[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".
[2] Corporate and other cash costs per ounce produced include corporate general and administrative expenses, global exploration expenses, and community investments which are only reflected in the all-in cash cost amounts reported at the consolidated level.
[3] Revenue-based tax and income tax reflect actual amounts for the first six months of 2013 and a change in the forecasted gold price assumption from $1,450 per ounce sold to $1,250 for the last six months of 2013.

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2013 Exploration Expenditures:
Planned exploration expenditures for 2013 have been reduced to approximately $32 million, which is $8 million lower than the previous guidance of May 8, 2013. Exploration expenditure at Kumtor is now estimated to be $6.5 million, $2 million lower from the previous guidance as a result of a reduction in planned drilling.

In Mongolia, approximately $6.0 million is allocated for exploration programs at the Altan Tsagaan Ovoo ("ATO") project and in the greater ATO district.

Exploration spending in Turkey will be approximately $8 million as work focuses on expanding and upgrading the Öksüt gold deposit resource, advancing ongoing metallurgical testwork and initiating detailed environmental and technical project studies. Funds are also allocated to a number of early-stage exploration projects in Turkey and Cyprus.

In Russia, expenditures in Russia are expected to total approximately $6.0 million in 2013.

A China 2013 exploration program of $2 million will fund the drilling of targets developed on the Laogouxi Joint Venture project and generative exploration programs in several prospective areas. Generative programs will also continue Russia and Turkey and in several new regions to increase the Company's pipeline of projects.

2013 Capital Expenditures
Centerra's capital expenditures for 2013, excluding capitalized stripping, are unchanged from the previous guidance and are estimated to be $107 million, including $75 million of sustaining capital[1] and $32 million of growth capital[1]. While the total capital expenditure amount is unchanged, distribution of the capital between the projects has been updated as described below.

Capital expenditures (excluding capitalized stripping) include:

Projects	**2013 Growth Capital**[1] (millions of dollars)	**2013 Sustaining Capital**[1] (millions of dollars)
Kumtor mine	$30	$67
Mongolia	2	8
Consolidated Total	**$32**	**$75**

Kumtor
At Kumtor, 2013 total capital expenditures, excluding capitalized stripping, are forecast to be $97 million ($95 million in the previous guidance) including $67 million of sustaining capital[1] ($64 million in the previous guidance). The change in guidance for sustaining capital[1] is due to the late delivery of 2 CAT 789 haul trucks purchased in 2012 with the associated costs of $5 million carried over to 2013. This was partially offset by $2 million reduction in the major overhaul maintenance costs of the heavy duty mine equipment. The largest sustaining capital[1] spending will be the major

[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

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overhaul maintenance of the heavy duty mine equipment ($27 million), purchase of new mining equipment ($22 million), tailings dam construction raise ($5 million) and other items ($13 million).

Growth capital[1] investment at Kumtor for 2013 is forecast at $30 million ($31 million in the previous guidance), which includes the relocation of certain infrastructure at Kumtor related to the KS-13 life-of-mine expansion plan ($26 million) and other items amounting to $4 million ($5 million in the previous guidance).

The cash component of capitalized stripping costs related to the development of the open pit is expected to be $196 million in 2013 ($212 million in the previous guidance).

Mongolia (Boroo and Gatsuurt)
At Boroo, 2013 sustaining capital[1] expenditures are expected to be $8 million ($10 million in the previous guidance) primarily for raising the tailings dam at Boroo amounting to $5 million ($6 million in the previous guidance) and maintenance rebuilds and overhauls.

Growth capital[1] for the Gatsuurt deposit is forecast at $2 million ($1 million in the previous guidance) with $1 million related to environmental studies and $1 million for additional technical and legal work related to the project.

2013 Corporate Administration and Community Investment

Corporate and administration expense forecast for 2013 has been revised to $35 million from the previous guidance of $45 million, which includes a reduced forecast for business development activities from $7 million in the previous guidance to $2 million.

Total planned community investments for 2013 have been revised from the previous guidance of $27.5 million and are now forecast at $11.5 million, which includes $6.5 million for donations and sustainable development projects in the various communities in which Centerra operates and $5 million for strategic community investment projects. Note that these costs are not included in operating cash costs[1] but have been reflected in all-in cash costs[1].

Taxes

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

The corporate income tax rate for Centerra's Mongolian subsidiary, Boroo Gold Company, is 25% for taxable income over 3 billion Mongolian tugriks (approximately $2.1 million at the June 30, 2013 foreign exchange rate) with a tax rate of 10% for taxable income up to that amount while the royalty rate is 5%. These income tax and royalty rates applied until the Boroo Stability Agreement expired on July 7, 2013. Following the expiration of the Boroo Stability Agreement, Boroo Gold

[1] Non-GAAP measure, see discussion under "Non-GAAP Measures".

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Company's corporate income tax rate has not changed, however the royalty paid to the government has increased from 5% to a rate varying between 5% and 10% based on the price of gold to a maximum of 10% for gold prices at or above $1,300 an ounce.

Production, cost and capital forecasts for 2013 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings "Material Assumptions & Risks" and "Caution Regarding Forward-Looking Information" and under the heading "Risk Factors" in the Company's 2012 Annual Information Form.

Sensitivities:
Centerra's revenues, earnings and cash flows for 2013 are sensitive to changes in certain variables and the Company has estimated the impact of any such changes on revenues, net earnings and cash from operations.

	Change	**Impact on** *($ millions)*			
		Costs	**Revenues**	**Cash flow**	**Earnings before income tax**
Gold Price	**$50/oz**	3.5	23.0	19.5	19.5
Diesel Fuel (1)	**10%**	5.0	-	5.0	5.0
Kyrgyz som (2)	**1 som**	1.0	-	1.0	1.0
Mongolian tugrik(2)	**25 tugrik**	0.2	-	0.2	0.2
Canadian dollar (2)	**10 cents**	2.2	-	2.2	2.2

(1) a 10% change in diesel fuel price equals $11/oz produced

(2) appreciation of currency will result in higher costs and lower cash flow and earnings, depreciation of currency results in decreased costs and increased cash flow and earnings

Material Assumptions & Risks:
Material assumptions or factors used to forecast production and costs for 2013 include the following:

- a gold price of $1,250 per ounce,
- exchange rates:
  - $1USD:$1.01 CAD
  - $1USD:48.5 Kyrgyz som
  - $1USD:1,400 Mongolian tugriks
  - $1USD:0.75 Euro
- diesel fuel price assumption:
  - $0.70/litre at Kumtor
  - $1.26/litre at Boroo

The Company cannot give any assurances in this regard.

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

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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 $100 per barrel.

Other material assumptions were used in forecasting production and costs for 2013. The Company cannot give any assurances in this regard. These material assumptions include the following:

- the Company accesses the high-grade in cut-back 15 by the end of the third quarter 2013 as planned.
- any recurrence of political or civil unrest in the Kyrgyz Republic, referred to under the heading "Other Corporate Developments – Kyrgyz Republic – Kumtor Road Block, will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine and or power to the mine site.
- the activities of the Parliament and Government, referred to under the heading "Other Corporate Developments – Kyrgyz Republic" do not have a material impact on operations or financial results.
- the previously disclosed environmental claims received from the Kyrgyz regulatory authorities in the aggregate amount of $467 million, including four claims now before the Kyrgyz appeals court, and any further claims that may result from the State Commission, referred to under the heading "Other Corporate Developments – Kyrgyz Republic – Environmental Claims, are resolved without material impact on Centerra's operations or financial results.
- the movement in the Central Valley Waste Dump at Kumtor, referred to under the heading "Other Corporate Developments – Kyrgyz Republic – Kumtor Waste Dump Movement, will be managed to ensure continued safe operations, without impact to gold production, including the prompt development and approval by Kyrgyz regulatory authorities of alternative waste-rock dumping plans and the successful demolition of buildings and relocation of certain other infrastructure as planned.
- the activities of the special commission formed to visit the Kumtor mine site and inspect the waste-rock dump movement do not have a material impact on operations or financial results.
- grades and recoveries at Kumtor will remain consistent with the annual and life-of-mine plans 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 design of the new and expanded waste dumps at Kumtor adequately address the risks associated with size and stability.
- the timing of the infrastructure move at Kumtor not impacting the maintenance of the mobile fleet and its availability.
- the dewatering program at Kumtor continues to produce the expected results and the water management system works as planned.
- the Company is able to satisfactorily manage the ice movement and to unload the ice and waste in the southeast portion of the Kumtor pit.
- the Kumtor ball mill and the ring gear or replacement ring gear continue to operate as expected, referred to under the heading "Results of Operating Segments – Kumtor Mine – Ring Gear".
- the approval from Mongolian authorities to restart the heap leach gold production at Boroo from cell number 4 is received, referred to under the heading "Other Corporate Developments – Mongolia – Boroo Heap Leach".

- the royalty paid by Boroo will vary between 5% to 10% depending on the price of gold per ounce in U.S. dollars at the time of sale after the Boroo stability agreement expires in July 2013 and the current 25% income tax rate remains unchanged.
- prices of key consumables are not significantly higher than prices assumed in planning,
- precious metal prices and costs remain stable and do not result in an impairment to the Company's asset valuations.
- 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, and
- all necessary permits, licenses and approvals are received in a timely manner.

Production and cost forecasts and capital estimates are forward-looking information and are based on key assumptions and subject to material risk factors. If any event arising from these risks occurs, the Company's business, prospects, financial condition and results of operations and cash flows could be adversely affected. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect the Company's business operations, prospects, financial condition, results of operations or cash flows and the market price of Centerra's shares. See the section entitled "Caution Regarding Forward-Looking Information" in this discussion and also the Risk Factors listed in the Company's 2012 Annual Information Form, available on SEDAR at www.sedar.com.

Non-GAAP Measures

This MD&A presents information about operating cash costs of production of an ounce of gold produced, all-in cash costs per ounce produced and cost of sales per ounce sold for the operating properties of Centerra. Except as otherwise noted, operating cash costs per ounce produced is calculated by dividing operating cash costs by gold ounces produced for the relevant period. All-in cash costs per ounce produced includes operating cash costs, plus capitalized stripping, plus capital spent and accrued (sustaining and growth capital), plus corporate general and administrative expenses, plus global exploration expenses and community investments, divided by gold ounces produced for the relevant period. Operating cash costs, all-in cash costs per ounce produced, as well as average realized gold price per ounce and cost of sales per ounce sold are non-GAAP measures.

Operating cash costs include mine operating costs such as mining, processing, administration, 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. Certain amounts of stock-based compensation have been excluded as well. All-in cash costs includes operating cash costs, plus capitalized stripping and total sustaining and growth capital spent and accrued.

Operating costs include operating cash costs plus DD&A.

Operating cash costs per ounce produced is calculated by dividing operating cash costs by the ounces produced.

All-in cash costs per ounce produced and all-in cash costs produced (pre-tax) includes operating cash costs, capitalized stripping, sustaining and growth capital, corporate general and administrative expenses, global exploration expenses and community investments. The measure is presented including and excluding revenue-based taxes at Kumtor and income taxes at Boroo.

Cost of sales per ounce sold is calculated by dividing cost of sales by the number of ounces of gold sold for the relevant period.

Sustaining capital 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.

Growth capital 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.

Operating cash costs per ounce produced, all-in cash costs per ounce produced and cost of sales per ounce sold have been included because certain investors use this information to assess performance and also to determine the ability of Centerra to generate cash flow for use in investing and other activities. The inclusion of operating cash cost per ounce produced, all-in cash costs per ounce produced and cost of sales per ounce sold may enable investors to better understand year-over-year changes in production costs, which in turn affect profitability and cash flow.

The Company believes an all-in cash cost measure more fully reflects the actual cash cost of producing gold than the former Gold Institute total cash cost measure. The new measure does have limitations as an analytical tool as it may be distorted in periods where significant capital investments are being made to expand for future growth or where significant cash mining costs are being expended on stripping to benefit future periods. This new measure should therefore not be considered in isolation, or as a substitute for, analysis of our results as reported under GAAP.

Management uses all-in cash cost per ounce produced to evaluate current operating performance and for planning and forecasting of future periods. Management believes that the presentation of this new measure is useful for the investor because it allows investors to view results in a manner similar to the method used by management.

Industry measure

The World Gold Council released on June 27, 2013 guidance regarding the non-GAAP measures "All-In Sustaining Costs" and "All-In Costs" it recommends that its members adopt. The Company is reviewing the recommended measures and assessing their impact. The Company may modify the calculation of its "all-in cash cost" measure to conform to the industry's standard following its review.

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Operating Cash Cost per Ounce Produced can be reconciled as follows:

(Unaudited)	Three months ended June 30,		Six months ended June 30,	
($ millions, unless otherwise specified)	**2013**	**2012**	**2013**	**2012**
Centerra:				
Cost of sales, as reported	**$ 84.6**	$ 82.4	**$ 175.8**	$ 161.5
Less: Non-cash component	**31.6**	15.4	**75.4**	33.6
Cost of sales, cash component	**$ 53.0**	$ 67.0	**$ 100.4**	$ 127.9
Adjust for: Refining fees & by-product credits	**(0.2)**	(0.1)	**(0.3)**	(0.4)
Regional office administration	**5.9**	5.3	**11.5**	10.1
Mining Standby Costs	**-**	-	**-**	4.6
Non-operating costs	**-**	-	**-**	-
Inventory movement	**(1.3)**	(28.5)	**0.1**	(48.9)
Operating cash cost	**$ 57.4**	$ 43.7	**$ 111.7**	$ 93.3
Ounces poured (000)	**99.4**	52.5	**214.6**	125.0
Operating cash cost per ounce produced	**$ 577**	$ 831	**$ 520**	$ 746
Kumtor:				
Cost of sales, as reported	**$ 65.7**	$ 66.1	**$ 132.0**	$ 128.9
Less: Non-cash component	**25.2**	12.9	**59.3**	28.5
Cost of sales, cash component	**$ 40.5**	$ 53.2	**$ 72.7**	$ 100.4
Adjust for: Refining fees & by-product credits	**(0.1)**	(0.1)	**(0.2)**	(0.3)
Regional office administration	**4.4**	4.1	**8.5**	7.4
Mining Standby Costs	**-**	-	**-**	4.6
Non-operating costs	**-**	**-**	**-**	**-**
Inventory movement	**(0.8)**	(23.8)	**3.6**	(39.8)
Operating cash cost	**$ 44.0**	$ 33.4	**$ 84.6**	$ 72.3
Ounces poured (000)	**72.4**	41.3	**162.0**	102.0
Operating cash cost per ounce produced	**$ 608**	$ 808	**$ 522**	$ 709
Boroo:				
Cost of sales, as reported	**$ 18.9**	$ 16.3	**$ 43.8**	$ 32.6
Less: Non-cash component	**6.4**	2.5	**16.1**	5.1
Cost of sales, cash component	**$ 12.5**	$ 13.8	**$ 27.7**	$ 27.5
Adjust for: Refining fees & by-product credits	**(0.1)**	-	**(0.1)**	(0.1)
Regional office administration	**1.5**	1.2	**3.0**	2.7
Mining Standby Costs	**-**	-	**-**	-
Non-operating costs	**-**	-	**-**	-
Inventory movement	**(0.5)**	(4.7)	**(3.5)**	(9.1)
Operating cash cost	**$ 13.4**	$ 10.2	**$ 27.1**	$ 21.0
Ounces poured (000)	**27.1**	11.2	**52.7**	23.0
Operating cash cost per ounce produced	**$ 495**	$ 916	**$ 514**	$ 911

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Total capital and capitalized stripping presented in the All-In Cash Cost calculation can be reconciled as follows:

Second Quarter	Kumtor	Boroo	All other	Consolidated
($ millions) *(Unaudited)*				
2013				
Capitalized stripping –cash	**$ 56.6**	**$ -**	**$ -**	**$ 56.6**
Sustaining capital - cash	**15.0**	**3.4**	**0.1**	**18.5**
Growth capital - cash	**9.3**	**-**	**0.3**	**9.6**
Net decrease in accruals included in additions to PP&E	**1.6**	**-**	**-**	**1.6**
Total - Additions to PP&E(1)	**$ 82.5**	**$ 3.4**	**$ 0.4**	**$ 86.3** (1)
2012				
Capitalized stripping – cash	$ 49.2	$ 3.6	$ -	$ 52.8
Sustaining capital – cash	11.2	0.8	0.1	12.1
Growth capital - cash	34.7	-	0.1	34.8
Net increase in accruals included in additions to PP&E	(0.7)	-	-	(0.7)
Total - Additions to PP&E(1)	$ 94.5	$ 4.4	$ 0.2	$ 99.0(1)

First Half	Kumtor	Boroo	All other	Consolidated
($ millions) *(Unaudited)*				
2013				
Capitalized stripping –cash	**$ 110.0**	**$ -**	**$ -**	**$ 110.0**
Sustaining capital - cash	**26.8**	**4.6**	**0.5**	**31.9**
Growth capital - cash	**25.4**	**-**	**0.3**	**25.7**
Net decrease in accruals included in additions to PP&E	**(7.7)**	**-**	**-**	**(7.7)**
Total - Additions to PP&E(1)	**$ 154.5**	**$ 4.6**	**$ 0.8**	**$ 159.9(1)**
2012				
Capitalized stripping – cash	$ 93.5	$ 6.3	$ -	$ 99.8
Sustaining capital – cash	16.7	1.3	0.2	18.2
Growth capital - cash	124.0	-	0.2	124.2
Net increase in accruals included in additions to PP&E	0.6	-	0	0.6
Total - Additions to PP&E[1]	$ 234.8	$ 7.6	$ 0.4	$ 242.8(1)

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

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Corporate and other cash costs presented in the All-In Cash Costs calculation can be reconciled as follows:

Unaudited ($ millions)	Three months ended June 30 2013	 2012	Six months ended June 30 2013	 2012
Other operating expenses	**$ 2.2**	$ 22.9	**$ 4.1**	$ 24.3
Exploration and business development	**6.3**	9.2	**13.4**	17.5
Corporate administration	**7.2**	1.9	**13.9**	10.5
Total Corporate and other cash costs (1)	**$ 15.7**	$ 34.0	**$ 31.4**	$ 52.3

(1) As reported on the Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss) for the reported periods.

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 (discussed under the heading "Other Corporate Development – Kyrgyz Republic") to the benefit of all shareholders including matters relating to the State Commission report, government resolutions and decrees, discussions with the Kyrgyz Government on the Kumtor Project Agreements, the resolution of environmental claims received by Kumtor in December 2012 (now before the Kyrgyz appeal court) and February 2013 for the aggregate amount of $467 million, and the draft Kyrgyz law on denunciation having no material impact on Kumtor operations, the Company's ability to develop a long-term waste-rock plan at Kumtor and promptly obtain the necessary permits and approvals for such long-term plan, and the Company's ability to successfully demolish certain buildings and relocate other infrastructure at Kumtor and to maintain the availability of the Kumtor mobile fleet, the Company's ability to manage the movement of the Central Valley Waste Dump, the activities of a special commission formed to inspect the increased movements of the Central Valley Waste Dump, statements regarding guidance under the heading "Outlook for 2013" relating to, among other things, the Company's ability to strip sufficient waste to allow access to the east portion of the Kumtor Central Pit, the continued operation of Kumtor ball mill with the current and/or spare ring gear, the Company's future production in 2013, including estimates of cash operating costs and all-in unit cash costs, exploration plans and expenditures and the success thereof, capital expenditures, mining plans at Kumtor, statements regarding having sufficient cash and investments to carry out the Company's business plans for 2013, the outcome of discussions with the Mongolian government on the potential development of the Company's Gatsuurt deposit and the strategic designation status of the Gatsuurt deposit, future planned

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exploration expenditures; the Company's business and political environment and business prospects; and the timing and development of new deposits.

Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking information. Factors that could cause actual results or events to differ materially from current expectations include, among other things: (A) political and regulatory risks, including the political risks associated with the Company's principal operations in the Kyrgyz Republic and Mongolia, resource nationalism, the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates, the impact of any actions taken by the Government and Parliament relating to the Kumtor Project Agreement, any impact on the purported cancellation of Kumtor's land use rights at the Kumtor Project, the effect of the Water and Forest Law on the Company's operations in Mongolia, the effect of the 2006 Mongolian Minerals Law on the Company's Mongolian operations, the effect of the November 2010 amendments to the 2006 Mongolian Minerals Law on the royalties payable in connection with the Company's Mongolian operations, the impact of continued scrutiny from Mongolian regulatory authorities on the Company's Boroo project, the impact of changes to, or the increased enforcement of, environmental laws and regulations relating to the Company's operations, the Company's ability to successfully negotiate an investment agreement for the Gatsuurt project to complete the development of the mine and the Company's ability to obtain all necessary permits and commissions needed to commence mining activity at the Gatsuurt project; (B) risks related to operational matters and geotechnical issues, including the movement of the Central Valley Waste Dump and the approvals needed for an alternative waste-rock dump plan, the waste and ice movement at the Kumtor Project and the Company's continued ability to successfully manage such matters, the occurrence of further ground movements at the Kumtor Project, the timing of the infrastructure move potentially impacting the maintenance of the mobile fleet and its availability, the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities, the adequacy of the Company's insurance to mitigate operational risks, mechanical breakdowns, the Company's ability to obtain the necessary permits and authorizations to (among other things) raise the tailings dam at the Kumtor Project to the required height, the Company's ability to replace its mineral reserves, the occurrence of any labour unrest or disturbance and the ability of the Company to successfully re-negotiate collective agreements when required, seismic activity in the vicinity of the Company's operations in the Kyrgyz Republic and Mongolia, long lead times required for equipment and supplies given the remote location of the Company's properties, reliance on a limited number of suppliers for certain consumables, equipment and components, illegal mining on the Company's Mongolian properties, the Company's ability to accurately predict decommissioning and reclamation costs, the Company's ability to attract and retain qualified personnel, competition for mineral acquisition opportunities, risks associated with the conduct of joint ventures, and the possibility of failure of the ring gear and spare ring gear at the Kumtor ball mill; (C) risks relating to financial matters including the sensitivity of the Company's business to the volatility of gold prices, the impact of declining gold prices and rising costs on the Company's asset valuation leading to potential impairment, 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

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business activities, the Company's ability to obtain future financing, the impact of global financial conditions, the impact of currency fluctuations, the effect of market conditions on the Company's short-term investments, the Company's ability to make payments including any payments of principal and interest on the Company's debt facilities depends on the cash flow of its subsidiaries; and (D) risks related to environmental and safety matters, including the ability to continue obtaining necessary operating and environmental permits, licenses and approvals, the impact of the significant environmental claims made in December 2012 and February 2013 relating to the Kumtor Project, inherent risks associated with using sodium cyanide in the mining operations; legal and other factors such as litigation, defects in title in connection with the Company's properties, the Company's ability to enforce its legal rights, risks associated with having a significant shareholder, and possible director conflicts of interest. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See "Risk Factors" in the Company's 2012 Annual Information Form available on SEDAR at www.sedar.com.

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

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

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward-looking information is as of July 31, 2013. 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.